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I. EXECUTIVE SUMMARY

GARDNER JOHNSON has been retained by PACLAND to provide an updated analysis of the potential economic and fiscal impacts to the City of Tumwater that would result from development of a Wal-Mart Supercenter on Littlerock Road. The updated analysis, to be submitted as part of the Final Environmental Impact Statement (FEIS) for the project by BLUMEN CONSULTING GROUP, was required for the following reasons:

- Three alternatives have been added to this FEIS (Alternatives 2, 3 and 4). Two of these alternatives (Alternatives 3 and 4) would feature a smaller main retail building and garden center than under the Proposed Action and Alternative 1 (187,054-square foot main retail building plus a 19,755-square foot garden center versus the proposed 207,752-square foot main retail building and 20,602-square foot garden center). One of the new alternatives (Alternative 2) would feature the same size main retail building and garden center as under the Proposed Action and Alternative 1. The reductions in building and garden center size would result in differences in economic and fiscal impacts; and
- To provide corrected and elaborated analysis and details in response to citizen and stakeholder comments on the Draft Environmental Impact Statement, specifically economic and fiscal impacts.

Analysis in this document is organized to directly correspond with the pertinent, affected sections of Economic & Fiscal Impact Appendix of the Draft EIS. Unless expressly updated and/or revised in this document, analysis found in the Economic & Fiscal Impact Appendix of the Draft EIS continues to be valid.

The following is a summary of our major findings in this revised analysis.

- The proposal to build a Wal-Mart Supercenter on Littlerock Road does not appear to have hindered retail sales growth in the City of Tumwater nor growth in the number of retailers doing business in the City. By the end of 2005, the Washington Department of Revenue reported the following:



- Tumwater added 88 new retail establishments over the course of the year; and
 - Taxable retail sales reported by Tumwater retailers grew by \$14.8 million.

- Revised analysis of total retail sales compared to taxable retail sales in Tumwater reveals that the City does not have a measurable retail sales leakage problem, but rather is a destination retail hub for non-resident spending. Destination spending by non-Tumwater residents in 2005 is estimated at between \$161 million and \$166 million, or roughly 40% of total estimated retail sales in Tumwater.

- Revised analysis of total retail spending capacity to accommodate a new Wal-Mart Supercenter in Tumwater indicates that the City and the broader retail trade area that City businesses serve is expected to see retail spending grow by over 28%, or \$158 million in current dollars through 2010. Figure A provides detailed estimates of annual retail spending by individual retail sector category through 2010.

- Retail spending growth is estimated to be more than enough to accommodate the addition of a Wal-Mart Supercenter capable of up to \$88 million in annual retail sales or more.

FIGURE A: TUMWATER RETAIL TRADE AREA ANNUAL SPENDING THROUGH 2010

Tumwater Trade Area & Visitor Spending Growth		Households and Household Retail Spending in Millions (2005 \$)						
NAICS	Category	2005	2006	2007	2008	2009	2010	'05-'10
441	Automotive Parts, Accessories & Tire Stores	\$146.1	\$153.7	\$161.7	\$169.9	\$178.4	\$187.3	\$41.2
442	Furniture & Home Furnishings Stores	\$16.3	\$17.1	\$18.0	\$18.8	\$19.8	\$20.7	\$4.4
443	Electronics & Appliance Stores	\$15.9	\$16.7	\$17.6	\$18.5	\$19.4	\$20.3	\$4.4
444	Building Materials & Garden Equipment	\$60.2	\$63.3	\$66.5	\$69.8	\$73.2	\$76.7	\$16.5
445	Food & Beverage Stores	\$76.8	\$80.8	\$85.0	\$89.2	\$93.7	\$98.2	\$21.4
446	Health & Personal Care Stores	\$27.9	\$29.4	\$30.8	\$32.4	\$33.9	\$35.6	\$7.6
448	Clothing & Clothing Accessories Stores	\$29.0	\$30.5	\$32.0	\$33.6	\$35.3	\$37.0	\$7.9
451	Sporting Goods, Hobby, Book & Music Stores	\$12.7	\$13.4	\$14.1	\$14.8	\$15.5	\$16.2	\$3.5
452	General Merchandise Stores	\$77.8	\$81.8	\$85.9	\$90.2	\$94.6	\$99.1	\$21.3
453	Miscellaneous Store Retailers	\$17.6	\$18.5	\$19.4	\$20.4	\$21.4	\$22.4	\$4.8
722	Foodservices & Drinking Places	\$75.4	\$79.9	\$84.7	\$89.6	\$94.9	\$100.4	\$24.9
Totals/Weighted Averages		\$555.8	\$585.2	\$615.6	\$647.1	\$679.9	\$713.8	\$158.0

SOURCE: Claritas, Inc., Thurston Regional Planning Council, Washington State University and Gardner Johnson, LLC

- Operation of the completed Wal-Mart Supercenter is estimated to account for an increase in Tumwater business revenues by \$97.7 million annually, Tumwater employment by 354 jobs annually, and employment income by \$8.4



million annually via direct, indirect and induced commercial activity at stabilization of the project, in current 2005 dollars.

- Given: growth in the retail trade area; spending growth well in excess of sales expected at the proposed Wal-Mart; the documentation of Tumwater as a subregional retail hub/destination as a result of revised economic analysis; interviews with knowledgeable, local retail commercial brokers and managers in the immediate area; the observed and immediate sublease by another grocery of the Lacey Mega Foods location after its announced closure; and, academic and consultancy research on the subject already summarized in the Draft EIS, GARDNER JOHNSON concludes that the proposed development will not pose net economic benefits significantly below those described above nor cause net economic losses for Tumwater.
 - As documented in the Draft EIS, we anticipate that some businesses may temporarily experience loss in market share, or even close, depending upon their own strategic reaction to Wal-Mart's entry into Tumwater. We do not find, however, that such potential would exceed the normal, highly competitive nature of retail commerce. The nature of competition for grocery and non-grocery competitors in Tumwater are discussed at greater length in the Draft EIS fiscal and economic impact technical appendix.
 - Despite these issues, GARDNER JOHNSON notes that interviews with local commercial real estate brokers indicated that even though closures at Mega Foods or Albertson's are possible, replacement tenants would be anticipated at both the Mega Foods and Albertson's location. Accordingly, closure of either store could not be viewed as significant, negative economic impacts given growth and expressed re-lease potential. Building blight or urban decay in Tumwater would therefore not be anticipated.
- Permanent operations of the proposed development are estimated to generate over \$688,000 in City tax revenues annually in current, 2005 dollars (see Figure B1 on the following page) under the Primary Store Proposal (Proposed Action, Alternative 1 and Alternative 2) and over \$652,000 annually under the smaller Alternative Store Proposal (Alternatives 3 and 4) (Figure B2).



FIGURE B1: SUMMARY OF TUMWATER TAX REVENUE FROM PRIMARY STORE PROPOSAL OPERATIONS

Operations-Generated Impacts Tumwater Impact	Direct Impacts	Multiplier Effects Tax Revenues			Total Annual Tax Revenues
		Indirect	Induced	Combined	
Revenues					
Utility Tax (6.0%)	\$0	\$2,395	\$8,050	\$10,446	\$10,446
<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
Sales & Use Tax (1.9%)	\$519,773	\$1,501	\$18,493	\$19,994	\$539,767
Business & Occupation Tax (0.1%)	\$83,314	\$776	\$6,756	\$7,532	\$90,846
Total	\$650,277	\$2,277	\$25,249	\$27,526	\$688,249

SOURCE: Gardner Johnson, LLC

FIGURE B2: SUMMARY OF TUMWATER TAX REVENUE FROM ALTERNATIVE STORE PROPOSAL OPERATIONS

Operations-Generated Impacts Tumwater Impact	Direct Impacts	Multiplier Effects Tax Revenues			Total Annual Tax Revenues
		Indirect	Induced	Combined	
Revenues					
Total	\$614,432	\$2,277	\$25,249	\$27,526	\$652,404

SOURCE: Gardner Johnson

- 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 Primary Store Proposal (Figure C1) and the \$608,000 in annual, non-bond obligation tax revenue generated by the Alternative Store Proposal (Figure C2).



FIGURE C1: COMPARISON OF PRIMARY STORE PROPOSAL DIRECT CITY REVENUE AND COST IMPACTS

Operations-Generated Impacts		Direct
Tumwater Impact		Impacts
Revenues		
<i>Utility Tax (6.0%)</i>		\$2,452
<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		\$682,274
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	Approximately	\$611,024

SOURCE: Gardner Johnson

FIGURE C2: COMPARISON OF ALTERNATIVE STORE PROPOSAL DIRECT CITY REVENUE AND COST IMPACTS

Operations-Generated Impacts		Direct
Tumwater Impact		Impacts
Revenues		
<i>Utility Tax (6.0%)</i>		\$2,216
<i>Property Tax</i>		
General Levy (\$2.4522 per \$1,000)		\$34,678
Bond Levy (\$0.5638 per \$1,000)		\$7,973
Property Tax Total		\$42,651
<i>Sales & Use Tax (0.85%)</i>		\$492,792
<i>Business & Occupation Tax (0.1%)</i>		\$78,989
Total		\$616,648
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	Approximately	\$545,398



