



G A R D N E R
J O H N S O N

POTENTIAL ECONOMIC AND FISCAL
IMPACTS TO THE CITY OF TUMWATER
THAT WOULD RESULT FROM
DEVELOPMENT OF A WAL-MART
SUPERCENTER ON LITTLEROCK ROAD.

Prepared for:

PACLAND

June 23, 2005



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I. EXECUTIVE SUMMARY

GARDNER JOHNSON has been retained by PACLAND to document potential economic and fiscal impacts to the City of Tumwater that would result from development of a Wal-Mart Supercenter on Littlerock Road. The following is a summary of our major findings.

- The City of Tumwater demonstrated robust commercial expansion between 1998 and 2003, the years of most recent and complete data. 3.8% annual growth in Commercial retail establishments grew in count by 3.8% annually and taxable retail sales grew by a remarkable 10.5% annually.
- As a result of the discrepancy in retail establishment growth and taxable retail sales growth, Tumwater is estimated to have annual retail sales leakage by a factor of \$20.5 million, or roughly 10% of potential spending by residents that should be captured locally (see Figure below).

TUMWATER RETAIL SALES LEAKAGE CALCULATION

	Total Applicable Sales 1/		Projected Tourist Spending 2/	=	Local Spending by Tumwater Residents
City of Tumwater Retail Sales	\$214,367,892	-	\$19,250,212	=	\$195,117,680
	Total Potential Resident Spending		Local Spending by Residents		Resident Retail Sales Leakage (annual)
Consumer Spending by Local Residents	\$215,623,000	-	\$195,117,680	=	\$20,505,320

SOURCE: Washington Department of Revenue, Dean Runyan & Associates and Gardner Johnson

1/ 2003 estimates were revised upwards to reflect recent economic growth.

2/ Estimate based on reported 2003 visitor spending data (Dean Runyan & Associates, 2005)

- Construction of the proposed development is estimated to create over \$727,000 in Tumwater business revenues, 8.6 full-time equivalent (FTE) jobs, and \$301,000 in Tumwater employment wages via direct, indirect and induced commerce over the course of the construction period.
- In addition to expected system development charges, construction of the proposed development is estimated to generate up to \$51,400 in City utility tax, sales and use tax, and business and occupation (B&O) tax revenues during the project construction period (see Figure below). Sales tax revenue from the value of construction contracts at the construction site point of sale is the largest contributor.

SUMMARY OF TUMWATER TAX REVENUES FROM WAL-MART SUPERCENTER CONSTRUCTION

Construction-Generated Revenues Tumwater Industry (NAICS)	Direct Impact Revenues	Multiplier Effects Tax Revenues			Total Tax Revenues
		Indirect	Induced	Combined	
Utility Tax (6.0%)	\$0	\$257	\$532	\$788	\$788
Sales & Use Tax (0.85%)	\$41,412	\$301	\$1,221	\$1,522	\$42,934
Business & Occupation Tax (0.1%)	\$7,150	\$138	\$446	\$584	\$7,734
Total	\$48,562	\$695	\$2,199	\$2,894	\$51,456

SOURCE: Gardner Johnson



- A review of empirical, peer-reviewed economic studies regarding the impacts of Wal-Mart stores nationwide indicates that Tumwater does not fit the profile of communities that risk negative impacts from the proposed development as it is not rural, declining, depressed, or reliant on a downtown district as a primary retail core. Specifically:
 - The City of Tumwater is a moderately sized community with a growing population of roughly 13,000. For the foreseeable future, the Tumwater/Thurston County area is expecting to witness robust household and population growth supportive of retail expansion.
 - The city has already established a big box/large-format retail presence best represented by Costco, Home Depot and Fred Meyer, of which Costco and Fred Meyer would compete most intensively with a Wal-Mart store.
 - Tumwater is currently experiencing retail sales leakage, a portion of which is likely going to the Lacey Wal-Mart store.
 - The City presently does not have a downtown area whose retailers may compete with the Wal-Mart store.
- Operation of the completed Wal-Mart Supercenter is estimated to cause a net increase in Tumwater business revenues by \$102 million annually, Tumwater employment by 372 jobs annually, and employment income by \$8.8 million annually via direct, indirect and induced commercial activity at stabilization of the project, in current 2005 dollars.
- Academic and independent consultancy research indicates that for a community of Tumwater's growing, suburban profile, some economic impacts due to Wal-Mart Supercenter, in the form of diminished revenues and/or potential job losses at competitors, are probable but should be temporary and limited assuming existing businesses adjust to compete successfully as have competitors in other markets. Strategies have included lower prices, differentiated merchandise, and specialized services.
- Some potential retail job losses at Tumwater competitors immediately after store opening through stabilization are probable based on national averages. However, Tumwater's faster-than-average population growth and location of the proposed Tumwater store along Interstate 5 will likely support growth in local spending and demand for retail development that can quickly absorb or mitigate such pressures.
- As the nation's largest discount retailer, Wal-Mart's entry into the local grocery market will create added competition for existing, larger grocery stores, such as Albertson's, Mega Foods and Fred Meyer. Competition will be most intense for those existing grocers that compete purely on a price basis. Such existing businesses are the most vulnerable to stagnation, lost customer base and/or closure, depending upon their business strategy reaction to Wal-Mart's own discount retail strategy.
- Permanent operations of the proposed development are estimated to generate over \$679,000 in City tax revenues annually in current, 2005 dollars (see Figure on the following page).



- On-going City public service costs due to the development of at least \$71,250 in current dollars will be adequately addressed by the projected \$671,000 in annual, non-bond obligation tax revenue generated by the development.

SUMMARY OF TUMWATER TAX REVENUE FROM WAL-MART SUPERCENTER OPERATIONS

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)	\$8,822	---	---	---	\$8,822
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

- Annual City revenues generated by Wal-Mart development can be expected to significantly outweigh potential public service cost, largely concentrated in public works and emergency services such as police and fire (see Figure below)¹.

COMPARISON OF DIRECT CITY REVENUE AND COST IMPACTS

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)	\$8,822
Property Tax Total	\$47,190
<i>Sales & Use Tax (0.85%)</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>	At Least \$41,250
<i>Fire/EMT Service</i>	n/a
Total	At Least \$71,250
BALANCE	Up To \$608,572

SOURCE: Gardner Johnson

¹ Utility tax revenue of \$2,452 will result from Wal-Mart's need for utility provision. Within the framework of economic and fiscal impact analysis, however, taxes on vendor purchases is technically an indirect impact and is dedicated as such in the Summary of Tumwater Tax Revenue from Wal-Mart Supercenter Operations table immediately above.



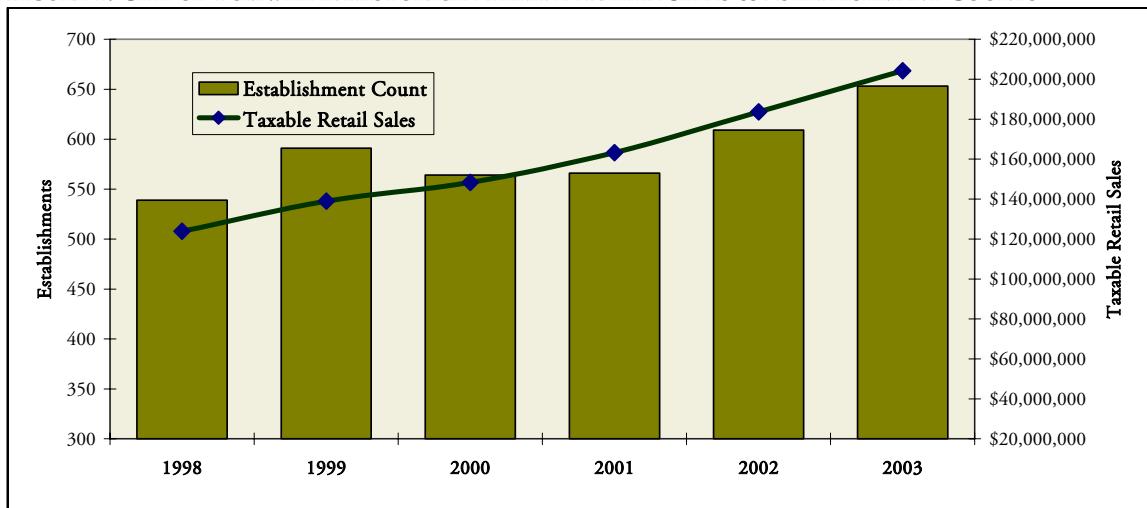
II. EXISTING CONDITIONS

RETAIL COMMERCIAL CONDITIONS

Historical Retail Sales & Establishment Counts

Over the five year period ending in 2003, 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%. Concurrently, the level of local taxable retail sale grew at an accelerated pace of 10.5% from \$123 million in 1998 to \$204 million in 2003.

FIGURE 1: CITY OF TUMWATER HISTORICAL TAXABLE RETAIL SALES & ESTABLISHMENT COUNTS



Source: Washington State Department of Revenue

This discrepancy in growth rates indicates that the number of retail establishments is not keeping pace with the region’s demonstrated retail sales growth. A sustainable period under such conditions can lead a region to become increasingly underserved in retail, forcing area residents to fulfill their commercial retail needs in other neighboring markets.

