

PART TWO:

St. Albans Vermont: Fiscal and Economic Impact Analysis

Scope of Project

In September of 1993 we were authorized to undertake a Retail Sales Impact Analysis of the Proposed Wal-Mart Store in St. Albans, Vermont on behalf of the State of Vermont. The purpose of the analysis was to determine if there would be shifts in retail activity resulting from the opening of the store that would be likely to have fiscal and other economic consequences on the communities of Franklin County. We found that there would be shifts in retail activity due to Wal-Mart with potentially severe fiscal and economic impacts. (The results of this analysis are presented in Part I of this report.) We testified on that analysis before the District Environmental Commission in November of 1993. A request was made by several parties to delay proceedings to give us time to conduct a detailed analysis of the fiscal and economic impacts, but that request was denied and a permit was issued on a 2-1 vote by the Commission.

The Vermont Natural Resources Council (VNRC) and the Franklin-Grand Isle Citizens for Downtown Preservation (FGICDP) later requested that we submit a proposal to conduct a more detailed fiscal, economic, and land use analysis of the impact of the Wal-Mart store. Our proposal was accepted and we proceeded on that analysis which is presented as Part II.

Midway through our analysis we received word that the scope of the project had changed. The store size would be reduced to 100,780 square feet with a maximum size of 126,000 square feet if an expansion occurred. This change required changing our Part One analysis, which was based on a 126,090 to 156,090 square foot store. In addition, changes in the Canadian marketplace also necessitated our reconsidering some of our assumptions on Canadian trade. The Part I analysis presented in this report reflects these changes.

The scope of work for **Part I** includes six elements:

1. Analysis of the Franklin County Market
2. Assessment of Wal-Mart Sales at the St. Albans location
3. Assessment of the Impact of Wal-Mart on the Level and Distribution of Sales in St. Albans City, St. Albans Town and the balance of Franklin County
4. Impact on Retail Employment
5. Evaluation of the RKG Associates 1993 report
6. Preparation of Findings.

The scope of work for **Part II** includes six elements:

1. Assessment of Fiscal Impact on Municipalities from Shift in Sales.
2. Assessment of Impact on Public Investment in Facilities and Services.
3. Case Studies of Impact of Wal-Mart Stores on Other Communities in Virginia and North Carolina Communities.
4. Assessment of Secondary Impacts on Land Use around the Site and on Communities that will experience a Loss of Sales in their Retail Centers.
5. Other Economic Effects, such as Pricing Benefits, Secondary Employment Effects
6. Preparation of Findings.

Approach to the Analysis

We took the following approach to our work:

Part I:

1. Review data from U.S. Census, State of Vermont Sales Tax Division, State of Vermont Employment and Training Department, Bureau of Economic Analysis, and other sources to identify current market conditions.
2. Review data published by Wal-Mart in its Annual Report, 1993 and 1994.
3. Based on the above data collection, review RKG's 1993 report and identify potential areas of differences between our work and that of RKG Associates.
4. Focusing on the these potential areas of differences, collect additional data, including a retail space survey and a merchants survey, and analyzed the data we collected in order to arrive at our estimates of potential impact.
5. We made every effort to familiarize ourselves with the market in Franklin County by site visits to St. Albans City, St. Albans Town, Swanton and Enosburg, a survey of retail square footage in these towns and the Town of Richford, and a survey of merchants in St. Albans downtown and the Highgate Shopping Plaza.

Part II:

1. Collect and analyze data on municipal budgets, tax base growth, assessment practices, and demand for facilities and services. Interview local officials.
2. Collect data from State of Vermont on equalization rates for commercial property and all property and state manual for local assessments.
3. Collect data on public capital investment in the City of St. Albans and public infrastructure in the City.
4. Undertake case studies of impact of Wal-Mart stores in locations in Virginia and North Carolina.
5. Analyze impact of property value changes on state aid to education under current formulas.
6. Analyze land development patterns around the site of the proposed Wal-Mart store.
7. Analyze the potential economic effects of pricing at Wal-Mart stores through comparative pricing analysis at 4 Wal-Mart stores and 4 non Wal-Mart stores.
8. Analyze consequences of fiscal employment reduction due to Wal-Mart.

There are several terms used in the report that require definition. They are:

DSTM: Department Store Type Merchandise - these merchandise include four Standard Industrial Classification system numbers: #53 - general merchandise; #56 - apparel; #57 - furniture, home furnishings; and #5945 - miscellaneous shoppers goods. These merchandise are also referred to as shoppers goods.

PMA: Primary Market Area - the area from which most (about 80-90%) of Franklin County shoppers are drawn. Also referred to as PTA, Primary Trade Area.

Leakage: This term refers to the difference between expected sales within a market based on population, income and average expenditures per capita for selected goods and actual sales. If actual sales are less than expected, typically that means that sales by market area residents are taking place outside the market area. All market areas have some leakage.

1. RETAIL SALES IMPACT OF PROPOSED WAL-MART ON FRANKLIN COUNTY

1.1. Analysis of the Franklin County Market

Finding #1: The Franklin County Primary Market Area is well-stored in terms of number, type and distribution of stores for the population size and character of the area. The retail sector has expanded incrementally to accommodate the needs of its residents over time. Retail employment in Franklin County has been growing more rapidly over the past decade than in other parts of the state.