II. EXISTING CONDITIONS

RETAIL COMMERCIAL CONDITIONS

Historical Retail Sales & Establishment Counts

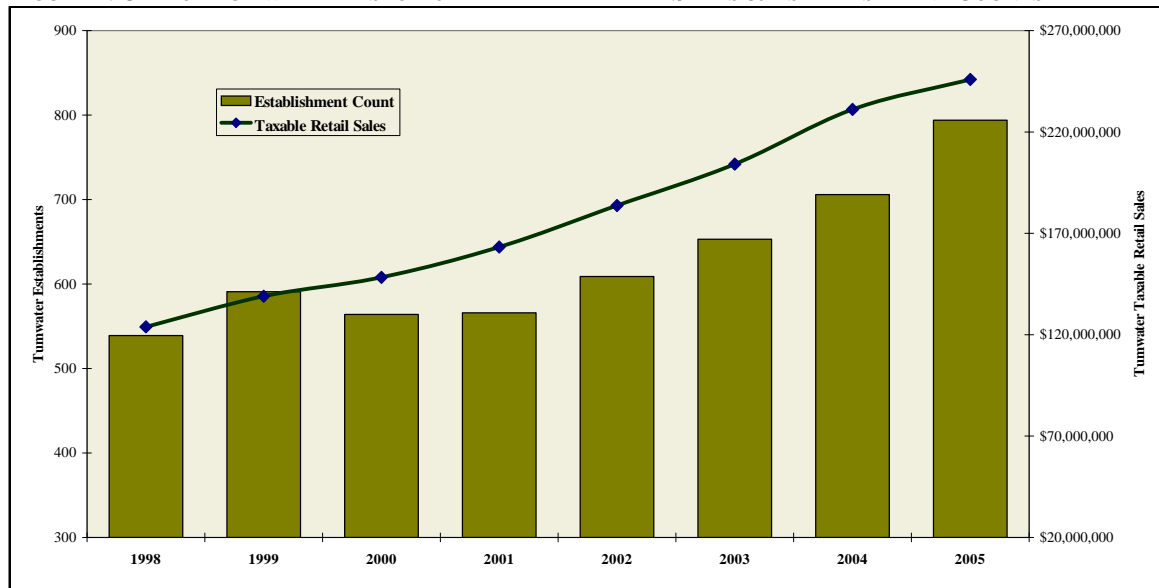
Since 2003, the most recent data available from the Washington Department of Revenue for Tumwater at the time of the Draft EIS publication, Tumwater retail has grown significantly. Figure 1 provides a graphical summary of annual taxable retail sales and establishment counts in Tumwater, Washington.

- Tumwater added 141 retail establishments, or more than 21.5% growth; and
- Tumwater taxable retail sales grew by \$41.8 million, or more than 20.4% growth.

The proposal to build a Wal-Mart Supercenter on Littlerock Road does not appear to have hindered retail sales growth in the City or, perhaps more importantly, growth in the number of retailers doing business in the City. By the end of 2005, the Washington Department of Revenue reported the following:

- Tumwater added 88 new retail establishments over the course of the year; and
- Taxable retail sales reported by Tumwater retailers grew by \$14.8 million.

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



Source: Washington State Department of Revenue



Current Retail Sales & Establishment Counts

During the Wal-Mart Supercenter Draft EIS review process, comments on the economic impact analysis of the proposed development correctly identified an error in the analysis of Tumwater total retail sales versus taxable retail sales. Figure 2 below provides a corrected analysis, with an update to recent 2005 retail sales data reported by the Washington Department of Revenue.

FIGURE 2: CITY OF TUMWATER 2005 TAXABLE AND TOTAL RETAIL SALES AND ESTABLISHMENT COUNTS

Industry and NAICS Number	Firms	Taxable Retail Sales	Taxable	
			Rate 1/	Total Retail Sales
Motor Vehicles & Parts 441	26	\$9,769,643	78.8%	\$12,403,083
Furniture & Home Furnishing 442	41	\$7,036,298	78.1%	\$9,011,819
Electronics & Appliances 443	97	\$6,334,289	71.6%	\$8,847,073
Building Materials, Garden Equipment & Supplies 444	48	\$40,768,560	94.6%	\$43,090,074
Food & Beverage Stores 445	13	\$15,283,863	27.1%	\$56,493,993
Drug/Health Stores 446	29	\$1,844,313	29.4%	\$6,278,028
Gas Stations & Convenience Stores W/pumps 447	16	\$5,768,766	18.7%	\$30,799,168
Apparel & Accessories 448	31	\$2,153,594	72.3%	\$2,979,060
Sporting Goods, Toys, Book & Music Stores 451	47	\$3,808,511	89.4%	\$4,261,540
General Merchandise Stores 452	8	\$111,250,991	61.3%	\$181,497,058
Miscellaneous Retailers 453, 454	365	\$7,915,999	51.2%	\$15,472,495
Restaurants, Food Services & Drinking Places 722	73	\$33,982,952	95.5%	\$35,567,249
TOTAL	794	\$245,917,779	60.5%	\$406,700,641

1/ From 2005 data reported in *Business Activity by Tax Return Line Code* report, Washington Department of Revenue, 2006

SOURCE: Washington Department of Revenue and Gardner Johnson, LLC

Retail establishments in the City of Tumwater reported a total of \$245.9 million in taxable retail sales in 2005, up 20.5% from \$204.3 million in 2003 taxable sales reported the Draft EIS. A total of 794 retail businesses reported taxable retail sales in 2005, up from 653 establishments previously reported in 2003. 2005 data also reveal the following:

- General Merchandise, which includes the existing Costco and Fred Meyer stores and would also include the proposed Wal-Mart Supercenter, comprised 45.2% of taxable sales in Tumwater.
- Alternatively, the General Merchandise category was the smallest in terms of the number of Tumwater businesses at eight, or 1% of all retail firms in the City.
- The Tumwater General Merchandise category grew by over \$9 million in taxable sales between 2003 and 2005 despite gaining only two new firms.



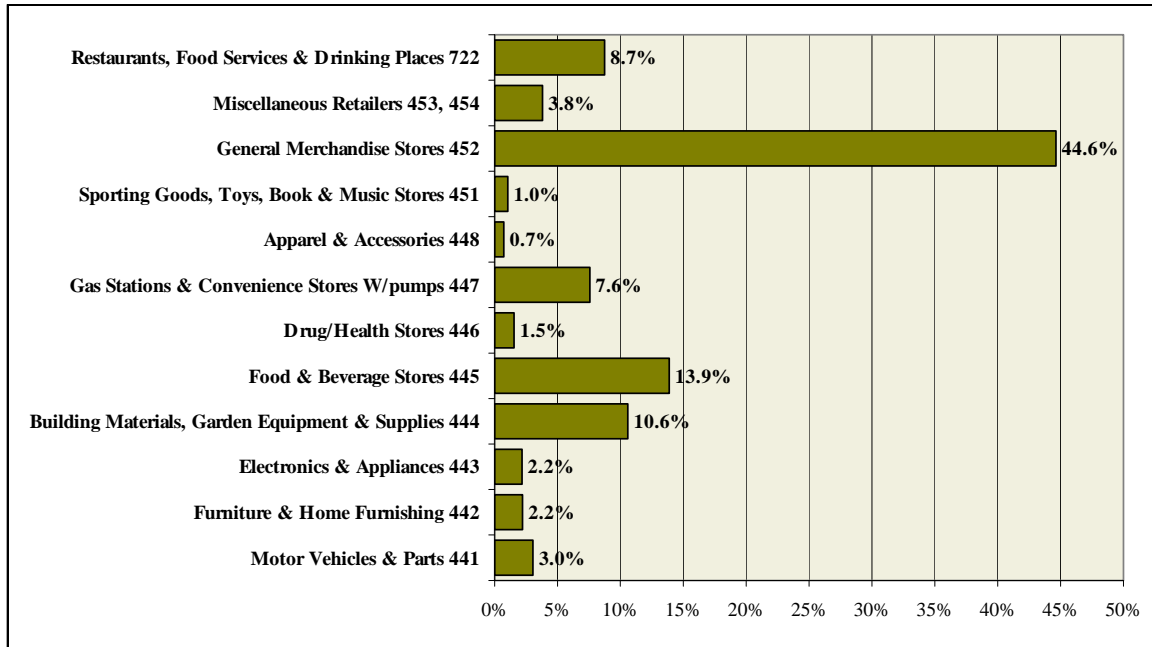
- Food & Beverage (Grocery) Stores in Tumwater experienced a reduction in taxable sales between 2003 and 2005 by roughly \$209,000 as the City lost one category establishment.

GARDNER JOHNSON confirmed with the Washington Department of Revenue that the only local-level retail sales data reported to the State are taxable sales, or only those subject to the State sales tax. Total retail sales for 2005 were estimated using statewide averages for percentage of retail sales by broad industry that are taxable as reported by the Washington Department of Revenue.

Accordingly, GARDNER JOHNSON estimates that total retail sales in the City of Tumwater reached \$406.7 million in 2005 given that Statewide, an average of 60.5% of retail sales were taxable last year. Figure 3 below provides a graphical comparison of total retail sales by specific retail category.

The Tumwater General Merchandise category represented the single-biggest share of total retail sales at 44.6% of the 2005 total for retailers in the City. Grocery comprised the second-largest share at nearly 14% of total retail sales in Tumwater in 2005.

FIGURE 3: CITY OF TUMWATER 2005 TOTAL RETAIL SALES DISTRIBUTION BY CATEGORY



SOURCE: Washington Department of Revenue and Gardner Johnson, LLC



Consumer Spending By Trade Area Residents

In response to comments on the Tumwater Wal-Mart Supercenter Draft EIS, GARDNER JOHNSON revised the Tumwater retail spending analysis to consider household retail spending within a broader retail trade geographic area than simply the City of Tumwater. A broader geographic region, served by retail located immediately within Tumwater, was designated mindful of the following factors:

- Tumwater is the largest concentration of commercial development south of Olympia in Thurston County;
- Tumwater is the largest commercial concentration between Olympia and Centralia, Washington located twenty miles south of Tumwater; and
- Households will shop at the most convenient retail location relative to their residence and will generally not pass a retail concentration comparable to their intended shopping destination.