Current Retail Sales & Establishment Counts

In 2003, approximately \$204 million were spent at local retail establishments by residents and non-residents/visitors, an increase of nearly 11% over the previous year. By capturing half of overall retail sales activity in Tumwater, the City’s six general merchandising establishments are the driving force of the local retail industry. Food services & drinking places (14.5%), and building material, garden equipment & supplies dealers (9.3%) also have major sector presence.

653 retail establishments conducted business in Tumwater in 2003, representing an increase of 7.2% over the previous year. Smaller miscellaneous store retailers and non-store retailers comprise the lion’s share of establishments in the area. However, these two retail categories which account for over 41% of establishment represent only 2.3% of sales activity.



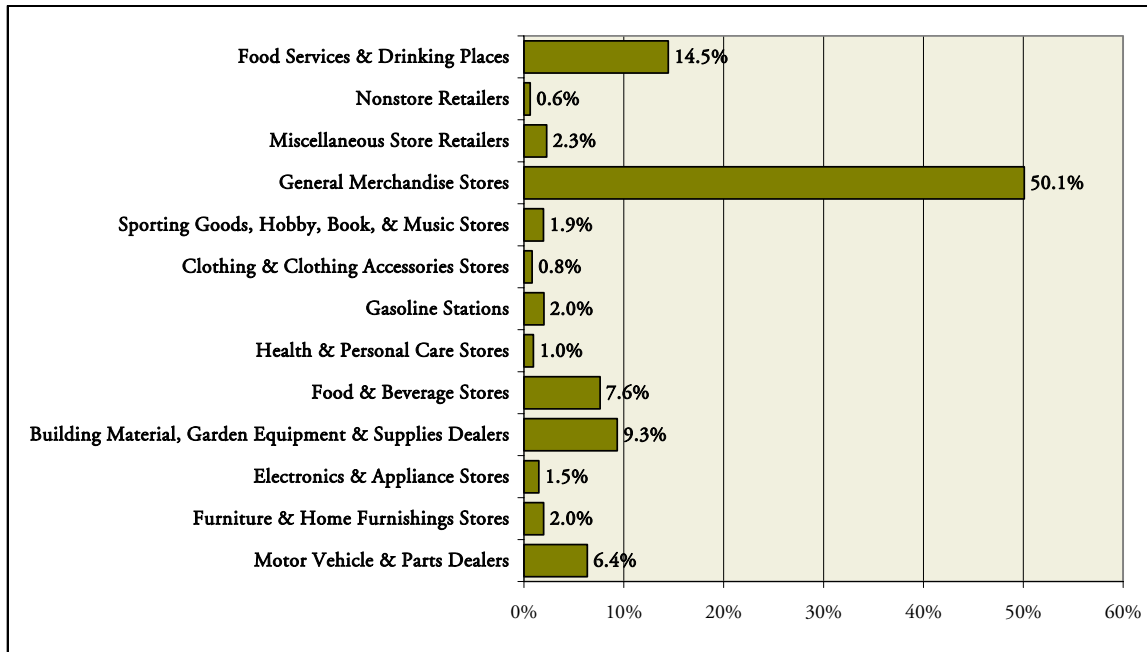
FIGURE 2: CITY OF TUMWATER 2003 RETAIL SALES AND ESTABLISHMENT COUNT

		City of Tumwater	
		Retail Sales	Establishments
441	Motor Vehicle & Parts Dealers	\$ 12,965,492	27
442	Furniture & Home Furnishings Stores	\$ 4,032,765	36
443	Electronics & Appliance Stores	\$ 3,076,219	77
444	Building Material, Garden Equipment & Supplies Dealers	\$ 19,082,215	48
445	Food & Beverage Stores	\$ 15,575,040	14
446	Health & Personal Care Stores	\$ 1,961,324	30
447	Gasoline Stations	\$ 4,072,920	17
448	Clothing & Clothing Accessories Stores	\$ 1,688,604	26
451	Sporting Goods, Hobby, Book, & Music Stores	\$ 3,977,652	38
452	General Merchandise Stores	\$ 102,244,082	6
453	Miscellaneous Store Retailers	\$ 4,674,166	156
454	Nonstore Retailers	\$ 1,304,863	113
722	Food Services & Drinking Places	\$ 29,504,555	65
		\$ 204,159,897	653

SOURCE: Washington State Department of Revenue

In contrast, general merchandise is the predominant subsector due to the local presence of Fred Meyer and Costco, both members of the general merchandise retail store category.

FIGURE 3: CITY OF TUMWATER RETAIL SALES DISTRIBUTION BY CATEGORY



SOURCE: Washington Department of Revenue

Consumer Spending By Local Residents

In 2004, consumers residing within the City of Tumwater spent a total of \$215 million within and outside of Tumwater. The average household in Tumwater spent approximately \$36,090 on retail goods according to Claritas, Inc, a statistical data and research consulting



firm. The primary goods consumed by local residents were food at home, apparel, and health care. A detailed summary of Tumwater resident spending is found in Figure 4 below.

FIGURE 4: SUMMARY OF RETAIL SPENDING BY TUMWATER RESIDENTS, 2004-2009²

Retail Category	Aggregate Expenditures		Average HH Expenditures	
	2004	2009	2004	2009
Apparel:				
Total Apparel	\$21,254,000	\$26,164,000	\$3,576	\$4,154
Entertainment:				
Sports and Recreation	\$7,178,000	\$9,668,000	\$1,208	\$1,535
TV, Radio and Sound Equipment	\$10,370,000	\$13,212,000	\$1,745	\$2,098
Reading Materials	\$3,411,000	\$4,313,000	\$574	\$685
Travel	\$8,189,000	\$10,050,000	\$1,378	\$1,596
Photographic Equipment	\$771,000	\$872,000	\$130	\$138
Food at Home:				
Total Food at Home	\$28,859,000	\$32,569,000	\$4,856	\$5,171
Health Care:				
Total Health Care	\$17,865,000	\$27,628,000	\$3,006	\$4,387
Household Equipment:				
Total Household Textiles	\$2,865,000	\$3,587,000	\$482	\$570
Total Furniture	\$4,074,000	\$4,808,000	\$685	\$763
Major Appliances	\$1,617,000	\$1,725,000	\$272	\$274
Small Appliance/Houseware	\$3,755,000	\$4,347,000	\$632	\$690
Misc Household Equipment	\$2,630,000	\$3,435,000	\$443	\$545
Misc Personal Items:				
Personal Care Products and Services	\$5,207,000	\$6,898,000	\$876	\$1,095
Personal Expenses and Services	\$7,825,000	\$9,526,000	\$1,317	\$1,513
Smoking Prods/Supplies	\$4,282,000	\$5,063,000	\$721	\$804
Miscellaneous Items:				
Total Education	\$6,696,000	\$8,822,000	\$1,127	\$1,401
Pet Expenses	\$2,453,000	\$3,218,000	\$413	\$511
Day Care	\$1,504,000	\$2,147,000	\$253	\$341
Contributions (All)	\$10,401,000	\$12,890,000	\$1,750	\$2,047
Other Misc. Expenses:				
Housekeeping Supplies	\$1,682,000	\$2,178,000	\$283	\$346
Total Food away from Home	\$28,581,000	\$34,793,000	\$4,809	\$5,524
Food and Nonalcoholic Bevgs on Trips	\$6,731,000	\$7,615,000	\$1,133	\$1,209
Total Alcoholic Beverages	\$8,447,000	\$9,692,000	\$1,421	\$1,539
Alcoholic Beverages at Home	\$5,636,000	\$6,600,000	\$948	\$1,048
Alcoholic Beverages away from Home	\$2,810,000	\$3,091,000	\$473	\$491
Shelter and Related Expenses:				
Household Services	\$2,885,000	\$4,252,000	\$485	\$675
Household Repairs	\$5,427,000	\$6,305,000	\$913	\$1,001
Total Housing Expenses	\$3,694,000	\$4,249,000	\$622	\$675
Fuels and Utilities	\$298,000	\$301,000	\$50	\$48
Telephone Service	\$3,396,000	\$3,948,000	\$571	\$627
Transportation Expenses:				
Total Transportation Expenses	\$37,552,000	\$49,496,000	\$6,319	\$7,859
Total Specified Consumer Expenditures	\$248,992,000	\$312,838,000	\$41,897	\$49,673
Total Applicable Consumer Expenditures	\$215,623,000	\$268,919,000	\$36,090	\$42,698

SOURCE: Claritas, Inc.

Consumer Spending by Visitors

GARDNER JOHNSON derived estimates for retail spending at local businesses by visiting consumers utilizing visitor spending and spending impact data prepared by Dean Runyan

² “Applicable” resident spending is defined as total resident spending less normal annual spending by households on vacations, out-of-town trips, etc. that would not have been spent locally under normal circumstances. 2009 estimates were derived by applying average figures per household to expected household growth rates in Tumwater as estimated by Claritas, Inc.



and Associates for the State of Washington. In 2003, approximately \$24.6 million in spending was driven by nonresidents, \$18 million of which were retail sales transactions as opposed to provision of services. A summary of spending by visitors to Washington, Thurston County and the City of Tumwater are detailed in Figure 5 below. Tumwater visitor spending figures are estimated by GARDNER JOHNSON based on a comparison of countywide resident spending data from Claritas, Inc, County gross business income data reported by the Washington State Department of Revenue, and countywide visitor spending reported by Dean Runyan & Associates.