We determined the size of the Franklin County Primary Market Area (PMA), examined the population, retail employment, and income characteristics of the PMA, examined the existing secondary market area, and inventoried the stores that sell goods comparable to Wal-Mart in the County. This analysis led to our conclusion that Franklin County PMA is well-stored given its population, income, and character.

Delineation of Primary Market Area

Based on an analysis of geography, travel times, the location and characteristics of retail centers, and 1990 Census "Place of Work" data, it is estimated that the primary market area (PMA) for St. Albans where the Wal-Mart store is proposed is Franklin County and the two northern towns of Grand Isle County, Alburg and Isle La Motte.

To the south of St. Albans, 1990 Census "Place of Work" data indicate that most residents along the southern boundary of Franklin County and in the southern towns of Grand Isle County work outside the county, primarily in Chittenden County. Therefore, it is reasonable to assume that these residents make retail purchases outside the County on their work trips.⁸ This condition not only affects the delineation of the market area but

⁸Recent research on commuting trips shows that 55.8% of employees make shopping stops on the work trip home. (D. Davidson, The Impact of Suburban Employee Trip Chaining on Transportation Demand Management. Brentwood Area Transportation Management Association, Brentwood, TN, 1993.

also the amount of sales by Franklin County and Grand Isle County residents outside the County (so-called "leakage" from the market area). (See Table 1).

We know from the 1990 Census data that most of the people who worked outside Franklin County and the southern towns of Grand Isle County worked in Chittenden County. Residents of the southern Grand Isle towns are not commuting in large numbers to Franklin County, but are more oriented to Chittenden County.

The southern towns of Grand Isle County, Grand Isle, North Hero, and South Hero, are not part of the St. Albans PMA. This conclusion is based on "place of work" information, travel times, and the location of competing retail centers. Travel times from these towns to retail centers in Chittenden County, where there are over 1,600,000 square feet of DSTM

Table 1
 1990 PLACE OF WORK FOR SOUTHERN FRANKLIN AND GRAND ISLE
 COUNTY TOWNS

<u>County</u>	<u>Towns</u>	<u>% of Residents Work in County</u>	<u>% of Residents Work Outside County</u>	<u>% of Res. Work in Chit. Cty.</u>
Franklin	Fairfax	44.6%	55.4%	49.7%
	Fletcher	33.3%	66.7%	44.8%
	Georgia	43.4%	56.6%	53.1%
	St. Albans C.	69.2%	30.8%	29.0%
	St. Albans T.	68.5%	31.5%	29.2%
	All Towns	70.0%	30.0%	N/A
Grand Isle	Grand Isle	23.9%	76.1%	69.7%
	North Hero	45.3%	54.7%	50.0%
	South Hero	32.2%	67.8%	61.0%
	All Towns	35.6%	64.4%	N/A

Source: 1990 Census. Place of Work data.

space, are less than or equal to travel times to St. Albans where there are an estimated 357,000 square feet of DSTM space. The combination of a high share of residents' place of employment in Chittenden County, shorter or equivalent travel times, and the greater choice, depth, and variety of DSTM available in Chittenden County is the reason for our exclusion of those towns from the St. Albans PMA.

To the southeast the Town of Cambridge in Lamoille County is almost equidistant to St. Albans and the Burlington area and is a much shorter drive to Morrisville, the commercial center of Lamoille County. Given the three potential retail market choices that Cambridge residents can make, we did not include them in the St. Albans PMA.

The easternmost towns in Franklin County, such as Montgomery and Richford, have long travel times (45 minutes and 50 minutes respectively) to St. Albans. However, there are no competing retail centers that offer as large a range of goods as St. Albans within the same driving time.

To the north, the Franklin County towns between St. Albans and the Canadian border are all part of the St. Albans PMA. Further to the north lies Canada.

Secondary Market Area Delineation

We find that the existing secondary market for St. Albans consists of small numbers of shoppers from surrounding Vermont counties and New York State and across the border in Canada. To determine the secondary market area we examined travel times, competing retail centers and surveyed merchants in downtown St. Albans and the Highgate Shopping Center. We have concluded that the secondary market area for St. Albans presently is quite small. There are some shoppers that may come to the area from the border towns of Chittenden, Grand Isle, Lamoille, and Orleans County, but these numbers are small due to distance to St. Albans and the proximity of a large retail centers in Chittenden County and smaller retail centers in Morrisville and Newport. Topography further limits connections from areas east of Franklin County and Lake Champlain limits connections from the west. In New York State there is a large complex of stores in two regional shopping malls in Plattsburgh which will limit the inflow of shoppers to Franklin County from that area.

Presently, Canadian shoppers represent about 10-12% of all sales according to merchants who sell goods that are also sold in Wal-Marts. Recently Wal-Mart purchased 122 Woolco (Woolworth's in the United States) stores in Canada; approximately 20 of these stores are in Quebec Province. By September, 1994 the transition of these stores to Wal-Mart stores is expected to be complete. In addition, Wal-Mart is planning 21 new shopping centers in Quebec Province.