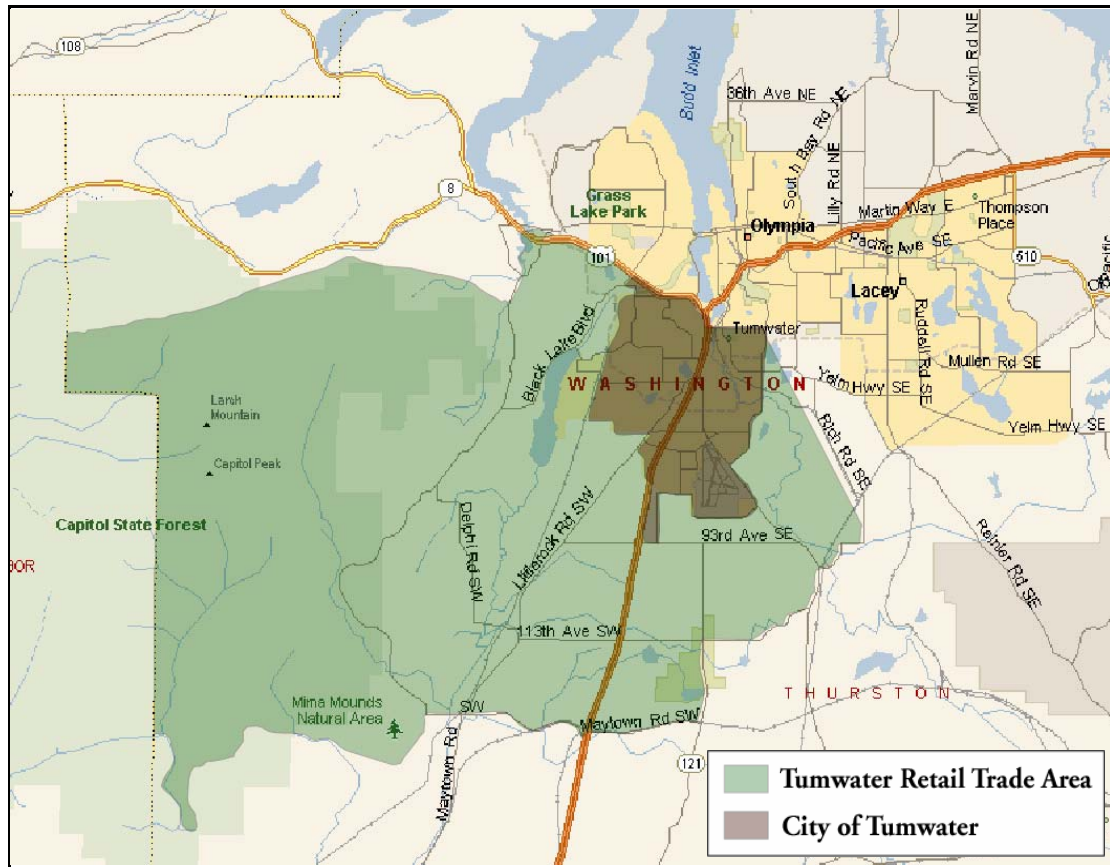
To determine a retail trade area for Tumwater, GARDNER JOHNSON further assumed the following:

- Residents residing half-way or less between Lacey (Hawks Prairie) and Tumwater will choose to shop in Lacey;
- Residents of Olympia or those employed in Olympia but residing north of Olympia will strictly prefer Lacey as a shopping destination or as a convenient commercial stop during a commute.
- Residents of south central and southeast Thurston County (Tenino, Rainier and Yelm) will prefer to shop in Lacey as a destination or locally (Yelm) due to significant new development in Yelm.

Figure 4 on the following page provides a map of the resulting Tumwater Trade Area including the City of Tumwater. The resulting trade area is technically defined as the Thurston County 2000 Census Tracts 108.00 & 109.00 (City of Tumwater), 110.00, 118.10, 118.20, and the western half of 117.00.



FIGURE 4: TUMWATER RETAIL TRADE AREA INCLUDING THE CITY OF TUMWATER



GARDNER JOHNSON estimated total retail spending by likely industry category for the Tumwater Retail Trade Area in 2005. Detailed estimates by retail industry are found in Figure 5 on the following page.

In 2005, consumers residing within the Tumwater Trade Area spent an estimated \$533.7 million within and outside of Tumwater, excluding vacation and other non-local spending, on goods and service predominantly convenient to work or residence. The average household in the Tumwater Retail Trade Area spent approximately \$33,733 on such retail goods according to Claritas, Inc, a statistical data and research consulting firm.

By retail sector category, Tumwater Retail Trade Area spending was largest in Automotive Parts, Accessories & Tire Stores (\$9,066 per household annually), followed by General Merchandise Stores (\$4,797 per household) and Food & Beverage Stores (\$4,711 per household).



FIGURE 5: SUMMARY OF APPLICABLE RETAIL SPENDING BY TUMWATER TRADE AREA RESIDENTS, 2005¹

Tumwater Trade Area 1/		Avg. Annual Household Spending 2/	Spending (\$000s) 2005 Hholds 15,820
NAIC Category			
441	Automotive Parts, Accessories & Tire Stores	\$9,066	\$143.4
442	Furniture & Home Furnishings Stores	\$1,003	\$15.9
443	Electronics & Appliance Stores	\$982	\$15.5
444	Building Materials & Garden Equipment	\$3,712	\$58.7
445	Food & Beverage Stores	\$4,711	\$74.5
446	Health & Personal Care Stores	\$1,721	\$27.2
448	Clothing & Clothing Accessories Stores	\$1,789	\$28.3
451	Sporting Goods, Hobby, Book & Music Stores	\$785	\$12.4
452	General Merchandise Stores	\$4,797	\$75.9
453	Miscellaneous Store Retailers	\$1,085	\$17.2
722	Foodservices & Drinking Places	\$4,083	\$64.6
Totals/Weighted Averages		\$33,733	\$533.7

1/ Household estimates are from the Thurston Regional Planning Council for Census Tracts 108.00, 109.00, 110.00, 118.10, 118.20 and the western half of 117.00. Gardner Johnson assumes households in the eastern half of Census Tract 117.00 would prefer to shop in Lacey based on shorter drive time

2/ From Claritas, Inc., derived from the 2004 U.S. Bureau of Labor Statistics Consumer Expenditure Survey.

SOURCE: Claritas, Inc., Thurston Regional Planning Council and Gardner Johnson, LLC

Although GARDNER JOHNSON does not doubt the accuracy of *total* Tumwater Retail Trade Area resident spending patterns documented above (\$33,733 per household), we would note that actual spending by specific retail sectors likely varies significantly from the above statistics. Claritas, Inc., the primary data source for household spending statistics, calculates household retail spending by retail industry sectors utilizing the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CE). It is important to note that the CE surveys consumer spending patterns by type of good purchased, not by retail industry categories.

It is highly likely, therefore, that resident spending at General Merchandise establishments has been underestimated as establishments such as Costco and Fred Meyer sell goods also sold by other retail sectors, including clothing, auto parts, personal care goods, and many others. Conversely, Tumwater Retail Trade Area resident spending at

¹ "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.



establishments within merchandise-specific sectors, including Health & Personal Care Stores, Clothing & Clothing Accessories Stores, and Food & Beverage Stores are overestimated given the presence of Costco and Fred Meyer in Tumwater.

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 and Associates for the State of Washington. Assuming visitor retail spending mirrors Tumwater's share of Thurston County visitor lodging spending, we estimate that visitors to Tumwater spent roughly \$22.2 million on various retail goods in 2005 (see Figure 6 below). This figure is likely conservative as Tumwater's volume of pass-through traffic along Interstate 5 likely outweighs its role as an overnight lodging destination.

FIGURE 6: TUMWATER VISITOR SPENDING (2005)

City of Tumwater Visitor Spending		Millions (2005 \$s) 1/
NAICS	Category 2/	2005
441	Automotive Parts, Accessories & Tire Stores	\$2.6
442	Furniture & Home Furnishings Stores	\$0.4
443	Electronics & Appliance Stores	\$0.4
444	Building Materials & Garden Equipment	\$1.5
445	Food & Beverage Stores	\$2.3
446	Health & Personal Care Stores	\$0.7
448	Clothing & Clothing Accessories Stores	\$0.7
451	Sporting Goods, Hobby, Book & Music Stores	\$0.3
452	General Merchandise Stores	\$1.9
453	Miscellaneous Store Retailers	\$0.4
722	Foodservices & Drinking Places	\$10.8
Totals/Weighted Averages		\$22.2

1/ Tumwater visitor spending defined as total, annual retail spending in Tumwater by persons not residing in Thurston County. Visitor spending figures are based on trend forecast of Tumwater's historical share of Thurston County visitor spending documented by Dean Runyan Associates for the Washington Office of Trade and Economic Development.

2/ Visitor spending by NAICS code is unavailable, therefore Gardner Johnson assumes spending by NAICS industry generally follows the industry share exhibited by Tumwater residents for non-food and non-transportation retail categories.

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

Food Services & Drinking Places (Dining) are estimated to be the single-largest category of visitor spending on an



annual basis, followed by Automotive Parts, Accessories & Tire Stores and Food & Beverage Stores.

Retail Sales Leakage in Tumwater

Given revised estimates of total retail sales in the City of Tumwater (Figure 2), GARDNER JOHNSON concludes that significant retail sales leakage from the City of Tumwater does not likely occur. To the contrary, updated and revised estimates would indicate that Tumwater is in fact a retail destination for households not residing within City limits, in addition to serving the retail needs of Tumwater residents.

- Tumwater resident retail spending amounts to at least \$214 million (Tumwater Wal-Mart Supercenter Draft EIS);
- Total retail sales in Tumwater by residents and visitors are estimated at upwards of \$400 million (Figure 2);
- Spending in Tumwater by visitors to Thurston County is estimated to be between \$20 million and \$25 million (Figure 6).

Tumwater destination spending by Thurston County residents not residing in Tumwater would, therefore, be in the range of \$161 million to \$166 million in 2005 based on the following formula:

$$\text{Destination Spending} = \text{Total Sales} - \text{Out-of-County Visitor Spending} - \text{Resident Spending}$$

The impacts of the entry of a Wal-Mart Supercenter into a destination-oriented retail concentration, rather than a retail sales leakage-prone commercial area, in Tumwater is further discussed in Section IV.

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, two primary store size alternatives are proposed, the analysis of which makes the following assumptions:



Primary Store Proposal - the Proposed Action/Alternative 1 and Alternative 2 (226,700 square feet)²

- 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 NAICS³ 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 (land planned to be leased to an independent operator) and associated parking expected to comprise 0.4 to 0.8 acres on the north or south side of the proposed development along Littlerock Road (under the Proposed Action and Alternative 1 only).