FIGURE 5: STATE, THURSTON COUNTY & TUMWATER VISITOR SPENDING

Commodity Category	Washington State	Thurston County	Tumwater 1/
Food & Beverage Services	\$ 2,371,000,000	\$ 55,900,000	\$ 6,648,622
Shopping	\$ 1,466,000,000	\$ 36,100,000	\$ 4,293,654
Ground Transportation & Motor Fuel	\$ 1,813,000,000	\$ 46,600,000	\$ 5,542,500
Accommodations	\$ 1,501,000,000	\$ 25,100,000	\$ 2,985,338
Recreation & Entertainment 2/	\$ 1,251,000,000	\$ 31,200,000	\$ 3,710,859
Food Stores	\$ 489,000,000	\$ 11,900,000	\$ 1,415,360
TOTAL	\$ 8,891,000,000	\$ 206,800,000	\$ 24,596,332
Total Applicable Retail Spending	\$ 6,179,800,000	\$ 151,310,000	\$ 17,996,475

SOURCE: Dean Runyan Travel Impacts Report (2005)

1/ Estimates for Tumwater assume the County wide distribution of spending and capture of overall retail sales

2/ Assumed a 25% capture for retail uses

Retail Sales Leakage in Tumwater

Given Tumwater resident spending patterns and estimated spending by visitors to Tumwater, retail sales leakage from Tumwater due to residents spending outside of the City were estimated by GARDNER JOHNSON. Calculation of retail spending leakage is found in Figure 6 below. Given gross business receives of \$214.4 million by Tumwater businesses annually, subtracting retail spending by Tumwater businesses yields local spending by Tumwater residents of approximately \$195.1 million annually.

FIGURE 6: TUMWATER RETAIL SALES LEAKAGE CALCULATION

	Total Applicable Sales 1/		Projected Tourist Spending 2/		Local Spending by Tumwater Residents
City of Tumwater Retail Sales	\$214,367,892	-	\$19,250,212	=	\$195,117,680
	Total Potential Resident Spending		Local Spending by Residents		Resident Retail Sales Leakage (annual)
Consumer Spending by Local Residents	\$215,623,000	-	\$195,117,680	=	\$20,505,320

SOURCE: Washington Department of Revenue, Dean Runyan & Associates and Gardner Johnson

1/ 2003 State estimates of local retail sales were revised upwards to 2005 by assuming similar growth rates for retail sales as local population growth since 2003.

2/ Estimate based on reported 2003 visitor spending data (Dean Runyan & Associates, 2005).

Alternatively, Tumwater residents are estimated to spend a total of \$215.6 million annually after typical vacation and out-of-town trip spending is accounted. Given local spending by residents at \$195.1 million annually, the City of Tumwater has an estimated retail sales



leakage by residents of \$20.5 million³. Sales leakage and its recovery to the City of Tumwater economy are further discussed later in this document.

Retail Employment in Tumwater

Retail establishments in Tumwater employed roughly 2,045 individuals in 2004⁴. More than 1,130 employees or 55% of total employment is supported by food oriented industries, particularly eating and drinking places and food stores. Only 10 non-restaurant establishments in the area employ 20 or more individuals.

FIGURE 7: TUMWATER RETAIL EMPLOYMENT BY SUBSECTOR, 2004

S.I.C. Code	Business Description	Total Employees	Establishments 20+ Employees
52	Building Materials, Garden Supply & Mobile Homes	261	1
53	General Merchandise Stores	73	1
531	Department Stores	61	1
54	Food Stores	336	3
541	Grocery Stores	292	3
542	Meat and Fish Markets	4	0
543	Fruit and Vegetable Markets	0	0
544	Candy, Nut and Confection Store	0	0
545	Dairy Products Stores	0	0
546	Retail Bakeries	0	0
549	Miscellaneous Food Stores	40	0
55	Automobile Dealers and Gas Service Stations	137	1
56	Apparel and Accessory Stores	22	0
57	Home Furniture, Furnishings and Equipment	113	1
58	Eating and Drinking Places	798	17
5812	Eating Places	769	17
5813	Drinking Places	29	0
59	Miscellaneous Retail	305	3
TOTAL ALL RETAILING		2,045	27

SOURCE: Claritas, Inc.

Due to the SIC classification of retail employed by Claritas, a significant portion of employment by Costco is technically categorized as wholesale trade rather than retail.

³ Due to the lack of specificity of retail sales categories by NAICS or SIC in the Dean Runyan data, it is not possible to estimate specific retail leakage by sector.

⁴ Annual employment estimates are from Claritas, Inc. Detailed, annual estimates for employment at the local level are not generally available from government sources.



Retail Wages in Tumwater

Local area retailers paid out an annual average wage of \$20,144 in 2004. The highest retail wages in the area were paid to motor vehicle & parts dealers (\$37,604) while the lowest earners are employed in food services & drinking places (\$12,735). At current, wages for food & beverage stores are approximately 9.7% higher than that of general merchandising stores. However, both wage levels are well above the county wide average retail wage.

FIGURE 8: THURSTON COUNTY RETAIL EMPLOYMENT WAGES, 2004

NAICS	Sector	Average Quarterly Wage	Average Annual Wage
44-45	Retail Trade	\$6,096	\$24,383
	441 Motor Vehicle and Parts Dealers	\$9,401	\$37,604
	442 Furniture and Home Furnishings Stores	\$6,458	\$25,831
	443 Electronics and Appliance Stores	\$5,917	\$23,668
	444 Building Material & Garden Supply Stores	\$6,793	\$27,174
	445 Food and Beverage Stores	\$6,126	\$24,506
	446 Health and Personal Care Stores	\$6,965	\$27,860
	447 Gasoline Stations	\$4,002	\$16,009
	448 Clothing and Clothing Accessories Stores	\$3,914	\$15,658
	451 Sporting Goods/Hobby/Book/Music Stores	\$3,780	\$15,119
	452 General Merchandise Stores	\$5,586	\$22,342
	453 Miscellaneous Store Retailers	\$4,441	\$17,765
	454 Nonstore Retailers	\$6,982	\$27,927
	72 Accommodation and Food Services	\$3,257	\$13,026
	721 Accommodation	\$4,263	\$17,052
	722 Food Services and Drinking Places	\$3,184	\$12,735
TOTAL/AVERAGE		\$5,018	\$20,072

SOURCE: Washington Employment Security Department

1/ Results reported from the four quarters ending in 3Q04 for Thurston County

FISCAL REVENUE AND COST CONDITIONS

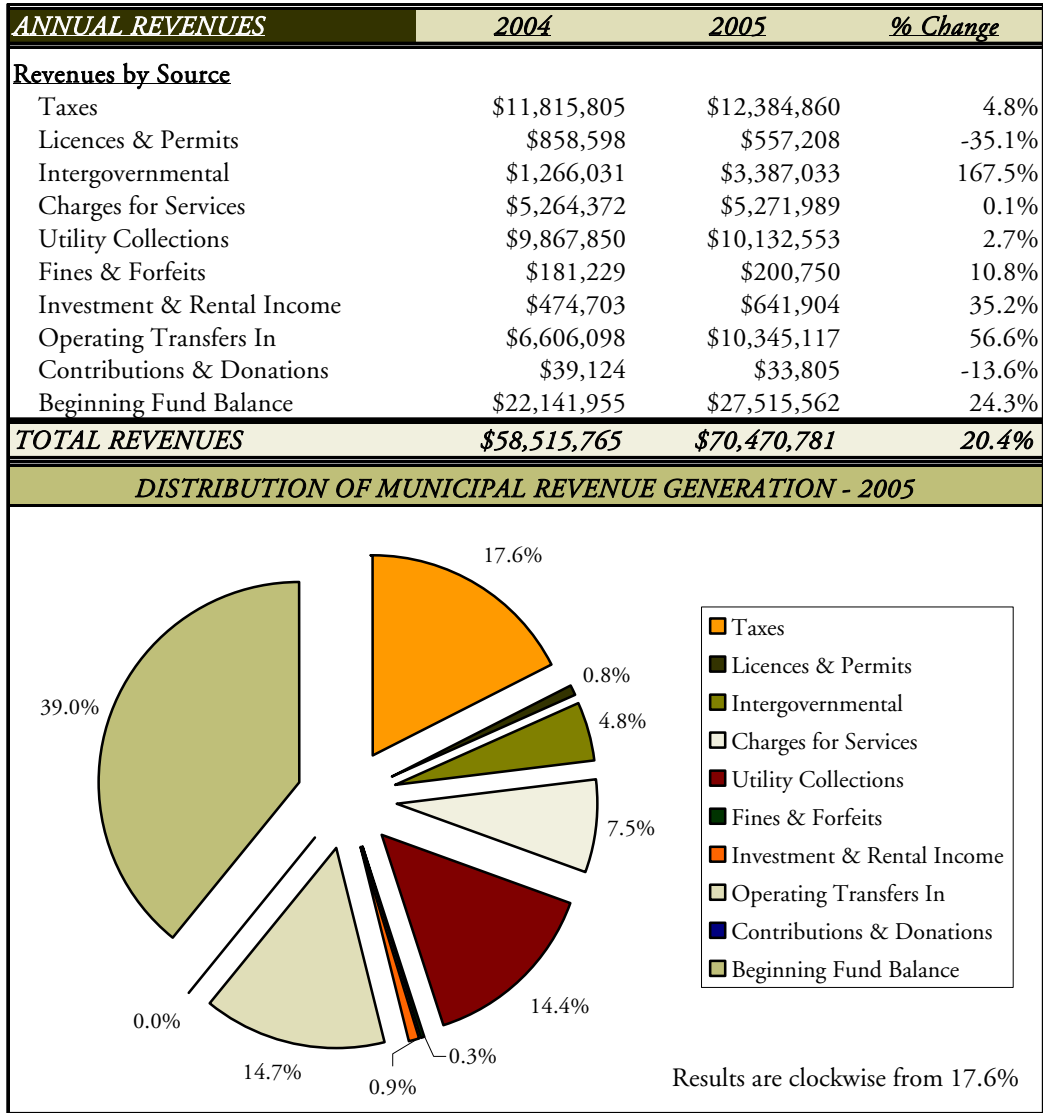
Reflecting robust growth in the local economy, municipal revenues for the City of Tumwater are projected to grow by more than 20% in 2005 over the previous year. Aside from the beginning balance of the fund, the major revenue generators will be taxes, closely followed by operating transfers in, and utility collection. Total revenue collection is expected to top \$70.4 million.