Primary Market Area Characteristics

Population: The population of the PMA was estimated to be 41,251 in 1990, according to the U.S. Census. Between 1980 and 1990 population growth in the PMA was about 13%, or 1.2% a year (compounded annual growth rate). Population gains in the 1980s are not expected to be sustained in the 1990s. According to the State of Vermont Population Estimates, Low Series, for 1995 and 2005, which correlate best with the 1990 Census data, the compounded annual growth rate between 1990 and 1995 will be .8% a year and between 1995 and the year 2005 will also be .8% a year. Population projections for the Primary Trade Area are 42,911 in 1995 and 46,376 in 2005. (See Table 2.)

Table 2

PRIMARY MARKET AREA POPULATION GROWTH¹

	Population			
	<u>1980</u>	<u>1990</u>	<u>1995</u>	<u>2005</u>
Franklin County	34,788	39,481	40,822	44,153
St. Albans City	7,308	7,339	7,731	8,099
St. Albans Town	3,555	4,606	4,502	4,956
Grand Isle County	4,613	5,318	5,843	6,275
Alburg	1,352	1,362	1,579	1,675
Isle La Motte	393	408	510	548
PMA Total	36,533	41,251	42,911	46,376

¹ Assumes low series estimates for County, Alburg, Isle La Motte

Sources: U.S. Census, 1980, 1990; Office of Policy Research & Coordination, 1995-2005.

Seasonal Population: In 1991 there were an estimated 2,831 seasonal units in the PMA. These units include summer/lake and winter/ski homes. Assuming occupancy is equivalent to average year round household size (2.63 people per unit), these units represent 7,473 seasonal residents. Assuming each residential unit is occupied an average of two months a year, these seasonal residents are equivalent to 1,245 year round residents. However, seasonal residents do not represent the same purchasing power in the market area as year round residents. Their purchases are primarily convenience goods, such as food and drug store items. Thus, their impact on the market and DSTM sales is very small.

Income: Personal income in Franklin County is only 85% of the State average. (See Table 3). One third of all County resident earnings are from employment in other counties, primarily Chittenden County which supports the 1990 Census Place of Work data presented above. Proprietors' income, that is income received by owners of businesses and self employed, in 1991 was \$66.2 million or 10.6% of all income. This is higher than the 9.3% share in the State of Vermont and Chittenden County.⁹ This indicates that business income in the county is holding its own.

Table 3
PERSONAL INCOME IN FRANKLIN COUNTY, STATE: 1991
Per Capita Personal Income

State of Vermont	\$17,960
Chittenden County	20,661
Franklin County	15,288

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce.

Retail Employment: Retail employment, a key indicator of the health of the retail sector, fell between 1989 and 1991 in the State of Vermont and Chittenden County, but rose slightly in Franklin County. The Franklin County share of retail jobs increased between 1987 and 1991 after falling slightly in the early 1980s. Between 1987 and 1991, retail employment in Franklin County rose by 14.8%, almost five times the state average. (See Table 19). In 1980 Franklin County had 2,165 retail workers, or 5.4% of the State average. This share rose slightly to 5.5% in 1991. This is an indication that there was little increase in leakage from the county during this time.¹⁰ The employment data also indicate that Franklin County employment levels relative to sales are consistent with statewide experience.

Existing Retail Stores in the Primary Market Area

Within the St. Albans PMA there are three types of retail centers. One is the St. Albans City Downtown; a second is retail development, primarily strip commercial development, in the Town of St. Albans, and the third is the small village retail centers in the Towns of Swanton, Enosburg, and Richford.

⁹Source of income data: Bureau of Economic Analysis, U.S. Department of Commerce, special computer run.

¹⁰Retail employment data are important to this analysis because these data are the most reliable available in the United States.

The **St. Albans Downtown** is characterized by a diverse range of retail stores located in close proximity to each other in an urban setting. Table 4 presents the retail square footage available in St. Albans. Most of these stores are within the Downtown.

Table 4
 RETAIL STORES AND SQUARE FOOTAGE IN DOWNTOWN ST. ALBANS

<u>Type of Store</u>	<u>SIC #</u>	<u># of Stores</u>	<u>Square Feet</u>
Hardware, paint	52	4	10,600
Dept/variety store	53	1	12,962
Food	54	13	70,459
Auto parts	553	4	8,657
Apparel	56	11	37,650
Furniture	5712	3	30,795
Home furn, appl.	572	3	10,152
Radio, TV, music	573	1	1,704
Drug stores	591	3	19,519
Sports	5941	3	14,050
Books	5942	2	4,562
Jewelers	5944	1	1,488
Misc. retail	5945	11	18,710
Total	All	60	241,308

Source: Retail Space Inventory, Muller/Humstone, October 1993.

The City of St. Albans, while still the home of a Ben Franklin store, has lost department stores over the years undoubtedly due to the construction of the Highgate Shopping Center in St. Albans Town. In spite of the decline of anchor stores in the downtown, there is still a good mix of stores in the downtown and moderate retail activity.

In **St. Albans Town** retail activity is located primarily within the Highgate Shopping Center or along Route 7 from St. Albans Downtown to the north. Table 5 presents the current availability of retail stores in this location.