Alternative Store Proposal - Alternatives 3 and 4 (206,800 square feet)

- A 187,000 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 NAICS 452, or General Merchandise Retail.
- 19,800 gross square foot seasonal garden center likely comprising canopy-covered area security fence enclosure.
- No fuel/service station and associated parking expected to comprise 0.4 to 0.8 acres on the north or

² Technically, the Primary Store Proposal will total 228,354 square feet instead of the 226,700 square feet assumed in the Draft EIS and in the updated Final EIS analysis. The size difference, however, is less than 1% and is not considered significant for retail analysis purposes. Garden center space is the primary reason for the space discrepancy. Annual garden center sales are highly seasonal (by a factor of 60% as assumed in this analysis); therefore, the economic impacts of the space discrepancy are even less significant than the floor area difference itself.

³ 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.



south 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 Trospen Road.

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

PROJECT DEVELOPMENT ASSUMPTIONS

For the purposes of the updated analysis of the Primary Proposed Store and additional analysis of the Alternative Store Proposal, GARDNER JOHNSON made the following additional assumptions to those already summarized in the Draft EIS:

- Alternative Store Proposal development would cost on the order of \$7.66 million⁴ reflecting the reduced store size. The project would be complete within one year of groundbreaking.
- Once complete, the Alternative Store Proposal will employ 313 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.⁵ The expected wage level is competitive with the 2005 median retail hourly wage of \$11.34 in Thurston County.⁶ Salary information for non-hourly

⁴ Electronic communication with Mike Beach, PacLand, October 19, 2005 and reconfirmed by Jason Munich, PacLand, October 18, 2006.

⁵ (Berger, 2005)

⁶ Washington Employment Security Department, Occupational Employment & Wage Estimates Data, 2005.



employment was not supplied for confidentiality reasons.⁷

- Local households employed by permanent, on-going store operations will exhibit spending patterns similar to those summarized for Tumwater Retail Trade Area residents in Section I of this document.
- At full build-out, the proposed development is assumed to yield roughly \$420 per square foot for non-Garden Center retail sales based on average, nationwide yield for Wal-Mart Supercenters.⁸ Garden Center sales are assumed to average \$250 per square foot annually, assuming a 40% seasonal sales fluctuation for garden/outdoor products.⁹

IV. ECONOMIC IMPACTS

GARDNER JOHNSON conducted an economic impact analysis of the proposed Wal-Mart Supercenter development alternatives in Tumwater for the Final EIS. Development assumptions are based on the expected scope and scale of the development as described by Wal-Mart Stores, Inc. Economic assumptions guiding the analysis, including the project definition, are as follows:

- The Tumwater Retail Trade Area is growing, with robust population and commercial growth;
- Tumwater is presently serving as a retail destination for households residing elsewhere in Thurston County and for individuals visiting Thurston County;
- Development of the Wal-Mart will be a new entry into an established and thriving corridor of larger-format retailers 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

⁷ (Berger, 2005)

⁸ 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>.

⁹ Although not explicitly mentioned as an assumption in the Draft EIS, the \$250-per-square-foot annual sales figure for Garden Center sales was utilized in the Draft EIS analysis.



retail core, which unlike other communities Tumwater does not have (see the Draft EIS Economic and Fiscal Analysis for details).

ECONOMIC IMPACTS DEFINED

The analysis of the economic impacts of a Wal-Mart Supercenter construction and operation is conducted in two stages:

- **Gross Economic Impacts:** The total business revenues, jobs and labor income generated by the construction and operation of the Wal-Mart Supercenter without regard to whether the Supercenter represents entirely new economic activity or represents some diversion of existing economic activity.
- **Net Economic Impacts:** The total business revenues, jobs and labor income newly generated by the development of the Wal-Mart Supercenter after the potential impacts upon competitors and shopper behavior are considered.

Each is discussed in turn in the following pages.

Impact Study Area

The study area for this impact analysis is defined as the City of Tumwater due to the geographic location of the store, its sales and the concentration of fiscal revenue and cost impacts associated with proposed development. 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.¹⁰

Resulting estimates of economic impacts for the City of Tumwater as a result of Wal-Mart Supercenter development,

¹⁰ Proprietary data for individual firms are not reported but are rather aggregated to industry totals.



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. To the extent that those impacts may be considered significant, discussion is included.

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

The following construction impact estimates follow similar methodology to that found in the DEIS. Revised estimates are provided for the Alternative Store Proposal under Alternatives 3 and 4. Additional discussion is provided in Section III above. Please refer to the Draft EIS, Economic and Fiscal Impact Technical Appendix for detailed discussion of economic impact analysis methodology and definitions of terms.

Business Revenues

Temporary revenues for Tumwater businesses created by Wal-Mart Supercenter development under the Primary Store Proposal are summarized in Figure 7 on the following page. Figure 8, also on the following page, summarizes temporary business revenue impacts for Tumwater businesses as a result of Alternative Store Proposal construction.



FIGURE 7: TUMWATER BUSINESS REVENUE IMPACTS OF PRIMARY STORE PROPOSAL CONSTRUCTION

Business Revenues Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$3,770	\$4,890	\$8,660	\$8,660
Transportation/Warehousing/Utilities	\$0	\$18,050	\$37,400	\$55,450	\$55,450
Construction	\$0	\$3,350	\$9,800	\$13,150	\$13,150
Manufacturing	\$0	\$39,800	\$29,970	\$69,770	\$69,770
Wholesale Trade	\$0	\$17,790	\$41,560	\$59,350	\$59,350
Retail Trade	\$0	\$69,460	\$184,230	\$253,690	\$253,690
Information	\$0	\$10,040	\$31,930	\$41,970	\$41,970
Financial Services	\$0	\$36,180	\$176,090	\$212,270	\$212,270
Professional & Business Services	\$0	\$104,300	\$54,870	\$159,170	\$159,170
Education & Health Services	\$0	\$120	\$245,820	\$245,940	\$245,940
Leisure & Hospitality	\$0	\$2,980	\$106,580	\$109,560	\$109,560
Other Services	\$0	\$9,520	\$65,460	\$74,980	\$74,980
Government	\$0	\$10,320	\$49,350	\$59,670	\$59,670
Total	\$0	\$325,680	\$1,037,950	\$1,363,630	\$1,363,630

SOURCE: IMPLAN, 2005

FIGURE 8: TUMWATER BUSINESS REVENUE IMPACTS OF ALTERNATIVE STORE PROPOSAL CONSTRUCTION

Business Revenues Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Total	\$0	\$294,370	\$938,120	\$1,232,490	\$1,232,490

SOURCE: IMPLAN, 2005

The reduced store size under the Alternative Store Proposal poses little in the way of changes to business revenue impacts for Tumwater businesses. Temporary business revenues created by construction activity are estimated at \$1.23 million under the smaller store size alternative. The Primary Store Proposal would benefit the local economy by an estimated \$1.36 million during construction.

Employment

Temporary Tumwater jobs created by construction of the Primary Store Proposal are summarized in Figure 9 on the following page. Temporary job impacts as a result of Alternative Store Proposal construction activity are summarized in Figure 10. Development of the reduced store size is estimated to create less than two fewer jobs during construction, limited to indirect and induced ripple effects within the City. The analysis conservatively estimates that Wal-Mart Supercenter construction under either alternative will not create local construction jobs due to the assumption of an out-of-town construction firm also bringing construction employees from out of town.



FIGURE 9: TUMWATER EMPLOYMENT IMPACTS OF PRIMARY STORE PROPOSAL CONSTRUCTION

Employment Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	0.0	0.0	0.1	0.1	0.1
Transportation/Warehousing/Utilities	0.0	0.2	0.3	0.4	0.4
Construction	0.0	0.0	0.1	0.1	0.1
Manufacturing	0.0	0.2	0.2	0.4	0.4
Wholesale Trade	0.0	0.1	0.3	0.5	0.5
Retail Trade	0.0	1.1	2.8	3.9	3.9
Information	0.0	0.0	0.1	0.2	0.2
Financial Services	0.0	0.2	1.1	1.4	1.4
Professional & Business Services	0.0	1.3	0.8	2.1	2.1
Education & Health Services	0.0	0.0	3.4	3.4	3.4
Leisure & Hospitality	0.0	0.1	2.3	2.4	2.4
Other Services	0.0	0.1	0.9	1.0	1.0
Government	0.0	0.0	0.1	0.2	0.2
Total	0.0	3.4	12.7	16.1	16.1

SOURCE: IMPLAN, 2005

FIGURE 10: TUMWATER EMPLOYMENT IMPACTS OF ALTERNATIVE STORE PROPOSAL CONSTRUCTION

Employment Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Total	0.0	3.1	11.5	14.5	14.5

SOURCE: IMPLAN, 2005

Employment Income

Figure 11 on the following page provides estimates of labor income created by temporary activity associated with construction of the Primary Store Proposal in Tumwater. Figure 12 provides a summary of labor income impacts as a result of Alternative Store Proposal construction. Because the analysis conservatively assumes on-site construction labor will come from outside of Tumwater, labor income benefits to the local economy will be limited to ripple effects associated with local support businesses and services.

FIGURE 11: TUMWATER LABOR INCOME IMPACTS FROM PRIMARY STORE PROPOSAL CONSTRUCTION

Employment Income Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$790	\$1,590	\$2,380	\$2,380
Transportation/Warehousing/Utilities	\$0	\$7,020	\$13,870	\$20,890	\$20,890
Construction	\$0	\$1,730	\$4,500	\$6,230	\$6,230
Manufacturing	\$0	\$9,970	\$6,800	\$16,770	\$16,770
Wholesale Trade	\$0	\$7,140	\$16,690	\$23,830	\$23,830
Retail Trade	\$0	\$32,140	\$84,450	\$116,590	\$116,590
Information	\$0	\$2,770	\$8,410	\$11,180	\$11,180
Financial Services	\$0	\$8,840	\$43,590	\$52,430	\$52,430
Professional & Business Services	\$0	\$65,290	\$29,360	\$94,650	\$94,650
Education & Health Services	\$0	\$50	\$135,880	\$135,930	\$135,930
Leisure & Hospitality	\$0	\$1,190	\$41,150	\$42,340	\$42,340
Other Services	\$0	\$3,580	\$28,920	\$32,500	\$32,500
Government	\$0	\$1,330	\$8,010	\$9,340	\$9,340
Total	\$0	\$141,840	\$423,220	\$565,060	\$565,060

SOURCE: IMPLAN, 2005



FIGURE 12: TUMWATER LABOR INCOME IMPACTS FROM ALTERNATIVE STORE PROPOSAL CONSTRUCTION

Employment Income Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
<i>Total</i>	\$0	\$128,200	\$382,500	\$510,700	\$510,700

SOURCE: IMPLAN, 2005

Results of the analysis suggest little difference in labor income impacts due to project construction. The smaller store size under the Alternative Store Proposal translates into roughly \$54,000 less in labor income created for Tumwater area employment, down from \$565,060 estimated under Primary Store Proposal construction.