In 2005, 87% of the city's \$11.9 million budget increase will be allocated toward an increase in capital improvement projects including developing two neighborhood parks; completion of the multi-level phases of Pioneer Park; beginning the development of urban trails; an enhanced annual overlay program with sidewalk improvements, additional bike paths, additional & improved illumination, improved signalizations and traffic calming devices through out the City; utility service delivery enhancements through out the City; and an expansion of City Hall for the police department.



Figure 9 below provides a detailed summary of City of Tumwater revenues for 2004 and 2005.

FIGURE 9: SUMMARY OF CITY OF TUMWATER REVENUE SOURCES, 2004-2005



SOURCE: City of Tumwater

Figure 10 on the following page provides a detailed summary of City of Tumwater budgeted expenditures for 2004 and 2005.



FIGURE 10: SUMMARY OF CITY OF TUMWATER EXPENDITURES, 2004-2005

ANNUAL EXPENDITURES	2004	2005	% Change
General Fund	\$ 14,716,589	\$ 14,331,527	-2.6%
Development Services	\$968,323	\$1,115,497	15.2%
Executive	\$203,914	\$216,761	6.3%
Finance	\$1,451,874	\$1,520,073	4.7%
Fire	\$2,446,335	\$2,506,782	2.5%
General/Personal Services	\$248,900	\$265,414	6.6%
Legal Services/City Attorney	\$206,037	\$217,471	5.5%
Legislative	\$113,004	\$118,658	5.0%
Parks & Recreation	\$762,596	\$860,423	12.8%
Planning & Facilities	\$1,384,252	\$1,376,893	-0.5%
Police	\$3,096,394	\$3,214,915	3.8%
Public Works (Engineering & Street)	\$1,137,057	\$1,191,723	4.8%
Reserves/Transfers	\$2,697,903	\$1,726,917	-36.0%
Special Revenue Fund	\$7,785,484	\$9,923,276	27.5%
Lodging Tax	\$356,107	\$330,917	-7.1%
Development/Special Fees	\$6,826,812	\$8,939,747	31.0%
Miscellaneous	\$602,565	\$652,612	8.3%
Capital Project Fund	\$5,915,696	\$14,742,060	149.2%
Capital Improvement Projects	\$4,981,194	\$10,125,685	103.3%
Utility Construction	\$934,502	\$4,616,375	394.0%
Proprietary-Utility Funds	\$22,027,014	\$23,025,902	4.5%
Water	\$8,454,198	\$9,231,800	9.2%
Sewer	\$10,917,783	\$11,040,715	1.1%
Storm Drain	\$2,655,033	\$2,753,387	3.7%
Enterprise	\$1,490,316	\$1,464,245	-1.7%
Tumwater Valley Golf Course	\$1,490,316	\$1,464,245	-1.7%
Internal Service Funds	\$2,905,809	\$3,191,135	9.8%
Equipment Rental & Reserve	\$2,905,809	\$3,191,135	9.8%
Debt Service Funds	\$3,673,815	\$3,792,636	3.2%
General Obligatory Bond	\$2,722,633	\$2,823,522	3.7%
Utility Revenue Bond	\$951,182	\$969,114	1.9%
TOTAL EXPENDITURES	\$58,514,723	\$70,470,781	20.4%

SOURCE: City of Tumwater



III. PROPOSED DEVELOPMENT

PROJECT DESCRIPTION

The subject of this impact study is a proposed Wal-Mart Supercenter near the 5000 block of Littlerock Road in Tumwater, Washington. Specifically:

- A 207,700 gross square foot commercial retail structure comprising general merchandise sales (70% of floor space) and food and beverage/grocery store sales (30% of floor space). The resulting development would fall under retail industry classification NAICS⁵ 452, or General Merchandise Retail.
- 19,000 gross square foot seasonal garden center likely comprising canopy-covered area security fence enclosure.
- A fuel/service station and associated parking expected to comprise 0.8 acres on the north side of the proposed development along Littlerock Road.

Once developed, the project will join three other large-format retailers already located along Littlerock Road in Tumwater:

- Home Depot, located immediately south of the proposed development along Littlerock Road;
- Costco, located immediately north of the proposed development along Littlerock Road; and
- Fred Meyer, located immediately north of Costco at the intersection of Trosper Road.

The grocery store component of the proposed development will have further competition from two other grocery retailers located along Trosper Road, Albertson's and Mega Foods.

PROJECT DEVELOPMENT ASSUMPTIONS

For the purposes of this analysis, GARDNER JOHNSON made the following assumptions:

- Project development would cost on the order of \$8 million⁶ and would be complete within one year of groundbreaking.
- Construction would be completed by a primary contractor located outside of Tumwater due to the limited size of Tumwater's commercial building construction industry relative to other larger builders elsewhere in the Puget Sound.
- Subcontractors/vendors from Tumwater would be utilized at a rate comparable to Tumwater's local capture of Thurston County's construction industry activity.

⁵ North American Industrial Classification System. The General Merchandise sector includes both Costco (wholesale/membership clubs) and Fred Meyer (supercenters), as well as other such stores that sell both general merchandise and grocery items with a consolidated check-out/cashier area for most purchases at the front of the store.

⁶ Electronic communication with Mike Beach, PacLand, October 19, 2005.



- Local households employed by temporary construction activities will exhibit spending patterns similar to those summarized for Tumwater residents in Section I of this document.
- The proposed project, once complete, will employ 400 individuals, 70% full-time, with a 70% split comprising general merchandise employees and 30% comprising grocery store sections of the development.
- Average wages of employees at the proposed development will average over \$10.10 per hour based on wages at other Wal-Mart locations in the South Puget Sound region.⁷ The expected wage level is competitive with the 2004 average retail/cashier hourly wage of \$10.48 in Thurston County.⁸ Salary information for non-hourly employment was not supplied for confidentiality reasons.⁹
- Local households employed by permanent, on-going store operations will exhibit spending patterns similar to those summarized for Tumwater residents in Section I of this document.
- At full build-out, the proposed development is assumed to yield roughly \$420 per square foot for retail sales based on average, nationwide yield for Wal Mart Supercenters.¹⁰

⁷ (Berger, 2005)

⁸ Washington Employment Security Department, Occupational Wage Data, 2004.

⁹ (Berger, 2005)

¹⁰ Calculation by Gardner Johnson based on the *2005 Wal Mart Corporation Annual Report* and other sales and financial performance reported by the company at <http://www.walmartstores.com>.



IV. ECONOMIC IMPACTS

GARDNER JOHNSON conducted an economic impact analysis of the proposed Wal-Mart Supercenter development in Tumwater. Development assumptions are based on the expected scope and scale of the development as described by Wal-Mart Stores, Inc. and the projects Environmental Impact Statement. Economic assumptions guiding the analysis were informed by the findings of the Wal-Mart impacts literature review summarized in Section III. Namely:

- Tumwater is a growing jurisdiction, with robust population and commercial growth;
- Tumwater is presently underserved with regard to commercial retail options for its citizens and visitors to the city;
- Development of the Wal-Mart will be a new entry into an established and thriving corridor of larger-format retails already including a Fred Meyer store, a Costco, an Albertsons, and a Home Depot along Littlerock Road;
- Wal-Mart's location will place it in direct competition with these established retailers and not in direct competition with an established downtown retail core, which unlike other communities Tumwater does not have.

ECONOMIC IMPACTS DEFINED

Technical Distinctions

Economic impact analysis seeks to assess changes in overall economic activity within a region as a result of a change in one or many specific activities. The ripple effect of a gain or loss in economic activity is identified in three stages: *Direct Impacts*, *Indirect Impacts* and *Induced Impacts*.

- *Direct Impacts*: The actual change in activity affecting a local economy. For example, if a new office building is constructed, direct economic impacts comprise the construction contract revenues for businesses involved in the project, as well as the jobs required by those businesses and the labor income they pay.
- *Indirect Impacts*: The response of all other local businesses to the direct impact. Continuing the previous example, indirect impacts of office building construction comprise revenues for project vendors, i.e. building materials wholesalers, subcontractors, etc., and the jobs and labor income thereby generated.
- *Induced Impacts*: The response of households affected by direct and indirect impacts. In the given example, induced impacts would be the increase in all categories of spending by households directly or indirectly employed by office building construction activities.