Table 5
 RETAIL STORES AND SQUARE FOOTAGE IN ST. ALBANS TOWN

<u>Type of Store</u>	<u>SIC #</u>	<u># of Stores</u>	<u>Square Feet</u>
Hardware, paint	52	1	7,808
Dept. store	53	2	105,090
Food	54	2	20,652
Auto parts	553	2	5,510
Apparel	56	7	26,976
Furniture	5712	3	29,170
Home furnishings	571, exc. 5712	2	12,324
Radio, TV, music	573	1	2,240
Drug stores	591	1	8,000
Sports	5941	1	5,976
Misc. retail	5945	5	23,145
Total	All	27	246,891

Source: Retail Space Inventory, Muller/Humstone, October 1993.

St. Albans Town has a slightly larger number of square footage of retail stores than the City although the number of stores is much lower. This reflects the location of two large department stores in the Town - Ames and Woolworth's.

The combination of St. Albans City and St. Albans Town currently offers the primary trade area a good mix of convenience and DSTM stores. Residents have three large drug/variety stores, three national chain or franchise department stores, numerous apparel shops and shoe stores, large furniture stores, appliance and home furnishings stores, three large supermarkets and many other food stores, hardware stores, and auto supply stores among others. As one would expect in a small market with the population, income and employment characteristics of Franklin County, there is not much choice in higher priced apparel or department store items. For these items, one would have to travel to Chittenden County, or well beyond the trade area, where the size and characteristics of the market can support the provision of these goods.

Within Franklin County there are three small village retail centers offering primarily convenience goods to the residents of Swanton, Enosburg and Richford and surrounding towns. These compact centers are typical of rural retail centers in Vermont counties and are important sources for food, hardware, drug store and other convenience items that residents demand within short driving times.

The current retail square footage of these three village centers is shown in Table 6.

Table 6
 RETAIL STORES AND SQUARE FOOTAGE IN THE VILLAGES OF SWANTON,
 ENOSBURG FALLS, AND RICHFORD

<u>Type of Store</u>	<u>SIC #</u>	<u># of Stores</u>	<u>Square Feet</u>
Swanton			
Hardware, paint	52	3	28,300
Variety	53	1	3,888
Food	54	4	31,747
Auto	55	1	4,000
Electronics	57	1	1,539
Music	57	1	6,792
Drug stores	591	2	11,760
Total		13	88,026
Enosburg Falls			
Hardware, paint	52	3	12,900
Food	54	4	17,900
Auto	55	3	13,100
Apparel	56	4	4,625
Furniture	57	1	5,625
Electronics	57	1	720
Jewelry	59	1	1,100
Drug stores	591	2	8,700
Other misc.	59	1	1,200
Total		20	65,870

Type of Store	SIC #	# of Stores	Square Feet
Richford			
Variety	53	2	5,558
Food	54	4	10,800
Apparel	56	1	1,464
Furniture	57	1	1,728
Drug stores	591	1	1,600
Total		13	21,150

Source: Retail Space Inventory, Muller/Humstone, October 1993.

Thus, we have a picture of the current distribution of retail space in Franklin County. St. Albans City and St. Albans Town serve as a regional retail center, offering over 488,000 square feet of goods to residents of the primary market. The village centers of Swanton, Enosburg Falls, and Richford provide convenience goods items to local residents within the trade area. For a wider selection, residents travel outside the trade area to places such as Burlington and Plattsburgh where a broader range of goods and services can be supported. In addition, Franklin County residents working in Chittenden County shop there for additional goods.

Finding #2: The Franklin County stores are vulnerable to a major new retail facility that is the size of the proposed Wal-Mart. Even the historical incremental growth has caused some dislocations in the market, such as a shift in stores from St. Albans City downtown to St. Albans Town. While the area is well stored presently, the average sales level in the existing stores is modest. It is reasonable to expect a major new mass merchandiser, equal in square footage to 30 to 40 average stores in the St. Albans area and equal in projected sales to 60 to 75 average stores in the St. Albans area, will likely cause greater dislocations than have been experienced in the past.

The last inventory of retail space that was conducted in the PMA was in 1980 by Bienvenue Associates for the Downtown Revitalization St. Albans report.¹¹ The inventory covered the same geographic area as our inventory except for the inclusion of a portion of the Town of Milton in Chittenden County. That inventory found 114,400 square feet in DSTM space in St. Albans and 202,800 square feet in DSTM space elsewhere in the PMA for a total of 317,200 square feet. Since that inventory, DSTM space has increased by a total of 12.6% or 40,000 square feet in the PMA to 357,239 square feet. DSTM space in St. Albans City has grown by 5,000 square feet and elsewhere by 35,000 square feet. This data shows a gradual, incremental historical growth in retail space in the primary market area.

Table 7
 HISTORICAL GROWTH IN DSTM SPACE IN ST. ALBANS AND COUNTY

	1980	1993	# Change	% Change
St. Albans	114,000	119,600	+5,600	+5.0%
Other	202,800	237,639	+34,839	+17.2%
Total	316,800	357,239	+40,439	+12.6%

Source: Bienvenue Associates. Downtown St. Albans Revitalization Project, Economic Development Component. 1981. Muller/Humstone Associates, 1993.

¹¹ Robert Burley and Associates, et al. Downtown Revitalization, St. Albans, Vermont. August, 1981.

It appears that this incremental growth while shifting retail space from the historic center in downtown St. Albans to peripheral locations in St. Albans Town has not resulted in major dislocations in the PMA. Nevertheless, there are vacant spaces downtown and some prime retail places are underutilized. According to the merchants survey and other data, it appears that sales levels in PMA stores are modest although not so modest to force these stores out of business. The following findings illustrate the impact of a major mass merchandiser on this retail setting.