Net Construction Economic Impacts

Because the construction of the proposed Wal-Mart Supercenter represents entirely new, though temporary economic activity, the net impacts of project construction would not be expected to differ from the gross economic impacts estimated above. The sole exception would be an unexpected surge in commercial development whereby Wal-Mart Supercenter construction would divert scarce labor or material supply from other projects. GARDNER JOHNSON views this hypothetical scenario to be unlikely.

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 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.

Gross Business Revenue Impacts

Revenues for Tumwater businesses as a result of normalized/stable operations for the Primary Store Proposal are summarized in Figure 13 below. Figure 14 provides a summary of annual Tumwater business revenue impacts as a result of Alternative Store Proposal operations.



FIGURE 13: TUMWATER BUSINESS REVENUE IMPACTS FROM PRIMARY STORE PROPOSAL OPERATIONS

Wal Mart Operations Tumwater Industry (NAICS)	Direct	Multiplier Effects			Total Impacts
	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

SOURCE: IMPLAN, 2005

FIGURE 14: TUMWATER BUSINESS REVENUE IMPACTS FROM ALTERNATIVE STORE PROPOSAL OPERATIONS

Wal Mart Operations Tumwater Industry (NAICS)	Direct	Multiplier Effects			Total Impacts
	Impacts	Indirect	Induced	Combined	
Total	\$83,512,380	\$999,722	\$8,383,249	\$9,382,971	\$93,117,930

SOURCE: IMPLAN, 2005

Reduction in proposed development floor area for potential merchandise and resulting annual sales indicates a reduction in on-site retail sales at roughly \$9 million on an annual basis. The Alternative Store Proposal is estimated to see over \$83.0 million in annual retail sales. Economic ripple effects will not likely be significant, estimated at an additional \$9.3 million in business revenues for area businesses.

At an estimated \$102 million in total business revenue impacts annually, including ripple effects, the Primary Store Proposal would benefit the Tumwater economy by roughly \$8.8 million more each year than the Alternative Store Proposal.

Net Business Revenue Impacts

Three factors since publication of the Tumwater Wal-Mart Supercenter Draft EIS warrant revised discussion of the potential net impacts of a Supercenter upon Tumwater commerce:

- An error in the retail sales analysis in the Draft EIS Economic & Fiscal Impact technical appendix, leading to a revised conclusion that Tumwater is a retail destination/hub for non-residents rather than suffering retail sales leakage;



- Reduction in the size of the proposed development floor space (under Alternatives 3 and 4);
- Observed business impacts in Lacey/Hawks Prairie following the opening of the grocery/Supercenter expansion of the existing Wal-Mart Discount Store.

Each issue and its implications for net business impacts to Tumwater are discussed in turn below.

Retail Trade Area Scenarios and Reaction to Sizeable New Retail

Revised economic analysis in this document revealed that in fact, Tumwater businesses enjoy growing retail sales in excess of what Tumwater residents alone can support in terms of annual spending. Analysis in Section II concluded destination retail spending, specifically by visitors to Tumwater from elsewhere in Thurston County and outside of the county, ranged between \$161 million and \$165 million in 2005. This represents roughly 40% of total estimated retail sales in Tumwater (Figure 2).

Because Tumwater serves as a retail hub for a broader geography than its own City limits, the net impacts of a Wal-Mart Supercenter upon Tumwater businesses must be viewed in the context of the ability for spending by trade area households and visitors to support the entry of the proposed development. Three possibilities are possible:

- *Declining Trade Area Population & Visitor Spending:* If the trade area supporting a concentration of retail is declining, as in the "size of the pie" is shrinking, the entry of a new retailer necessarily represents a loss of business for competitors. The reduction in the size of "slices," or retail market share are reduced for existing, competing businesses already suffering declining sales. In this case, reduced market share in an environment of already declining sales is enough to induce closure of some existing businesses. This scenario is unlikely, as a sizeable new retailer such as a Wal-Mart Supercenter takes a significant risk opening in a declining retail environment.
- *Static Trade Area Population & Visitor Spending:* If the trade area supporting a concentration of retail is static, the entry of a new retailer also necessarily represents a loss of business for competitors. In this



case, reduced market share in an environment of already stagnant sales may be enough to induce closure of some existing businesses, particularly if the trade area is already well-served by retail. This scenario best describes the entry of a large retailer into a highly urbanized location where land is largely already built out. New development and population growth are either stagnant or limited to instances of redevelopment at higher residential density.

- *Growing Trade Area Population & Visitor Spending:* If the trade area supporting a concentration of retail is growing, the entry of a sizeable new retailer does not necessarily translate into either lost sales for existing businesses or the closure of existing businesses, though existing retailers ill-suited to compete with existing competition combined with the new entrant may choose to close. This scenario best describes a growing suburban environment where land within the trade area is not already built out, but is undergoing both residential and employment growth.

Tumwater Retail Trade Area Household & Spending Forecast

To determine the scenario that best describes the Tumwater Retail Trade Area, GARDNER JOHNSON utilized local area household forecasts officially published by the Thurston Regional Planning Council for the 2000 Census tracts that correspond to the Tumwater Retail Trade Area.¹¹ Figure 4 in Section II provides a map of the resulting Tumwater Retail Trade Area, including the City of Tumwater.

Given average annual household spending by Tumwater Retail Trade Area residents documented in Figure 5 in Section II, Figure 15 on this page provides projections of total household spending by specific retail category by Tumwater Retail Trade Area residents through 2010.

- Through 2010, the Thurston County Regional Planning Council anticipates the Tumwater Retail Trade Area to add nearly 15% more primary resident households.
- This translates into 2,335 new households, the majority of which are anticipated to be located outside of Tumwater city limits.

¹¹ Thurston County census tracts 108.00 & 109.00 (City of Tumwater), 110.00, 118.10, 118.20, and the western half of 117.00 assuming the eastern half would find Lacey/Hawks Prairie retail more convenient.



- Given 2.135% annual, inflation-adjusted household income growth in Thurston County over the past ten years according to the Washington State University Northwest Income Indicators Project, household growth in the Tumwater Retail Trade Area is estimated to contribute \$147 million in new, annual household retail spending by 2010.

FIGURE 15: TUMWATER RETAIL TRADE AREA HOUSEHOLD & RETAIL SPENDING FORECAST TO 2010

Tumwater Retail Trade Area Growth 1/		Avg. Annual Household Spending 2/	Households and Household Retail Spending in Millions (2005 \$s)						
NAIC Category			2005	2006	2007	2008	2009	2010	'05-'10
			15,820	16,287	16,754	17,221	17,688	18,155	2,335
441	Automotive Parts, Accessories & Tire Stores	\$9,066	\$143.4	\$150.8	\$158.4	\$166.3	\$174.5	\$182.9	\$39.5
442	Furniture & Home Furnishings Stores	\$1,003	\$15.9	\$16.7	\$17.5	\$18.4	\$19.3	\$20.2	\$4.4
443	Electronics & Appliance Stores	\$982	\$15.5	\$16.3	\$17.2	\$18.0	\$18.9	\$19.8	\$4.3
444	Building Materials & Garden Equipment	\$3,712	\$58.7	\$61.8	\$64.9	\$68.1	\$71.5	\$74.9	\$16.2
445	Food & Beverage Stores	\$4,711	\$74.5	\$78.4	\$82.3	\$86.4	\$90.7	\$95.0	\$20.5
446	Health & Personal Care Stores	\$1,721	\$27.2	\$28.6	\$30.1	\$31.6	\$33.1	\$34.7	\$7.5
448	Clothing & Clothing Accessories Stores	\$1,789	\$28.3	\$29.8	\$31.3	\$32.8	\$34.4	\$36.1	\$7.8
451	Sporting Goods, Hobby, Book & Music Stores	\$785	\$12.4	\$13.1	\$13.7	\$14.4	\$15.1	\$15.8	\$3.4
452	General Merchandise Stores	\$4,797	\$75.9	\$79.8	\$83.8	\$88.0	\$92.3	\$96.8	\$20.9
453	Miscellaneous Store Retailers	\$1,085	\$17.2	\$18.0	\$19.0	\$19.9	\$20.9	\$21.9	\$4.7
722	Foodservices & Drinking Places	\$4,083	\$64.6	\$67.9	\$71.4	\$74.9	\$78.6	\$82.4	\$17.8
Totals/Weighted Averages		\$33,733	\$533.7	\$561.1	\$589.6	\$618.9	\$649.3	\$680.7	\$147.0

1/ Household estimates and forecast are from the Thurston Regional Planning Council for Census Tracts 108.00, 109.00, 110.00, 118.10, 118.20 and the western half of 117.00. Gardner Johnson assumes households in the eastern half of Census Tract 117.00 would prefer to shop in Lacey based on shorter drive time

2/ From Claritas, Inc., derived from the 2004 U.S. Bureau of Labor Statistics Consumer Expenditure Survey. Gardner Johnson assumes 2.135% annual household income growth in constant dollars (Washington State University Northwest Income Indicators Project for Thurston County).

SOURCE: Claritas, Inc., Thurston Regional Planning Council, Washington State University and Gardner Johnson, LLC

Tumwater Retail Trade Area Visitor Spending Forecast

GARDNER JOHNSON projected spending by visitors to Tumwater from outside of Thurston County based on Thurston County visitor spending trends between 2000 and 2004 documented by Dean Runyan & Associates for the Washington Office of Trade and Economic Development (Dean Runyan & Associates, 2006). Inflation-adjusted spending projections through 2010 are detailed in Figure 16 below.