Study Area and Economic Leakage

The study area for this impact analysis is strictly defined as the City of Tumwater. To model impact estimates, however, GARDNER JOHNSON utilized an IMPLAN economic data set



comprising Thurston County and then modeled Tumwater impacts based on local capture reflecting existing employment and commercial trends in Tumwater as a percentage of countywide activity. The IMPLAN data set includes comprehensive industry, business counts, gross business revenues, employment counts, covered payroll, proprietor income, direct and indirect municipal taxes and many other economic variables by specific industry code.¹¹

Resulting estimates of economic impacts for the City of Tumwater as a result of Wal-Mart Supercenter development, therefore, reflect actual business revenue, employment and wage income generated that remain in the City of Tumwater. Some economic activity will undoubtedly be created for businesses and households located outside the City, though for economic and fiscal (tax revenue) purposes, estimates of impacts beyond city limits were beyond the scope of this analysis.

Dollar Value of Impact Estimates

Impact estimates in this analysis are in constant 2005 dollars. Inflation rates are not utilized in this analysis as they distort direct comparisons between years, even though they do accurately reflect nominal dollar figures for revenues, income and tax revenues that will occur in years after development is complete.

ECONOMIC IMPACTS OF CONSTRUCTION

Economic impacts from construction activities occur as follows:

- *Direct Impacts:* The cost of construction for a building represents revenues for construction, development, design and other related firms.
- *Indirect Impacts:* Commerce for vendors that supply companies directly involved in building development and construction activities.
- *Induced Impacts:* Spending by households that are employed as a result of construction activities.

Business Revenues

Temporary revenues for Tumwater businesses created by Wal-Mart Supercenter development are summarized in Figure 11 on the following page. In total, over \$727,000 in local sales can be anticipated from construction activity, though all are estimated to occur through economic ripple effects due to the assumption that a large, general contractor from outside of Tumwater would likely be responsible for project development. Tumwater businesses, however, can expect nearly \$174,000 in sales for local goods and services vendors for the project. An additional \$554,000 in sales can be expected due to spending by construction and vendor employees locally.

¹¹ Proprietary data for individual firms are not reported but are rather aggregated to industry totals.



FIGURE 11: TUMWATER BUSINESS REVENUE IMPACTS OF WAL-MART CONSTRUCTION

Business Revenues Tumwater Industry (NAICS)	Direct	Multiplier Effects			Total Impacts
	Impacts	Indirect	Induced	Combined	
Natural Resources	\$0	\$2,010	\$2,610	\$4,620	\$4,620
Transportation/Warehousing/Utilities	\$0	\$9,630	\$19,950	\$29,580	\$29,580
Construction	\$8,000,000	\$1,790	\$5,230	\$7,020	\$8,007,020
Manufacturing	\$0	\$21,230	\$15,980	\$37,210	\$37,210
Wholesale Trade	\$0	\$9,490	\$22,160	\$31,650	\$31,650
Retail Trade	\$0	\$37,040	\$98,260	\$135,300	\$135,300
Information	\$0	\$5,360	\$17,030	\$22,390	\$22,390
Financial Services	\$0	\$19,300	\$93,920	\$113,220	\$113,220
Professional & Business Services	\$0	\$55,630	\$29,260	\$84,890	\$84,890
Education & Health Services	\$0	\$70	\$131,110	\$131,180	\$131,180
Leisure & Hospitality	\$0	\$1,590	\$56,840	\$58,430	\$58,430
Other Services	\$0	\$5,080	\$34,910	\$39,990	\$39,990
Government	\$0	\$5,500	\$26,320	\$31,820	\$31,820
Total	\$8,000,000	\$173,720	\$553,580	\$727,300	\$8,727,300
<i>Multipliers</i>		<i>0.02</i>	<i>0.07</i>	<i>0.09</i>	<i>1.09</i>

SOURCE: IMPLAN, 2005

Employment

Temporary Tumwater jobs created by Wal-Mart Supercenter development are summarized in Figure 12 below. Although an estimated 93 positions will be directly employed in project development and construction, employees are not expected to be from Tumwater specifically as the general contractor will likely be from outside of Tumwater as well. Local jobs will be created by ripple effects, however. Construction activity should drive need for over two full-time equivalent (FTE) positions at goods and services vendors locally, while spending by individuals employed directly and indirectly should support need for nearly seven jobs locally.

FIGURE 12: TUMWATER EMPLOYMENT IMPACTS OF WAL-MART CONSTRUCTION

Employment Tumwater Industry (NAICS)	Direct	Multiplier Effects			Total Impacts
	Impacts	Indirect	Induced	Combined	
Natural Resources	0.0	0.0	0.0	0.0	0.0
Transportation/Warehousing/Utilities	0.0	0.1	0.2	0.2	0.2
Construction	0.0	0.0	0.0	0.1	0.1
Manufacturing	0.0	0.1	0.1	0.2	0.2
Wholesale Trade	0.0	0.1	0.2	0.3	0.3
Retail Trade	0.0	0.6	1.5	2.1	2.1
Information	0.0	0.0	0.1	0.1	0.1
Financial Services	0.0	0.1	0.6	0.7	0.7
Professional & Business Services	0.0	0.7	0.4	1.1	1.1
Education & Health Services	0.0	0.0	1.8	1.8	1.8
Leisure & Hospitality	0.0	0.0	1.3	1.3	1.3
Other Services	0.0	0.1	0.5	0.6	0.6
Government	0.0	0.0	0.1	0.1	0.1
Total	93.2	1.8	6.8	8.6	8.6
<i>Multipliers</i>		<i>0.02</i>	<i>0.07</i>	<i>0.09</i>	<i>0.09</i>

SOURCE: IMPLAN, 2005

Employment Income

As a result of indirect and induced employment impacts from project construction, employment income in Tumwater is estimated to reach over \$300,000 during the course of development. Generated payroll for jobs created in Tumwater is estimated to average



between \$33,000 and \$42,000 per position in annual terms. Estimates are summarized in Figure 13 below.

FIGURE 13: TUMWATER LABOR INCOME IMPACTS FROM WAL-MART CONSTRUCTION

Employment Income Tumater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$420	\$850	\$1,270	\$1,270
Transportation/Warehousing/Utilities	\$0	\$3,740	\$7,400	\$11,140	\$11,140
Construction	\$0	\$920	\$2,400	\$3,320	\$3,320
Manufacturing	\$0	\$5,320	\$3,630	\$8,950	\$8,950
Wholesale Trade	\$0	\$3,810	\$8,900	\$12,710	\$12,710
Retail Trade	\$0	\$17,140	\$45,040	\$62,180	\$62,180
Information	\$0	\$1,480	\$4,490	\$5,970	\$5,970
Financial Services	\$0	\$4,710	\$23,250	\$27,960	\$27,960
Professional & Business Services	\$0	\$34,820	\$15,660	\$50,480	\$50,480
Education & Health Services	\$0	\$30	\$72,470	\$72,500	\$72,500
Leisure & Hospitality	\$0	\$640	\$21,950	\$22,590	\$22,590
Other Services	\$0	\$1,910	\$15,430	\$17,340	\$17,340
Government	\$0	\$710	\$4,270	\$4,980	\$4,980
Total	\$4,496,540	\$75,650	\$225,740	\$301,390	\$301,390
<i>Multipliers</i>		<i>0.02</i>	<i>0.05</i>	<i>0.07</i>	<i>0.07</i>

SOURCE: IMPLAN, 2005

ECONOMIC IMPACTS OF SUPERCENTER OPERATIONS

Upon project completion and opening of the store, the proposed project will generate permanent, annual commercial activity in Tumwater. Following is a discussion of estimated business revenues, jobs and employment income generated in Tumwater by annual, on-going operation of the Wal-Mart Supercenter. Estimates reflect impacts at stabilization of the project, i.e. annual customer volume reaches normal levels for a store of this scope and type.

Business Revenues

Revenues for Tumwater businesses as a result of normal operations for the proposed development are summarized in Figure 14 below.

FIGURE 14: TUMWATER BUSINESS REVENUE IMPACTS FROM SUPERCENTER COMPONENT OPERATIONS

Wal Mart Operations Tumater 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: IMPLAN, 2005



Upwards of \$92.5 million in annual retail sales are estimated to occur at stabilization of the proposed development. This in turn is estimated to drive an additional \$9.6 million in economic ripple effects via indirect and induced economic activity in Tumwater. Sales for local vendors of goods and services to the proposed development, i.e. indirect effects, are expected to be quite minor at roughly \$1 million annually in current dollars. More so than many other retail outlets, Wal-Mart stores rely on a more nationally-based supply chain, which in turn typically generates less local indirect economic activity than other retailers.

Private spending by Tumwater residents employed directly or indirectly by Wal-Mart operations is estimated to create nearly \$8.6 million in additional sales for Tumwater businesses.