The current square footage of stores carrying goods comparable to Wal-Mart store goods is set forth in Table 8. The categories with the largest square footage of space include department stores, food stores, and furniture and other furnishings stores. As mentioned above, about 90% of the DSTM space is concentrated in St. Albans City (119,600 square feet) and St. Albans Town (204,600 square feet). Convenience stores (food, drug, and hardware) are more dispersed in the County as the data on Swanton and Enosburg show.

Table 9 shows the estimated sales levels in stores that carry goods similar to Wal-Mart. The sales levels are based on municipal and county sales tax receipts data, merchants surveys, and the retail space inventory. Total non food retail stores are performing at about \$115 per square foot. DSTM stores average a little under \$100 per square foot.

The total square footage and sales in DSTM and other retail stores in our report differ from the numbers set forth in the RKG 1993 report. Our inventory focused on only those retail stores that sold goods comparable to Wal-Mart. Therefore, we did not include data on eating and drinking establishments, building material stores and lumber yards, gas stations, auto dealers, certain miscellaneous retail stores, and small general merchandise stores. This may account for some of the differences between the two reports. In addition, our sources for sales data differed from RKG as we used State of Vermont sales tax data and they used data from other private national data banks.

Table 8
INVENTORY OF STORES THAT CARRY GOODS SIMILAR TO WAL-MART

(in sq ft)	St. Albans C.	St. Albans T.	Swanton	Enosburg F.	Richford	TOTAL
Type of Store						
Dept. store	13,000	105,000	3,888	0	5,558	127,446
Apparel	38,000	27,000	0	4,625	1,464	71,089
Furn., home furn.	42,900	43,500	8,331	6,345	1,728	102,804
Misc DSTM	<u>25,700</u>	<u>29,100</u>	<u>0</u>	<u>1,100</u>	<u>0</u>	<u>55,900</u>
TOTAL DSTM	119,600	204,600	12,219	12,070	8,750	357,239
Hardware	10,600	7,800	28,300	12,900	0	59,600
Drug stores	20,000	8,000	11,800	8,700	1,600	50,100
Food stores	70,500	20,700	31,800	17,900	10,800	151,700
Auto parts	8,700	5,500	4,000	13,100	0	31,300
Other Misc.	<u>13,100</u>	<u>0</u>	<u>0</u>	<u>1,200</u>	<u>0</u>	<u>14,300</u>
TOT-OTHER RET.	122,990	42,000	75,900	53,800	12,400	307,000
TOT-ALL	242,500	246,600	88,119	65,870	21,250	664,239
TOT-NON FOOD	172,000	225,900	56,319	47,970	10,350	512,539

Source: Inventory of Retail Space by Muller/Humstone, 1993; Town and City Listers'/Assessors' Offices; Retail Merchants Survey, 1993.

Table 9
SALES IN STORES THAT CARRY GOODS SIMILAR TO WAL-MART, 1993
(in 000s current 1993 dollars)

Type of Store	St. Albans C.	St. Albans T.	Swanton	Enosburg F.	Richford	TOTAL
Dept. store	1,300	10,500	389	0	556	12,745
Apparel	4,180	2,970	0	509	161	7,820
Furn., home furn.	3,784	3,164	1,018	440	86	8,492
Misc DSTM	<u>2,652</u>	<u>2,820</u>	<u>0</u>	<u>110</u>	<u>0</u>	<u>5,582</u>
TOTAL DSTM	11,916	19,454	1,407	1,059	803	34,639
Hardware	1,325	975	3,538	1,613	0	7,451
Drug stores	3,500	1,400	2,065	1,523	280	8,768
Food stores	24,675	7,245	11,130	6,265	3,780	53,095
Auto parts	870	550	400	1,310	0	3,130
Other Misc.	<u>1,572</u>	<u>0</u>	<u>0</u>	<u>120</u>	<u>0</u>	<u>1,692</u>
TOT-OTHER RET.	31,942	10,170	17,133	10,830	4,060	74,136
TOT-ALL	43,858	29,624	18,540	11,889	4,863	108,775
TOT-NON FOOD	19,183	22,379	7,410	5,624	1,083	55,680

Source: Inventory of Retail Space by Muller/Humstone, 1993; Town and City Listers'/Assessors' Offices; Retail Merchants Survey, State of Vermont sales tax receipts data by county and municipality, 1993.

1.2. Wal-Mart Sales Performance in Franklin County

Finding #3: Relying on Wal-Mart's data, we project very conservatively that the sales per square foot at the Wal-Mart store will equal \$316 (\$300 adjusted for initial years) in 1995, growing to \$400 in the year 2000. These estimates are 67% higher than those of RKG Associated for 1995 and 117% higher for the year 2000. As a result, our findings on Wal-Mart's sales impact on the region are substantially higher than RKG's.¹² However, our projections are below national projections of sales of \$338 per square foot in 1995 and \$434 in 2000.