FIGURE 16: TUMWATER RETAIL TRADE AREA HOUSEHOLD & RETAIL SPENDING FORECAST TO 2010

City of Tumwater Visitor Spending Growth		Tumwater Visitor Retail Spending in Millions (2005 \$) 1/						
NAICS	Category 2/	2005	2006	2007	2008	2009	2010	'05-'10
441	Automotive Parts, Accessories & Tire Stores	\$2.6	\$2.9	\$3.2	\$3.6	\$3.9	\$4.4	\$1.7
442	Furniture & Home Furnishings Stores	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.5	\$0.1
443	Electronics & Appliance Stores	\$0.4	\$0.4	\$0.4	\$0.4	\$0.5	\$0.5	\$0.1
444	Building Materials & Garden Equipment	\$1.5	\$1.6	\$1.6	\$1.7	\$1.7	\$1.8	\$0.3
445	Food & Beverage Stores	\$2.3	\$2.5	\$2.6	\$2.8	\$3.0	\$3.2	\$0.9
446	Health & Personal Care Stores	\$0.7	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8	\$0.1
448	Clothing & Clothing Accessories Stores	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8	\$0.9	\$0.1
451	Sporting Goods, Hobby, Book & Music Stores	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4	\$0.1
452	General Merchandise Stores	\$1.9	\$2.0	\$2.1	\$2.2	\$2.2	\$2.3	\$0.4
453	Miscellaneous Store Retailers	\$0.4	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5	\$0.1
722	Foodservices & Drinking Places	\$10.8	\$12.0	\$13.3	\$14.7	\$16.3	\$18.0	\$7.1
Totals/Weighted Averages		\$22.2	\$24.0	\$26.0	\$28.2	\$30.6	\$33.2	\$11.0

1/ Tumwater visitor spending defined as total, annual retail spending in Tumwater by persons not residing in Thurston County. Visitor spending figures are based on trend forecast of Tumwater's historical share of Thurston County visitor spending documented by Dean Runyan Associates for the Washington Office of Trade and Economic Development. Gardner Johnson assumes Tumwater's share of Thurston County visitor spending grows from 16.9% to 19.4% based on Tumwater's five-year growth in capturing Thurston County taxable lodging spending (Washington Department of Revenue, 2000 and 2005 data).

2/ Visitor spending by NAICS code is unavailable, therefore Gardner Johnson assumes spending by NAICS industry generally follows the industry share exhibited by Tumwater residents for non-food and non-transportation retail categories.

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

Starting at estimated retail spending of \$22.2 million in 2005, visitors to Tumwater from outside of Thurston County are anticipated to spend an additional \$11 million annually by 2010. Projected growth amounts to 50% more spending over the next five years in constant, 2005 dollars. Although total out-of-county visitor spending is much less than Tumwater Retail Trade Area resident spending, the sharply higher visitor spending growth rate largely reflects the effects of growth in Interstate 5 corridor traffic resulting from substantial economic and population growth throughout the South Puget Sound region.

Tumwater Retail Trade Area Total Retail Spending Forecast

Figure 17 on the following page provides a summary of Tumwater Retail Trade Area resident household and visitor annual spending estimates through 2010 by specific retail sector category. Growth in spending by household growth and visitor traffic growth is anticipated to generate \$158 million in new, annual retail spending by 2010 compared to current estimated trade area spending at \$555.8 million.



FIGURE 17: TUMWATER RETAIL TRADE AREA ANNUAL SPENDING THROUGH 2010

Tumwater Trade Area & Visitor Spending Growth		Households and Household Retail Spending in Millions (2005 \$)						
NAICS	Category	2005	2006	2007	2008	2009	2010	'05-'10
441	Automotive Parts, Accessories & Tire Stores	\$146.1	\$153.7	\$161.7	\$169.9	\$178.4	\$187.3	\$41.2
442	Furniture & Home Furnishings Stores	\$16.3	\$17.1	\$18.0	\$18.8	\$19.8	\$20.7	\$4.4
443	Electronics & Appliance Stores	\$15.9	\$16.7	\$17.6	\$18.5	\$19.4	\$20.3	\$4.4
444	Building Materials & Garden Equipment	\$60.2	\$63.3	\$66.5	\$69.8	\$73.2	\$76.7	\$16.5
445	Food & Beverage Stores	\$76.8	\$80.8	\$85.0	\$89.2	\$93.7	\$98.2	\$21.4
446	Health & Personal Care Stores	\$27.9	\$29.4	\$30.8	\$32.4	\$33.9	\$35.6	\$7.6
448	Clothing & Clothing Accessories Stores	\$29.0	\$30.5	\$32.0	\$33.6	\$35.3	\$37.0	\$7.9
451	Sporting Goods, Hobby, Book & Music Stores	\$12.7	\$13.4	\$14.1	\$14.8	\$15.5	\$16.2	\$3.5
452	General Merchandise Stores	\$77.8	\$81.8	\$85.9	\$90.2	\$94.6	\$99.1	\$21.3
453	Miscellaneous Store Retailers	\$17.6	\$18.5	\$19.4	\$20.4	\$21.4	\$22.4	\$4.8
722	Foodservices & Drinking Places	\$75.4	\$79.9	\$84.7	\$89.6	\$94.9	\$100.4	\$24.9
Totals/Weighted Averages		\$555.8	\$585.2	\$615.6	\$647.1	\$679.9	\$713.8	\$158.0

SOURCE: Claritas, Inc., Thurston Regional Planning Council, Washington State University and Gardner Johnson, LLC

Tumwater Retail Trade Area Demand Depth for a Wal-Mart Supercenter

Based on anticipated growth in Tumwater Retail Trade Area population, household spending and visitor spending documented, GARDNER JOHNSON concludes that the entry of a Wal-Mart Supercenter in Tumwater is best described as the third, or "Growing" Retail Trade Area Scenario described previously in this section. Figure 18 on the following page provides a comparison of 2005 Tumwater retail sales, 2005 Tumwater Retail Trade Area spending, and growth in Retail Trade Area spending to anticipated Wal-Mart Supercenter retail sales under both development alternatives.

A review of anticipated retail sales compared to current retail sales, current retail spending and future retail spending indicates it is not reasonable to expect the Wal-Mart Supercenter to have significant, adverse impacts to the growing retail environment in the Tumwater area.

- The Primary Store Proposal will amount to a 25% increase in 2005 City of Tumwater retail sales while the Alternative Store Proposal will amount to a 22% increase;
- The Primary Store Proposal amounts to 17% of 2005 Tumwater Retail Trade Area spending while the Alternative Store Proposal equates to 15% of current trade area spending;
- A comparison of Trade Area spending (\$555.8 million) and Tumwater retail sales (\$375.9 million) indicates that Trade Area residents are spending roughly \$180 million (33%) annually elsewhere besides Tumwater.
- The Primary Store Proposal will amount to 51% of 2005 Trade Area household spending (\$180 million) not



occurring in Tumwater but that could be diverted to Tumwater with sizeable new retail development. The Alternative Store Proposal equates to 46% of current Trade Area spending that is not presently occurring in Tumwater.

- The Primary Store Proposal represents 58% of net, new retail spending in the next five years by existing trade area residents' inflation-adjusted income growth, new trade area residents and their inflation-adjusted income growth, and increasing visitation to Tumwater from outside of Thurston County. The smaller Alternative Store Proposal amounts to 53% of new Trade Area spending in the next five years.

FIGURE 18: TUMWATER RETAIL TRADE AREA WITH WAL-MART SUPERCENTER ENTRY COMPARISON

Tumwater Retail Sales & Spending Comparison			'05 City Sales	Trade Area Spending		
NAICS	Category	Wal-Mart Retail Sales		Current 2005	Growth To 2010	
		Primary 1/	Alternative 2/			
441	Automotive Parts, Accessories & Tire Stores	\$0.0	\$0.0	\$12.4	\$146.1	\$41.2
442	Furniture & Home Furnishings Stores	\$0.0	\$0.0	\$9.0	\$16.3	\$4.4
443	Electronics & Appliance Stores	\$0.0	\$0.0	\$8.8	\$15.9	\$4.4
444	Building Materials & Garden Equipment	\$0.0	\$0.0	\$43.1	\$60.2	\$16.5
445	Food & Beverage Stores	\$27.7	\$25.1	\$56.5	\$76.8	\$21.4
446	Health & Personal Care Stores	\$0.0	\$0.0	\$6.3	\$27.9	\$7.6
448	Clothing & Clothing Accessories Stores	\$0.0	\$0.0	\$3.0	\$29.0	\$7.9
451	Sporting Goods, Hobby, Book & Music Stores	\$0.0	\$0.0	\$4.3	\$12.7	\$3.5
452	General Merchandise Stores	\$64.7	\$58.5	\$181.5	\$77.8	\$21.3
453-4	Miscellaneous Store Retailers	\$0.0	\$0.0	\$15.5	\$17.6	\$4.8
722	Foodservices & Drinking Places	\$0.0	\$0.0	\$35.6	\$75.4	\$24.9
Totals/Weighted Averages		\$92.4	\$83.5	\$375.9	\$555.8	\$158.0

1/ Stabilized annual sales at least one year after market entry under the Primary Store Proposal.

2/ Stabilized annual sales at least one year after market entry under the smaller Alternative Store Proposal.

SOURCE: Claritas, Inc., Thurston Regional Planning Council, Washington State University and Gardner Johnson, LLC

Comparisons of a Wal-Mart Supercenter and existing and future retail spending in terms of specific retail categories are included in Figure 18 above. Utilizing federal consumer expenditure survey (CE)-based industry-specific retail spending data for the Tumwater area:

- Grocery sales alone at the Primary Store Proposal and the smaller Alternative Store Proposal would amount to 36% and 34% increases in 2005 estimated Tumwater Retail Trade Area spending at grocery and beverage stores, respectively.
- Grocery sales alone at the Primary Store Proposal and the smaller Alternative Store Proposal would respectively equate to 129% and 117% of estimated five-year growth in grocery and beverage store Trade Area spending.
- The Primary Store Proposal and the Alternative Store Proposal would respectively amount to 83% and 75%



increases in estimated 2005 Retail Trade Area General Merchandise spending.