Although the proposed Supercenter can be expected to generate over \$92 million in annual sales at stabilization, it cannot be determined at this time when stabilization will for certain occur, other than it will not likely occur immediately. However, based on the development timeline of the Hawks Prairie store in 2002, subsequent expansion of the store in 2005 and two new stores proposed for 2006 in Thurston/South Pierce County, a three-year stabilization period is likely. Market conditions specific to the Tumwater location point to a potentially longer stabilization period:

- Wal-Mart Stores is planning expansion of existing locations and new store development in the south Puget Sound region, including new grocery space at the Lacey store and a proposed Supercenter in Yelm. This, in turn, creates greater dilution of Wal-Mart's presence in the region and serves to moderate the pace of sales growth at individual store locations.
- Publicly-traded national retailers expand, in part, based upon speculation of future sales growth potential in addition to current market conditions. Because stock value is determined, in part, by same-store sales growth rates, national retailers will frequently expand into a location with the anticipation of initial weak performance. Lower initial sales are followed by normal growth, which then translates into elevated same-store sales growth rates.
- The Tumwater retail market is already highly competitive with two of Wal-Mart's largest national competitors, Costco and Kroger's (Fred Meyer), immediately adjacent along Littlerock Road, as well as Albertson's and Mega Foods on Trosper.
- Recent construction of Home Depot on Littlerock Road, south of the proposed Wal-Mart site, will constrain potential sales growth at Wal-Mart for a wide variety of home improvement, appliance and lawn/garden merchandise.

Project Retail Sales and Effects Upon Local Businesses

In recent years, a number of academic papers and consultancy reports have been completed to further understand the underlying economic and fiscal impacts of Wal-Mart and other "Big Box" development on the communities it enters.

Empirical, peer-reviewed research in respected publications has found some ground for negative impact concerns in limited instances, primarily in isolated rural Midwest and



Southern communities where Wal-Mart stores expanded up to twenty years ago under different economic circumstances. More specifically, studies suggest that such concerns do not typically arise in communities that are experiencing noteworthy household and economic growth¹².

After a review of existing research by consultancies unaffiliated with advocacy groups and research published in academic journals, GARDNER JOHNSON concludes that Tumwater does not match the profile of rural, declining or depressed communities susceptible to negative, adverse impacts from the opening of a Wal-Mart Supercenter. The impacts of commercial activity estimated above will not be in a vacuum, however, and local businesses and residents will be affected in varying degrees.

Retail Sales Leakage Recovery

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 trade area has added enough households and traffic to support a particular retail concept. In Section II, GARDNER JOHNSON estimated that current retail sales tax leakage from Tumwater, due to residents shopping outside of Tumwater, has reached over \$20.5 million annually, or 10% of total retail sales activity in Tumwater annually, despite development of a Costco and Home Depot recently.

The established retail core located in Lacey, including a currently-expanding Wal-Mart location and a broad variety of retailers along Sleater-Kinney Road, is likely capturing a significant share of retail spending leakage by Tumwater residents. To the extent that any retail type, including a Wal-Mart, store, is developed in Tumwater, local residents have fewer incentives to leave the community to shop.

Furthermore, a Wal-Mart Supercenter located in Tumwater would likely draw spending by residents of surrounding communities that already shop at less-convenient Wal-Mart locations in Lacey, Shelton and Chehalis. The potential trade area for capturing non-resident/visitor spending would comprise households located half-way between Tumwater and those existing stores, as well as half-way between the proposed store in Yelm (Artz and Stone, 2001).

Greater Competition for Existing Non-Grocery Retailers

Competing, non-grocery retailers dealing in like goods may witness an initial loss of sales activity after a Wal-Mart is constructed due to shoppers sampling the new store after its opening. However, impacts on existing retailers cannot be viewed as significant.

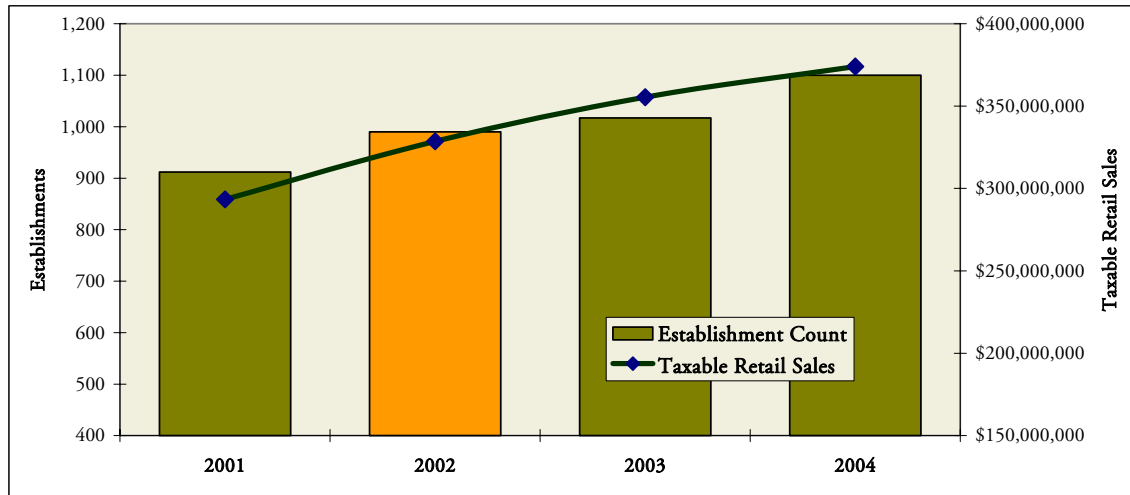
- As already established in the existing conditions discussion, Tumwater businesses are growing in sales and establishment counts despite the fact that residents are already spending a considerable portion of income outside of the immediate Tumwater area.

¹² Stone, Kenneth "Competing With Discount Mass Merchandisers," Iowa State University Working Paper, 1995.



- 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.
- Precedent of the Lacey Wal-Mart store would indicate 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 based on Washington State Department of Revenue data for Lacey, Washington. Establishment counts and taxable retail sales grew between 2002 and 2004 following the opening of the Hawks Prairie store.

FIGURE 15: CITY OF LACEY TAXABLE RETAIL SALES AND ESTABLISHMENT COUNTS, 2001-2004



SOURCE: Washington State Department of Revenue

Greater Competition for Existing Grocery Retailers

Local grocery sales are already being captured by large, national businesses such as Albertson's, Fred Meyer (Kroger's), and Costco. Accordingly, Wal-Mart's planned grocery store component will likely pose considerable competition against these three large retailers.

In isolation, the impacts of the Wal-Mart grocery component to existing, smaller and specialty grocers cannot be viewed as significant based on the nature of grocery competition among larger merchandisers (Public Economics Group, 2004). Specifically, large chain grocers largely compete against one another for shopper traffic via differing strategies such as significant price discounts, broader product selection, local product selection, upscale merchandise such as gourmet delis and wines, bulk sales at unit discounts, or services such as daycare or brand-name pharmacies.

Current Tumwater residents already have an established choice in grocery stores between small, local establishments and larger chains such as Mega Foods, Albertson's, Costco and Fred Meyer. The introduction of a Wal-Mart grocery store adds 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 for Tumwater reported by the Washington State Department of Revenue, and summarized in Section I.

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 (Public Economics Group, January 2004). 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 are 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.¹³

Lower Retail Prices

Development of a Wal-Mart Supercenter in Tumwater can be expected to put downward pressure on local prices of grocery and non-grocery items, likely at an average of 12% based on a national study of price reduction at retailers competing against Wal-Mart after a Supercenter was introduced to the market, 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).

Competition with Downtown Retail Districts

In rural communities where local retail options predominantly follow a historic Main Street retail configuration, development of Wal-Mart stores has had negative impacts to those districts (Stone, 1995). Tumwater, alternatively, does not feature a downtown retail core which serves as the City's primary shopping location, although Tumwater does feature historic homes and older neighborhoods in different parts of the community. Tumwater's primary retail sector follows a suburban retail configuration, best represented by retail already developed along Littlerock Road, i.e. Fred Meyer, Costco and Home Depot. Accordingly, negative impacts to a downtown retail core in Tumwater are not anticipated because none currently exists in Tumwater.

Employment

Permanent job creation in Tumwater by the proposed development and related impacts can be expected to mirror business revenue impacts summarized above, i.e. significant direct impacts with much smaller indirect (vendor/services) impacts and induced (employed household spending) impacts. Figure 16 on the following page provides a summary of Tumwater employment impacts as a result of the proposed development.

Employment at the Wal-Mart Supercenter is expected to reach 328 full-time equivalents by stabilization. This in turn can be expected to generate additional, though not significant, new employment elsewhere in the Tumwater economy via indirect and induced effects, at approximately 44 FTEs annually.

¹³ *STORES Magazine*, July 2005. "Triversity Top 100 Retailers, 2004", National Retail Federation.



FIGURE 16: TUMWATER EMPLOYMENT IMPACTS SUMMARY FROM SUPERCENTER OPERATIONS

Wal Mart Operations Tumater 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	0.0	0.2	0.3	0.5	0.5
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: IMPLAN, 2005

As with business revenue impacts, Wal-Mart’s utilization of a national distribution system and “just-in-time” inventory translates into less reliance on local vendors of goods and services than the average retailer competing against Wal-Mart. Accordingly, relatively little new, local employment is generated through ripple effects from Wal-Mart operations.

Net Employment Impacts

Given the above employment impacts estimates for the Tumwater economy, GARDNER JOHNSON concludes the above effects will amount to net, positive contributions to the local economy based on review of academic and independent consultancy research on the topic. Specifically, the most comprehensive study on the topic of employment impacts of Wal-Mart store development nationwide over a 21-year period concluded that after a typical five-year stabilization period where local employment experiences minor displacement, local economies typically experience net, positive permanent employment growth (Basker, 2004). Because Tumwater household growth is faster than the national average, it is reasonable to expect that short-term job displacement estimated in that study will be lower than average or non-existent.