Implication of National Patterns for St. Albans

The two-county area of Franklin and Grand Isle Counties, with a population of 45,000 is about the average in states with a strong Wal-Mart presence (Alabama, Tennessee, Wyoming, North Dakota, Louisiana). This population level appears to be close to a "saturation point" for Wal-Mart. This target population suggests that additional Wal-Marts would be constructed if the market area had a larger population. Therefore, one should not consider, in the longer run for Wal-Mart, a market area greater than the two counties. In fact, one could reasonably expect an application from Wal-Mart for a store north of Burlington in the next few years. This would be consistent with their policy in other states to "fill in" between Wal-Mart stores. In North Carolina and Virginia, the first Wal-Marts had a large market area, drawing in shoppers from a wide radius. Subsequently, this market was shut-off as additional stores were built. With Wal-Mart

¹² The comparisons in this report to RKG's report are based on RKG's report prepared in the summer of 1993. We do not have their report based on the revised Wal-Mart size. We have assumed that their assumptions about the market and the performance of Wal-Mart in that market still hold.

saturation, there would be no inflow from other areas of the state to St. Albans. With Wal-Mart now in Canada, virtually all of Wal-Mart sales will have to be generated within the two county region.

Wal-Mart Sales Per Square Foot

Based on calendar 1995 projected sales per square foot of \$316, sales in the first year of Wal-Mart's operation in St. Albans should be \$31.87 million. However, there is a downward adjustment by 5 percent for the first year to take into account lower sales until a new store "matures." The third year, the estimated time for expansion according to our assumptions, total sales are also downwardly adjusted. By the year 2000 there is no longer any downward adjustment. (See Table 11.)

Annual Sales Increases Per Square Foot at Wal-Mart

Although per square foot increases at Wal-Mart nationally have been very high (8.8 percent between fiscal 1990 and fiscal 1994 as shown in their annual report), we are taking a much more *conservative* approach, increasing per square foot sales for Wal-Mart by about 25% less than the 1991-1994 pattern (6.6 percent) between 1993 and 1995, reducing this percentage to 5% (1996-1999), and 4% (2000-2004). Thus, we are assuming that Wal-Mart in St. Albans will not be able to keep up its historic growth rate in sales. In part this is because the market is too small, even after some of the competition may no longer be in business.

In addition, sales have been adjusted downward for two years following opening and two years following expansion.

Table 11
PROPOSED WAL-MART PROJECTED SALES IN FRANKLIN COUNTY
(in current dollars)

Current leakage

Wal-Mart Character	1995	1998	2000	2004
Square feet	100,780	126,090	126,090	126,090
Sales per sq ft (1)	\$316.20	\$366	\$399.70	\$467.20
Total sales	\$31,866,636	\$46,148,940	\$50,398,173	\$58,909,248
Maturity factor (2)	0.95	0.95	1	1
Adjusted sales	\$30,273,304	\$43,841,493	\$50,398,173	\$58,909,248
Sales by Source				
Canada	\$3,027,330	\$4,384,149	\$5,039,817	\$5,890,925
Recapture	\$2,497,548	\$3,616,923	\$4,157,849	\$4,860,013
Outside Franklin	\$1,755,852	\$2,542,807	\$2,923,094	\$3,416,736
Total Outside	\$7,280,730	\$10,543,879	\$12,120,761	\$14,167,674
From Franklin Cty Bus	\$22,992,575	\$33,297,614	\$38,277,412	\$44,741,574
Total Wal-Mart Sales	\$30,273,304	\$43,841,493	\$50,398,173	\$58,909,248
DSTM (75% of Total)	\$22,704,978	\$32,881,120	\$37,798,630	\$44,181,936
Franklin County Sales				
DSTM w/o W-M (3)	\$41,416,667	\$45,454,792	\$48,409,354	\$54,930,093
DSTM w/ W-M	\$46,877,214	\$53,362,701	\$57,499,924	\$65,555,849
W-M as % of DSTM	48.43%	61.62%	65.74%	67.40%
County Sales/SF	107	117	125	141
Wal-Mart Sales/SF	316	366	400	467
County Sales/Employee(4)	94,042	100,972	105,051	113,711

(1) Sales per square foot and sales per employee based on national averages for Wal-Mart as shown in rates of change in the 1993 Wal-Mart annual report. Historical rates of change adjusted downward to provide conservative projections.

(2) Sales adjusted downward to take into account lower sales when new store opens, per RKG Assoc.

(3) Using state sales tax receipt data and Humstone-Muller inventory; assume inventory is 90% complete.

(4) Sales per employee in Franklin County based on 1993 survey by Muller/Humstone.

1.3. Impact of Wal-Mart on the Level and Distribution of Retail Sales in Franklin County and its Communities

Finding #4: There is leakage from the Franklin County market today, primarily to the Chittenden County market area. Leakage is primarily in Department Store Type Merchandise (DSTM). Our estimates of existing DSTM leakage from the market are about one half those of RKG Associates, however. Although Wal-Mart may help to recover some of this leakage, it will not recapture as much as estimated by RKG Associates. We find a more reasonable upper end recapture level would be \$2.5 million.