- The Primary Store Proposal and the Alternative Store Proposal would respectively equate to 304% and 275% of estimated five-year growth in General Merchandise store Trade Area spending.
- Although not quantified in Figure 18, the Primary Store Proposal will also generate gasoline/fuel station sales due to the planned fuel station parcel. Because the parcel is conceptually planned as a for-lease pad to an independent fuel operator, not enough details about a fuel station are known to provide quantitative fuel spending and sales analysis. It is unlikely, however, that the planned fuel station would differ greatly in scale from the existing fuel station at the nearby competitor Costco. Furthermore, if an independent brand fuel station operates on-site, fuel prices will likely exceed the "customer draw" discount prices at neighboring Costco, potentially representing a competitive disadvantage for the proposed Wal-Mart Supercenter.

Although the comparisons of Wal-Mart retail sales to retail sector-specific spending are provided, GARDNER JOHNSON is hesitant to draw conclusions about such comparisons for previously documented methodological reasons.

Specifically, retail sector-specific spending figures (by NAICS industry) are derived from the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CE), which surveys household spending *by product type, not retail industry category*. Accordingly, though total spending estimates for all categories combined is deemed reliable, GARDNER JOHNSON utilizes sector-specific spending statistics for a local area with caution due to the application of national averages without regard to the local mix of retail establishments by industry.

As data in Figure 18 indicate, the Tumwater General Merchandise category exhibited \$181.5 million in total sales in 2005, though Trade Area household General Merchandise spending based on CE data indicated only \$76 million in 2005 based on national averages. The prominence of both Fred Meyer and Costco in Tumwater's retail mix would indicate that the Washington Department of Revenue local-level data, documenting substantial General Merchandise retail sales relative to other retail



categories, have greater credibility than the CES data in gauging specific retail industry activity.

Observed Impacts of a Wal-Mart Discount Store & Supercenter: Lacey/Hawks Prairie

The Mega Foods grocery store in Lacey announced in June of 2006 that it would be closing in response to competition from the newly expanded grocery component of the Hawks Prairie Wal-Mart store.¹² The announcement occurred after the publication of the Tumwater Wal-Mart Supercenter Draft EIS, and was therefore not considered in the fiscal and economic impact study of the proposed Tumwater store.

In response to comments on the DEIS that Wal-Mart caused the closure of the Mega Foods in Lacey, that the DEIS only considered the impacts of the Wal-Mart Discount Store in Lacey prior to the grocery component, and that the Tumwater Wal-Mart Supercenter proposal would drive Albertson's and Mega Foods out of business and cause urban decay at those properties, GARDNER JOHNSON contacted the commercial real estate brokerage company that manages the building formerly leased by the Lacey Mega Foods store to discuss the following:

- Mega Foods in Lacey and Tumwater;
- Albertson's in Tumwater;
- The impacts of Wal-Mart Supercenters upon retail properties in both cities; and
- The marketability of space possibly vacated by Albertson's or the Tumwater Mega Foods.

Company principals Dean Questi, CPM-CCIM (Questi, 2006) and Priscilla Terry, CCIM-Broker (Terry, 2006) were individually contacted by GARDNER JOHNSON. Both individuals each have over 20 years of commercial real estate brokerage and management experience in the Lacey, Olympia and Tumwater areas.

When asked about the decision by Mega Foods in Lacey to close:

- Despite the unfortunate news of the Lacey Mega Foods closure, the Grocery Outlet discount grocery chain has

¹² "Lacey Mega Foods to Close," *The Olympian*, June 20, 2006.



already subleased the property and will be opening a new store at that location in October or November of 2006.

- Closure of the Lacey Mega Foods was expected for some time by industry "people in the know" despite the decision to close two weeks after the Lacey Wal-Mart grocery component expansion.
- Neither the Lacey Mega Foods, nor the Tumwater Mega Foods, have made significant or apparent investment or refurbishment to their stores in recent memory. Aged displays, checkouts, and other signs of aging were observed, particularly in contrast to newer grocery stores in the market area.

When asked what the observed impacts of the Wal-Mart and now Supercenter have been in Lacey, the following was observed:

- Both felt the opening of Wal-Mart in Lacey have catalyzed more development nearby than hurt development nearby. Ms. Terry credited Wal-Mart's presence with helping to attract development to the whole Hawks Prairie retail area. Mr. Questi could not identify measurably negative impacts of the Wal-Mart Discount Store in Lacey, though he mentioned the grocery component would have been a strong competitor for Mega Foods had it continued to operate.

When asked about the potential impacts of a Wal-Mart Supercenter in Tumwater given observed impacts in Lacey, Mr. Questi and Ms. Terry indicated:

- Given his experience in Tumwater, Mr. Questi could not identify the potential for negative impacts. Mr. Questi specifically indicated that "urban decay" in Tumwater among existing retail space would not be likely.
- Ms. Terry indicated that the only businesses possibly affected by the proposed development would be "Mom & Pop" stores, though she stated that to her knowledge, none existed in the Tumwater retail concentration west of Interstate 5. She mentioned that if any smaller stores were to close in the older Highway 99 retail and services corridor east of Interstate 5, they would be more of a challenge to re-tenant due to their older configuration.
- Ms. Terry further indicated that in her experience, Tumwater residents were more loyal in their support of local businesses than other areas. GARDNER JOHNSON



interpreted this to mean that Mega Foods and other smaller stores would better compete in Tumwater than similar stores elsewhere in so far as customer loyalty is concerned.

When asked about the chance of the Wal-Mart Supercenter causing urban decay at either the Tumwater Mega Foods or the Tumwater Albertson's -anchored retail center:

- Both felt there was no chance of urban decay at either the Tumwater Mega Foods or the Albertsons locations. Ms. Terry specifically mentioned that the Tumwater Mega Foods location was highly desirable given the intersection, visibility, traffic and nearby cluster of retail and services. She further indicated that should the Tumwater Mega Foods close, she could easily see strong interest in the location not only from a different grocer like Grocery Outlet as in Lacey, but also from other regional, non-grocery retailers.
- Both felt urban decay was not likely at the Albertson's-anchored retail center in Tumwater, though Ms. Terry mentioned the Albertson's store would be more "at-risk" of closure after Wal-Mart opened. Ms. Terry mentioned that the Albertson's store would take longer to re-tenant than the Mega Foods location if Albertson's were to close, though it would still re-tenant and, in her opinion, to another grocer more likely.

Likely Net Business Impacts of the Wal-Mart Supercenter in Tumwater

Given the revised and expanded analysis summarized on the preceding pages of this document as well as unchanged analysis and findings in the Draft EIS, GARDNER JOHNSON cannot identify probable significant economic impacts to Tumwater businesses from the development of a Wal-Mart Supercenter in Tumwater.

- A Wal-Mart Supercenter would be a sizeable addition to the Tumwater retail industry; retail spending in Tumwater and its retail trade area are expected to grow through 2010 significantly in excess of total retail sales potential at the Supercenter.
- Given the substantially greater Retail Trade Area retail spending growth depth than potential sales at the proposed development during its stabilization period, GARDNER JOHNSON finds that at stabilization of



the store, net new business impacts of the proposed development will closely resemble gross business impact estimates expressed in Figure 13 of this document.

- Given: growth in the retail trade area; spending growth well in excess of sales expected at the proposed Wal-Mart; the documentation of Tumwater as a subregional retail hub/destination as a result of revised economic analysis; interviews with knowledgeable, local retail commercial brokers and managers in the immediate area; the observed and immediate sublease by another grocery of the Lacey Mega Foods location after its announced closure; and, academic and consultancy research on the subject already summarized in the Draft EIS, GARDNER JOHNSON concluded that the proposed development will not pose net business impacts significantly below business revenues estimated in Figure 13 nor cause net economic losses for Tumwater.
- As documented in the Draft EIS, we anticipate that some businesses may experience loss in business, or even close, depending upon their own strategic reaction to Wal-Mart's entry into Tumwater. GARDNER JOHNSON finds the risk highest in the first two years of Wal-Mart development as customers of other stores "sample" the new Supercenter and then decide more permanent changes to shopping behavior, if any. Competitive risks to grocery and non-grocery competitors in Tumwater are discussed at greater length in the Draft EIS fiscal and economic technical appendix.
- Despite these risks, GARDNER JOHNSON notes that interviews with local commercial real estate brokers indicated that even though closures at Mega Foods or Albertson's are possible, replacement tenants would be easily anticipated at the Mega Foods location and, though slightly slower, at the Albertson's location. Accordingly, closure of either store could not be viewed as significant, negative economic impacts given growth and expressed re-lease potential. Building blight or urban decay are therefore unlikely.



Employment Impacts

Figure 19 below provides a summary of estimated Tumwater employment impacts as a result of Primary Store Proposal development. In comparison, Figure 20 provides a summary of estimated Tumwater employment impacts as a result of Alternative Store Proposal development. Employment at the Primary Store Proposal is estimated at 328.0 annual, full-time equivalent (FTE) positions, which would include a mix of full-time and part-time employees. The reduced store size under the Alternative Store Proposal is estimated to generate 14 fewer FTE positions on an annual basis.

Adding the ripple effects of off-site commerce created by the new store, total employment impacts in Tumwater are estimated to range from as many as 372 FTE positions under the Primary Store Proposal to 352 FTE positions under the Alternative Store Proposal. As with Wal-Mart jobs created, indirect and induced job impacts include a mix of both full-time positions and part-time positions.

FIGURE 19: TUMWATER EMPLOYMENT IMPACTS FROM PRIMARY STORE PROPOSAL 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

SOURCE: IMPLAN, 2005

FIGURE 20: TUMWATER EMPLOYMENT IMPACTS FROM ALTERNATIVE STORE PROPOSAL OPERATIONS

Wal Mart Operations Tumater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Total	312.6	19.0	20.7	39.7	352.3

SOURCE: IMPLAN, 2005

The planned fuel station under the Primary Store Proposal will also create employment in Tumwater, though not enough is known at the present time to provide formal employment impact estimates.



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 given revised and additional analysis of business revenue impacts summarized previously in this document. Short-term job displacement, however, may be possible with closure of select stores should they occur in Tumwater.

Alternatively, as findings in the previous section indicate, grocery store competitors in particular, should they close, have attractive locations for other businesses, both new grocers or other non-grocery retailers alike. New establishments moving into any locations affected by store closures would afford new, replacement employment opportunity.