Employment Income

Figure 17 on the following page provides a summary of employment income impacts resulting from operations of the proposed development.

Wal-Mart Supercenter development is estimated to result in 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. The above results indicate that on average, direct jobs at the proposed development are estimated to pay \$24,700 including benefits and other indirect compensation.



FIGURE 17: TUMWATER EMPLOYMENT INCOME IMPACTS FROM SUPERCENTER OPERATIONS

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	\$12,800	\$12,800
Wholesale Trade	\$0	\$1,120	\$25,660	\$26,770	\$26,770
Retail Trade	\$8,109,740	\$3,530	\$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: IMPLAN, 2005

Net Effects on Tumwater Wages

As stated in Section III, Existing Conditions, the average hourly wage for employees of the Supercenter are expected to average \$10.10 (Berger, 2005) compared to the Thurston County average retail wage of \$10.84. Although 7% lower as would be expected of a discount retailer, the average wage is competitive with the County average. Accordingly, Wal-Mart development is not expected to incur negative impacts upon Tumwater wages.



V. FISCAL IMPACTS

Development of the proposed Wal-Mart Supercenter will have specific tax revenue and public service cost implications for the City of Tumwater. This section provides a discussion of City tax revenue and service cost issues. Where possible, GARDNER JOHNSON provides specific estimates of marginal revenue and cost impacts as a result of the proposed development.

CITY REVENUES

Economic impacts of Wal-Mart Supercenter construction and operations will pose temporary and permanent, on-going City tax revenue impacts, respectively. The following is a discussion of the most notable tax revenue streams affected by project development, specifically:

- *Sales & Use Tax:* The City of Tumwater levies an 0.85% municipal sales tax on taxable¹⁴ goods and services transactions.
- *Business & Occupation (B&O) Tax:* The City of Tumwater levies a one-tenth of one-percent (0.1%) municipal B&O tax on gross business revenues within the City.
- *Utility Tax:* The City of Tumwater levies a 6% 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.

Construction

Construction of the proposed development poses one-time revenue impacts to the City of Tumwater, most notably in terms of sales tax and business and occupation (B&O) tax revenue.

Sales Tax Revenue

Tumwater sales tax revenue as a result of project development is detailed in Figure 18 on the following page. Tax revenue generated by construction of the project is largely due to sales tax on the value of construction contracts at the construction site point of sale. In addition to the taxable value of construction involved in the project, purchases from Tumwater vendors of goods and services (indirect impacts from Section IV) and purchases by construction employees and vendor employees in Tumwater will drive retail sales tax revenue for the City. Given estimated indirect and induced business revenue impacts, as well as the taxable portion of those revenues according to statewide averages, the City of Tumwater is estimated to receive nearly \$43,000 in sales tax revenue in construction-generated commerce.

¹⁴ Determination of goods and services transactions that are taxable is based on statewide averages of gross business income and taxable sales by industry as reported by the Washington Department of Revenue, *Quarterly Business Review* for 2003 and/or 2004. For instance, the majority of grocery items in Washington are not taxable, while the majority of non-grocery merchandise sales are taxable.



FIGURE 18: TUMWATER SALES TAX REVENUES FROM WAL-MART SUPERCENTER CONSTRUCTION ACTIVITY

Construction-Generated Revenues Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects Sales Tax Revenues			Total Tax Revenues
		Indirect	Induced	Combined	
Natural Resources	\$0	\$0	\$1	\$1	\$1
Transportation/Warehousing/Utilities	\$0	\$6	\$12	\$17	\$17
Construction	\$41,412	\$8	\$23	\$32	\$41,444
Manufacturing	\$0	\$6	\$4	\$10	\$10
Wholesale Trade	\$0	\$7	\$17	\$24	\$24
Retail Trade	\$0	\$155	\$412	\$567	\$567
Information	\$0	\$15	\$49	\$64	\$64
Financial Services	\$0	\$24	\$116	\$140	\$140
Professional & Business Services	\$0	\$48	\$25	\$74	\$74
Education & Health Services	\$0	\$0	\$48	\$48	\$48
Leisure & Hospitality	\$0	\$10	\$372	\$382	\$382
Other Services	\$0	\$21	\$143	\$163	\$163
Government	\$0	\$0	\$0	\$0	\$0
Total	\$41,412	\$301	\$1,221	\$1,522	\$42,934
<i>Tumwater Retail Sales Tax Rate:</i>		<i>0.85%</i>			

SOURCE: Washington Department of Revenue, City of Tumwater Finance Department & Gardner Johnson

B&O Tax Revenue

For similar reasons to sales tax revenue impacts summarized above, the City will receive B&O tax revenues from primary construction contract(s) and indirect and induced commerce within the City. Combined commerce as a result of construction activities are estimated to generate over \$7,700 in B&O tax revenue for the City at its 0.1% municipal tax rate. Detailed estimates of City B&O tax revenue are found in Figure 19 below.

FIGURE 19: TUMWATER B&O TAX REVENUES FROM WAL-MART SUPERCENTER CONSTRUCTION ACTIVITY

Construction-Generated Revenues Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects Sales Tax Revenues			Total Tax Revenues
		Indirect	Induced	Combined	
Natural Resources	\$0	\$2	\$2	\$4	\$4
Transportation/Warehousing/Utilities	\$0	\$8	\$17	\$25	\$25
Construction	\$7,150	\$2	\$5	\$6	\$7,156
Manufacturing	\$0	\$18	\$13	\$31	\$31
Wholesale Trade	\$0	\$7	\$17	\$24	\$24
Retail Trade	\$0	\$31	\$83	\$114	\$114
Information	\$0	\$5	\$14	\$19	\$19
Financial Services	\$0	\$12	\$60	\$73	\$73
Professional & Business Services	\$0	\$43	\$23	\$65	\$65
Education & Health Services	\$0	\$0	\$107	\$107	\$107
Leisure & Hospitality	\$0	\$1	\$53	\$54	\$54
Other Services	\$0	\$4	\$29	\$33	\$33
Government	\$0	\$5	\$25	\$30	\$30
Total	\$7,150	\$138	\$446	\$584	\$7,734
<i>Tumwater B&O Tax Rate:</i>		<i>0.1%</i>			

SOURCE: Washington Department of Revenue, City of Tumwater Finance Department & Gardner Johnson

Operations

Permanent, on-going operations at the proposed development will drive permanent, on-going tax revenue streams for the City of Tumwater. Following is a discussion of City revenue impacts resulting from the proposed development. Estimates represent annual, on-going impacts after final build-out and stabilized commercial activity is reached.

Sales Tax Revenue

Figure 20 below provides a summary of estimated City of Tumwater sales tax revenues as a result of direct, indirect and induced business activity resulting from the proposed Wal-Mart Supercenter.



Based on direct, indirect and induced economic activity resulting from the grocery component of the proposed development, the City of Tumwater is estimated to receive over \$545,000 in sales tax revenue annually in current dollars. Of total grocery component sales, a minority will be taxable per Washington law¹⁵. Alternatively, a much higher proportion of general merchandise sales are taxable¹⁶.

FIGURE 20: TUMWATER ANNUAL SALES TAX REVENUES FROM SUPERCENTER COMPONENT OPERATIONS

Operations-Generated Revenue	Direct	Multiplier Effects Sales Tax Revenues			Total
Tumwater Industry (NAICS)	Impacts	Indirect	Induced	Combined	Impacts
Natural Resources	\$0	\$0	\$9	\$9	\$9
Transportation/Warehousing/Utilities	\$0	\$53	\$179	\$232	\$232
Construction	\$0	\$141	\$364	\$504	\$504
Manufacturing	\$0	\$12	\$65	\$77	\$77
Wholesale Trade	\$0	\$11	\$263	\$274	\$274
Retail Trade	\$545,236	\$172	\$6,382	\$6,554	\$551,790
Information	\$0	\$315	\$758	\$1,074	\$1,074
Financial Services	\$0	\$356	\$1,794	\$2,151	\$2,151
Professional & Business Services	\$0	\$231	\$393	\$624	\$624
Education & Health Services	\$0	\$0	\$743	\$743	\$743
Leisure & Hospitality	\$0	\$143	\$5,768	\$5,911	\$5,911
Other Services	\$0	\$101	\$2,214	\$2,315	\$2,315
Government	\$0	\$0	\$0	\$0	\$0
Total	\$545,236	\$1,537	\$18,932	\$20,468	\$565,705
<i>Tumwater Retail Sales Tax Rate:</i>		<i>0.85%</i>			

SOURCE: Washington Department of Revenue, City of Tumwater Finance Department & Gardner Johnson

Ripple effects in the Tumwater economy due to the proposed development are estimated to generate little more than \$20,000 in annual retail sales tax for the City, largely due to the low multiplier effect of the proposed project.

B&O Tax Revenue

Figure 21 on the following page provides municipal B&O tax revenue estimates resulting from the development.

Over \$87,000 in annual municipal B&O tax revenue can be expected directly from Wal-Mart Supercenter operations. Alternatively, limited indirect and induced economic impacts are expected to generate no more than \$7,700 in local B&O tax revenue annually.