Our analysis of total retail sales in Franklin County, based on state sales tax receipts data, indicates that there is little aggregate leakage. Leakage is determined by comparing actual sales in an area with expected sales which are based on population, income data and average expenditures per capita for different types of goods. According to the RKG's 1993 report, potential "leakage" from Grand Isle and Franklin Counties in 1991 is

estimated at \$7 million for general merchandise sales (p. 27) and \$15.9 million for all DSTM (p. 1). In fact, based on 1993 County taxable receipts, sales in general merchandise were \$472 per capita compared to \$545 per capita statewide. When adjusting for differences in per capita income, sales in Franklin County were about the same as the state average. In half of all categories tabulated by the state, sales in Franklin County *exceeded* the state average (including food, hardware, building supplies and autos), indicating higher than expected sales in these categories. There is, however, leakage based on sales estimates from total DSTM retail outlets. Sales of some DSTM goods are below expected levels, indicating leakage to other markets.

Table 12
PER CAPITA¹ TAXABLE RECEIPTS: 1993
(in current dollars)

	Actual Franklin Cty	Actual State of VT	Expected ² Franklin Cty	Difference Act.-Exp.
Lumber & Bldg Maint	\$324	\$249	\$215	\$109
Hardware	174	163	140	34
Gen Merch	472	545	471	1
Food	389	371	321	68
Auto	221	235	203	18
Apparel	105	321	277	-172
Home Furn	156	219	187	-31
Other Misc	499	720	622	-123
Total	\$2340	\$2823	\$2436	-\$96

¹ Based on 1991 population estimates

² Based on 1991 income disparities between County and State

Total retail sales leakage (determined by multiplying the per capita estimates by population estimates) from Franklin County is about \$3.9 million. Leakage in apparel and home furnishings is about \$8.2 million. However, some of these DSTM goods are purchased in non-DSTM retail outlets in Franklin County. Our upper end estimate is that DSTM leakage, taking into account all factors is \$8.5 million.

Given total leakage of \$8.5 million in DSTM goods from Franklin County in 1993, how much of this leakage would be expected to be reduced if the Wal-Mart store is built? First, much of the leakage is for goods not available in Franklin County now. However, Wal-Mart will not carry these upscale goods either. In addition, the ability of Wal-Mart to recapture a percentage of the population that presently works and shops in Chittenden County will be limited. The recapture should not be expected to be higher (at most) than 30% of the existing leakage. This would be a recapture of \$2.5 million in 1995 if Wal-Mart were constructed.

Finding #5: Sales to Canadian residents in the St. Albans area represent about 10-12% of all sales in stores that sell goods comparable to Wal-Mart. One can assume that Wal-Mart will capture about the same percentage of sales from Canada (10%). With the purchase by Wal-Mart of 122 Woolco stores in Canada, there are now at least two Wal-Mart stores operating in Quebec Province in St. Albans' Canadian market area. The

entire area within the twenty-five mile radius of I-89 and the Canadian border¹³ is also within a twenty-five mile radius of two Wal-Mart stores in Canada. RKG's estimates of Canadian sales at Wal-Mart are 32% of total sales in the first few years and 31% in later years compared to our estimate of 10%. (See footnote 1.) We assume that in 1995 Canadian sales at Wal-Mart will be about \$3.0 million growing to \$5.1 million in the year 2000.

Our survey of merchants shows that between 10 to 12 percent of all sales in the St. Albans area are from Canada. This is consistent with the RKG '93 report. As to the share of Canadian sales in the proposed Wal-Mart, RKG assumed in that report that 8 percent of potential DSTM sales from the Canadian market will be captured by the store. This totals \$7.7 million in 1995 and grows to \$9.6 million in 2004.

Canadian sales are an unknown factor and depend on numerous variables that change over time, such as the exchange rates, the Canadian economy, border duty enforcement, duty regulation, and the introduction of Wal-Mart to Canada. Wal-Mart purchased 122 former Woolco stores in Canada in January of 1994. Twenty Wal-Mart stores are expected to open in Quebec province. The nearest Wal-Mart/Woolco stores to the St. Albans area are in St. Jean, about 57 miles north of the St. Albans Wal-Mart site and Granby, about 60 miles north of Enosburg Falls. The entire area within the twenty-five mile radius of I-89 and the Canadian border (see footnote 9) is also within a twenty-five mile radius of these two Wal-Mart stores in Canada. Due to Wal-Mart's presence in Canada we do not estimate that the Canadian share of the store's sales will be more than the average share in Franklin County stores today. Our estimates of the share of Wal-Mart's sales to Canadians is 10%; the estimate by RKG Associates in their '93 report is 32%. We assume that in 1995 Canadian sales at Wal-Mart will be about \$3.0 million growing to \$5.0 million in the year 2000.

Finding #6: In 1995, Wal-Mart sales are estimated to be \$30.27 million. The source of these sales is estimated to be: \$3.03 million in sales to Canadians, \$2.50 million in recapture of leakage, \$1.76 million in inflow from outside the county, and \$22.99 million in sales from existing stores in Franklin County. By 1998, if Wal-Mart expands to 126,090 square feet, Wal-Mart sales are estimated to be \$43.84 million. These source of these sales is estimated to be: \$4.38 million in sales to Canadians, \$3.62 million in recapture of leakage, \$2.54 million in inflow from outside the county, and \$33.29 million in sales from existing stores in Franklin County.

Table 11 sets forth the projected sales at the St. Albans Wal-Mart and the anticipated source of those sales for 1995, 1998, 2000, and 2004.¹⁴ Sales are estimated to be \$30.27 million in 1995 growing to \$58.90 million in 2004 (in current dollars). The source of these sales will include: recapture of some of the leakage from Franklin County, the addition of Canadian sales to the market, some additional sales from other places outside the County, and sales from existing Franklin County businesses.