Employment Income

Figure 21 on the following page provides a summary of Tumwater employment income impacts resulting from operations of the Primary Store Proposal. For comparison, Figure 22 provides a summary of Tumwater employment income impacts as a result of Alternative Store Proposal development.

Development of the Primary Store Proposal is estimated to result in as much as \$8.8 million in annual employment income within Tumwater directly due to the proposed store, as well as via ripple effects throughout Tumwater off-site. In contrast, the reduced store size under the Alternative Store Proposal is estimated to create \$381,000 less labor income annually on-site due to lower expected employment with the smaller store. Including ripple effects in the Tumwater economy, the Alternative Store Proposal is estimated to create \$430,000 less labor income for Tumwater residents on an annual basis.



FIGURE 21: TUMWATER LABOR INCOME IMPACTS FROM PRIMARY STORE PROPOSAL OPERATIONS

Wal-Mart Operations Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Natural Resources	\$0	\$80	\$2,440	\$2,520	\$2,520
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	\$26,780	\$26,780
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

SOURCE: IMPLAN, 2005

FIGURE 22: TUMWATER LABOR INCOME IMPACTS FROM ALTERNATIVE STORE PROPOSAL OPERATIONS

Wal-Mart Operations Tumwater Industry (NAICS)	Direct Impacts	Multiplier Effects			Total Impacts
		Indirect	Induced	Combined	
Total	\$7,728,582	\$60,122	\$605,088	\$665,210	\$8,393,792

SOURCE: IMPLAN, 2005

Fuel station employment is not quantified above, for reasons explained previously in this document, will also create employment income under the Primary Store Proposal. Impacts can be expected to be limited, however.

Net Effects on Tumwater Wages

As stated in Section III of the Draft EIS Economic & Fiscal Impact technical appendix, 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

The following, revised analysis of tax revenue and fiscal cost impacts to the City of Tumwater from development of a Wal-Mart Supercenter reflect both the Primary Store Proposal and a reduction in the size of the proposed store (Alternative Store Proposal) as described in Section III of this document.



CITY REVENUES

City of Tumwater Tax Revenue Summary

Construction

Figure 23 below provides a summary of City of Tumwater tax revenues that would result from construction of the Primary Store Proposal. For comparison, Figure 24 provides a summary of City of Tumwater tax revenues generated by the smaller Alternative Store Proposal.

The reduced store size under the Alternative Store Proposal is estimated to directly generate roughly \$4,100 less in City tax revenue than the Primary Store Proposal, largely due to the likely lower construction contract value for a smaller store. Accordingly, the Alternative Store Proposal is estimated to generate \$4,700 in City tax revenue less than the Primary Store Proposal when all ripple effect commerce, created by construction activity, is included. Sales tax on construction contracts, followed by B&O tax revenue, would comprise the first and second-largest sources of tax revenue for the City as a result of construction under either alternative.

FIGURE 23: TUMWATER TAX REVENUE SUMMARY FROM PRIMARY STORE PROPOSAL 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	\$481	\$997	\$1,478	\$1,478
Sales & Use Tax (0.085%)	\$35,904	\$564	\$2,290	\$2,854	\$38,758
Business & Occupation Tax (0.1%)	\$7,150	\$259	\$836	\$1,095	\$8,245
Total	\$43,054	\$1,304	\$4,123	\$5,426	\$48,480

SOURCE: Gardner Johnson

FIGURE 24: TUMWATER TAX REVENUE SUMMARY FROM ALTERNATIVE STORE PROPOSAL 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	\$435	\$901	\$1,336	\$1,336
Sales & Use Tax (0.085%)	\$32,451	\$510	\$2,070	\$2,579	\$35,030
Business & Occupation Tax (0.1%)	\$6,462	\$234	\$756	\$990	\$7,452
Total	\$38,913	\$1,178	\$3,726	\$4,905	\$43,817

SOURCE: Gardner Johnson

Operations

Figure 25 on the following page provides a summary of permanent, annual City of Tumwater tax revenues resulting from Primary Store Proposal operations. For comparison purposes, Figure 26 provides estimates of permanent, annual City of Tumwater tax revenues resulting from Alternative Store Proposal operations. Estimates are in constant 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 nearly \$719,000 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.

In contrast, operation of the Wal-Mart Supercenter described as the smaller Alternative Store Proposal poses roughly \$652,400 in City tax revenue annually, or \$66,000 less than the Primary Store Proposal. The difference can be explained by the smaller store size under the Alternative Store Proposal, less merchandise and fewer types of merchandise carried on an annual basis, and thus lower sales on an annual basis at the proposed development.

FIGURE 25: SUMMARY OF TUMWATER TAX REVENUE FROM PRIMARY STORE PROPOSAL OPERATIONS

Operations-Generated Impacts Tumwater Impact	Direct Impacts	Multiplier Effects Tax Revenues			Total Annual Tax Revenues
		Indirect	Induced	Combined	
Revenues					
Utility Tax (6.0%)	\$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
Sales & Use Tax (0.85%)	\$545,236	\$1,537	\$18,932	\$20,468	\$565,705
Business & Occupation Tax (0.1%)	\$87,395	\$795	\$6,916	\$7,711	\$95,106
Total	\$679,822	\$2,331	\$25,848	\$28,179	\$718,695

SOURCE: Gardner Johnson

FIGURE 26: SUMMARY OF TUMWATER TAX REVENUE FROM ALTERNATIVE STORE PROPOSAL OPERATIONS

Operations-Generated Impacts Tumwater Impact	Direct Impacts	Multiplier Effects Tax Revenues			Total Annual Tax Revenues
		Indirect	Induced	Combined	
Revenues					
Utility Tax (6.0%)	\$0	\$2,395	\$8,050	\$10,446	\$10,446
<i>Property Tax</i>					
General Levy (\$2.4522 per \$1,000)	\$34,678	---	---	---	\$34,678
Bond Levy (\$0.5638 per \$1,000)	\$7,973	---	---	---	\$7,973
Property Tax Total	\$42,651	---	---	---	\$42,651
Sales & Use Tax (0.85%)	\$492,792	\$1,501	\$18,493	\$19,994	\$512,786
Business & Occupation Tax (0.1%)	\$78,989	\$776	\$6,756	\$7,532	\$86,521
Total	\$614,432	\$2,277	\$25,249	\$27,526	\$652,404

SOURCE: Gardner Johnson



Fuel station sales under the Primary Store Proposal would also generate State-shared motor vehicle fuel tax revenues. The State fuel tax rate is presently \$0.34 per gallon of fuel purchased for most retail transactions (RCW 82.36). Presently, cities including Tumwater generally receive at least \$0.0296 per gallon in distributions from the State, which does not include special projects, urban arterial projects and transit district distributions in which Tumwater may or may eventually participate.

Due to the conceptual nature of the lease-lot fuel station, fuel sales revenue and tax revenue generated for the State and the City of Tumwater have not been quantified. Tax revenue impacts summarized in Figure 25 are, therefore, conservative.

CITY PUBLIC SERVICE COSTS

For conservative estimates, GARDNER JOHNSON assumes that City of Tumwater public service costs under the smaller Alternative Store Proposal will be identical to public service costs expected by the City under the Primary Store Proposal.

- The assumption is conservative because it inherently assumes that the reduced store size will not result in fewer vehicle trips, emergency service calls, etc. Rather, this analysis conservatively assumes the reduced store size sees the exact same flow of customers, only those customers purchase fewer items during each trip.
- In all likelihood, there will be a combination of fewer shopping trips due to the absence of some merchandise available at a smaller store and fewer goods purchased by expected shopping trips.

Nevertheless, development of the proposed Wal-Mart Supercenter under either store size alternative will pose increases in City public service provision and related fiscal costs of those services. Please see the Draft EIS for discussion of factors driving public service costs and resulting City public service cost estimates as a result of development of a Wal-Mart Supercenter in Tumwater.



City Fiscal Revenue and Cost Comparison

Figure 27 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 Primary Store Proposal. For contrast, Figure 28 on the following page provides a comparison of direct City of Tumwater public revenues and costs as a result of Alternative Store Proposal development.

FIGURE 27: COMPARISON OF PRIMARY STORE PROPOSAL DIRECT CITY REVENUE AND COST IMPACTS

Operations-Generated Impacts		Direct
Tumwater Impact		Impacts
Revenues		
<i>Utility Tax (6.0%)</i>		\$2,452
<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		\$682,274
Costs		
<i>Police Service</i>		\$30,000
<i>Public Works</i>	At Least	\$41,250
<i>Fire/EMT Service</i>		n/a
Total		\$71,250
BALANCE	Approximately	\$611,024

SOURCE: Gardner Johnson

Estimated, annual City tax revenues of roughly \$682,000 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 under the Primary Store Proposal. More accurately, City revenues of \$673,000, total revenues less bond levy revenue, can be viewed as adequate to meet estimated on-going City costs. As these figures do not include fuel tax revenue distributions from the State as a result of lease-lot fuel station development under the primary proposal, estimates of net fiscal impacts are further conservative.



In contrast, the smaller store size under the Alternative Store Proposal is estimated to generate revenues in excess of public service costs on the order of up to \$537,000 annually. Excluding bond levy revenues. The lower revenue/cost difference is attributable to a smaller store size and lower sales annually. Public service costs are assumed to not fall as a result of the smaller store size; therefore, we would view estimates in Figure 28 to be conservative.

FIGURE 28: COMPARISON OF ALTERNATIVE STORE PROPOSAL DIRECT CITY REVENUE AND COST IMPACTS

Operations-Generated Impacts		Direct Impacts
Tumwater Impact		
Revenues		
<i>Utility Tax (6.0%)</i>		\$2,216
<i>Property Tax</i>		
General Levy (\$2.4522 per \$1,000)		\$34,678
Bond Levy (\$0.5638 per \$1,000)		\$7,973
Property Tax Total		\$42,651
<i>Sales & Use Tax (0.85%)</i>		\$492,792
<i>Business & Occupation Tax (0.1%)</i>		\$78,989
Total		\$616,648
Costs		
<i>Police Service</i>		\$30,000
<i>Public Works</i>	At Least	\$41,250
<i>Fire/EMT Service</i>		n/a
Total		\$71,250
BALANCE	<i>Approximately</i>	\$545,398



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