¹⁵ Approximately 31% of gross business income for grocery retailers statewide is taxable (Washington Department of Revenue, 2004).

¹⁶ 69% of general merchandise retail gross business income is taxable statewide (Washington Department of Revenue, 2004). General merchandise retail does include grocery sales, as the sector includes Costco, Fred Meyer and other such retailers.



FIGURE 21: TUMWATER ANNUAL B&O TAX REVENUES FROM SUPERCENTER COMPONENT OPERATIONS

Operations-Generated Revenue Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects Sales Tax Revenues			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$1	\$33	\$34	\$34
Transportation/Warehousing/Utilities	\$0	\$78	\$262	\$340	\$340
Construction	\$0	\$28	\$72	\$100	\$100
Manufacturing	\$0	\$37	\$207	\$245	\$245
Wholesale Trade	\$0	\$11	\$257	\$268	\$268
Retail Trade	\$87,395	\$34	\$1,281	\$1,315	\$88,710
Information	\$0	\$93	\$223	\$316	\$316
Financial Services	\$0	\$186	\$934	\$1,120	\$1,120
Professional & Business Services	\$0	\$205	\$350	\$555	\$555
Education & Health Services	\$0	\$1	\$1,653	\$1,654	\$1,654
Leisure & Hospitality	\$0	\$20	\$820	\$840	\$840
Other Services	\$0	\$20	\$444	\$465	\$465
Government	\$0	\$79	\$380	\$459	\$459
Total	\$87,395	\$795	\$6,916	\$7,711	\$95,106
<i>Tumwater B&O Tax Rate:</i>		<i>0.1%</i>			

SOURCE: Washington Department of Revenue, City of Tumwater Finance Department & Gardner Johnson

City of Tumwater Tax Revenue Summary

Construction

Including the City 6% tax on utility provision, the City of Tumwater is estimated to receive over \$51,000 in tax revenues resulting from construction of the proposed Wal-Mart Supercenter. Tax revenues from primary construction contract(s) sales by local supply vendors and spending by construction employees and others employed locally as a result of development activity are estimated to generate one-time revenues as summarized in Figure 22 below.

FIGURE 22: SUMMARY OF TUMWATER TAX REVENUES FROM WAL-MART SUPERCENTER 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 (0.85%)</i>	\$41,412	\$301	\$1,221	\$1,522	\$42,934
<i>Business & Occupation Tax (0.1%)</i>	\$7,150	\$138	\$446	\$584	\$7,734
Total	\$48,562	\$695	\$2,199	\$2,894	\$51,456

SOURCE: Gardner Johnson

Operations

Figure 23 on the following page provides a summary of permanent, annual tax revenues resulting from the proposed Wal-Mart Supercenter development. Estimates are in current, 2005 dollars resulting from direct, indirect and induced impacts as summarized earlier in this section and in Section IV above.

On an annual basis, the City of Tumwater is expected to receive over \$718,000 in tax revenue annually as a result of direct, indirect and induced commercial growth associated with the proposed development. The vast majority, nearly \$680,000, will originate from direct commercial activity on-site and growth in property value due to improvement and development.

Sales tax revenue accounts for the majority of direct revenue inflow, estimated at over \$545,000 annually in current dollars. The City B&O tax is estimated to generate the



second-largest new stream at over \$87,000 annually in current dollars. Finally, property tax revenue¹⁷ from the City general levy is the third-largest at \$38,400 assuming the 2004 levy rate.¹⁸

FIGURE 23: SUMMARY OF TUMWATER TAX REVENUE FROM WAL-MART SUPERCENTER OPERATIONS

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 (0.85%)</i>	\$545,236	\$1,537	\$18,932	\$20,469	\$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	\$28,180	\$718,695

SOURCE: Gardner Johnson

CITY PUBLIC SERVICE COSTS

Development of the proposed Wal-Mart Supercenter will pose increases in City public service provision and related fiscal costs of those services. As identified in the Draft EIS (Blumen Consulting Group, Inc., 2005), the following public services can be expected to experience the most notable increase in services and costs¹⁹:

- Police Protection;
- Fire/Emergency Medical Service; and
- Roads Maintenance.

Each relevant City department and associated service cost provision impacts are discussed in turn below.

City of Tumwater Police Department

As described in the project EIS, Tumwater Police Chief Mike Vandiver estimates a 1.6% increase in City calls for police service due to the proposed development based on service call levels experienced by the Chehalis Police Department and its Wal-Mart store.

¹⁷ Property tax revenue generated by the development conservatively assumes improvement value equal to replacement cost for the development and existing assessed value for land (Thurston County Assessor’s Office). An adjustment factor of 95% was employed to reflect the typical difference between market value and assessed value for property tax purposes.

¹⁸ Because annual spending increases are capped, levy rates tend to experience downward pressure over time as a jurisdiction grows in population, development and resulting assessed value. Property tax revenue from an individual property can typically increase, however, as its assessed value increases. For simplicity, the most recent City levy rates were assumed for tax estimation purposes.

¹⁹ Although these particular services/departments will experience the greatest impact, other City departments will not be unaffected. However, in terms of “if not, but for” marginal City impacts that can be documented as solely due to the proposed development, these three service types are the measurable focus of this analysis.



The 1.6% increase due to expected service calls to the proposed development translates into the addition of 0.4 full-time equivalent (FTE) police personnel at an annual cost of \$30,000 in current dollars.

City of Tumwater Fire Department

Development of the proposed Wal-Mart Supercenter can be expected to generate between 40 and 45 fire and emergency medical service calls based on the experience of the Wal-Mart store in Chehalis (Blumen Consulting Group, Inc., 2005).

When interviewed²⁰ about the potential cost impacts to the City of Tumwater Fire Department, Chief Rick Sapp made the following points about service provision to the proposed development and associated costs:

- Because fire and emergency service levels are based on response time and staffing level rather than level of service tied to service calls, it is not possible to estimate a marginal service cost increase due solely to the proposed development.
- The combination of background City growth, along with the proposed development, and their joint impact upon existing service provision and response times will ultimately drive the potential need for additional personnel and/or capital equipment costs.
- Chief Sapp did not view the addition of 40 to 45 service calls, in isolation, as a significant increase to existing service provision.

Chief Sapp currently estimates that the City Fire Department is presently understaffed citywide based on targeted service levels as laid out by the Tumwater 1988 Fire Services Plan. The current estimate of fire fighter personnel necessary to meet targeted levels is four FTE personnel, each at a current annual cost of \$65,040 and a start-up cost (training, equipment) of \$8,000.

Development of the proposed Wal-Mart Supercenter, along with background growth in the city, will not improve the current level of understaffing. It is viewed, however, as neither clear nor likely that development of the proposed project alone will necessitate the additional hiring of department personnel.

City of Tumwater Public Works

Development of the proposed Wal-Mart Supercenter can also be expected to generate a measurable increase in City traffic, as documented by the Transpo Group (The Transpo Group, Inc., 2005) and associated road maintenance costs. When interviewed²¹ about the potential fiscal cost impacts to the Public Works, Public Works Director Jay Eaton made the following points about expected road maintenance costs associated with the proposed development:

²⁰ (Sapp, 2005)

²¹ (Eaton, 2005).



- Increased traffic associated with the proposed development would represent a 10% to 15% increase in current levels on affected roads;
- The 10% to 15% increase can reasonably be translated into a 10% to 15% increase in on-going maintenance costs, given current levels of service, on affected roads;
- The current on-going road maintenance budget is \$1.1 million, 25% of which is the southwest quadrant of Tumwater comprising the roads affected by the proposed development.

On a pro-rated basis, therefore, annual road maintenance costs can be expected to increase by roughly \$27,500 to \$41,250 in current dollars due solely to the proposed development.

In addition, Mr. Eaton also noted that the department’s engineering staff would likely require additional cost for traffic modeling and reporting in response to community concerns as part of the development process. Mr. Eaton was not able to discern potential cost figures at the current stage of the proposal’s process.

CITY FISCAL REVENUE AND COST COMPARISON

Figure 24 below provides a comparison of direct City revenue and estimated cost impacts for the purposes of establishing potential net fiscal impacts to Tumwater from development of the proposed Wal-Mart Supercenter.

FIGURE 24: COMPARISON OF DIRECT CITY REVENUE AND COST IMPACTS

Operations-Generated Impacts		Direct Impacts
Tumwater Impact		
Revenues		
<i>Property Tax</i>		
General Levy (\$2.4522 per \$1,000)		\$38,369
Bond Levy (\$0.5638 per \$1,000)		\$8,822
Property Tax Total		\$47,190
<i>Sales & Use Tax (0.85%)</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>	At Least	\$41,250
<i>Fire/EMT Service</i>		n/a
Total	At Least	\$71,250
BALANCE	Up To	\$608,572

SOURCE: Gardner Johnson



Estimated, annual City tax revenues of roughly \$680,000²² can be expected to be more than enough to reimburse the City for the minimum, estimated \$71,250 in additional public service costs directly attributable to the proposed development. More accurately, City revenues of \$671,000, total revenues less bond levy revenue, can be viewed as adequate to meet estimated on-going City costs as a result project development.

²² Includes utility tax revenue from utility usage by the proposed development. Technically, utility usage is a purchase from a vendor and, therefore, an indirect impact, though usage is directly resultant from store operations.



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