Sales from outside Franklin County at Wal-Mart (but excluding Canada) are estimated by RKG to be \$2.1 million in 1995, rising to \$2.3 million in 2004. These inflow estimates

¹³ Estimated by RKG Associates to be the Canadian market area for Wal-Mart in St. Albans.

¹⁴ In our view, projections beyond five years are not very reliable. However, to be consistent with the RKG study we present data to the year 2004.

assume that shoppers from Chittenden County and Clinton County will be attracted to the first Wal-Mart (if approved) in Vermont. This is not an unreasonable assumption as long as the St. Albans Wal-Mart is the only one in the area. In fact, however, a Wal-Mart, along with a Sam's Club, just opened in Clinton County, and a Wal-Mart and a Sam's Club store is proposed in Chittenden County. In addition, twenty Wal-Mart stores are opening in former Woolco stores and 21 shopping centers with Wal-Marts are being planned in the province of Quebec. With the opening of these Wal-Marts, the drawing power of the St. Albans Wal-Mart outside its traditional market area will be minimal. Nonetheless, to minimize differences between the RKG data and our data, we will accept the assumption (although we have questions about it) that opening of Wal-Mart stores elsewhere will not shift sales from the St. Albans Wal-Mart to the newest stores. In reality, we would expect additional Wal-Mart stores, if approval is granted, in future years which would shift sales, based on the experience in other regions.

A total of \$7.28 million in sales to Wal-Mart in 1995 will come from outside the market. The remainder, \$22.99 million, will come from sales to existing businesses in Franklin County. The largest share of these sales (75%) will come from retailers doing business in department stores, apparel stores, furnishings, appliance, and electronics stores and miscellaneous DSTM stores. Other types of stores that will experience a loss in sales due to Wal-Mart are hardware and paint stores, drug stores, and auto supply stores.

Finding #7: It is estimated that 211,236 square feet (or about 32% of the total) of retail space where comparable goods are sold in Franklin County will be impacted during Wal-Mart's initial phase. About 90% of the space impacted will be in St. Albans City and St. Albans Town. This represents 39% of existing retail space in these two communities. The addition of Wal-Mart will result in a net loss initially of about 10,000 square feet in St. Albans Town and a net loss of nearly 110,456 square feet in the region. Other communities that will be impacted include Swanton, where 13.5% of the space in comparable goods will be impacted, and Enosburg, where 13% of the space will be impacted as well. These estimates of existing square feet that will be impacted by Wal-Mart are over three times those of RKG Associates. (See footnote 1.)

We arrived at the estimates of retail space impacted by Wal-Mart primarily by analyzing the market potential to absorb this major mass merchandiser as set forth in our findings above and by examining the impact of Wal-Mart in other market areas. In addition, we reviewed our results against studies of Wal-Mart stores' impact that we have conducted (see Part II) and that have been conducted in other locations, including Iowa and Illinois, to determine if our results were consistent with those findings. We found they were. See Part II for the results of the case studies. (To date no systematic data collection has been conducted on New England communities that have Wal-Marts; it is still too early to obtain meaningful data in those communities.)

To determine the distribution of the impact of the \$22.99 million in lost sales, first we broke out Wal-Mart sales according to different categories of goods sold at the store. (See Table 13.) Of the total sales we found that \$.69 million would be in goods that were not included in our inventory of retail stores in Franklin County. Therefore, we subtracted \$.690 million from our estimate of the impact on Franklin County businesses to arrive at an impact of \$22.30 million. (See Table 13). For the most part, we assumed that the sales lost to existing Franklin County stores would be distributed according to the

percentage distribution of sales by category in the Wal-Mart store. We then compared the sales lost to the estimated existing sales by category in the County. The dollars lost in each category as set forth in Table 13 were then allocated to specialty stores or department stores. (See Table 14). With this information we were able to determine for each major type of store what share of existing sales and how many square feet would be impacted by Wal-Mart. (See Tables 15 and 16). We made some adjustments to the results of these calculations to reflect the unique characteristics of the Franklin County retail market.

Table 13

ALLOCATION OF 1995 WAL-MART SALES BY CATEGORY OF GOODS

Category	Space (%)	Sales (000s)	Share of Sales from County	Total Category Sales in County	Share W-M Sales of County Sales	Loss of Sales To County
Apparel	33.00%	\$9,990	\$7,587	\$13,160	57.66%	\$1,194
Furn., home furn.	17.00%	\$5,146	\$3,909	\$11,759	33.24%	\$611
Misc DSTM	18.00%	\$5,449	\$4,139	\$8,659	47.80%	\$655
Hardware	10.00%	\$3,027	\$2,299	\$8,966	25.64%	\$361
Drug Store	10.00%	\$3,027	\$2,299	\$10,329	22.26%	\$361
Food	4.00%	\$1,211	\$920	\$56,546	1.63%	\$141
Auto Parts	3.00%	\$908	\$690	\$4,202	16.42%	\$101
Other Non DSTM	2.00%	\$605	\$460	\$2,223	20.69%	\$71
subtotal	97.00%	\$29,365	\$22,303	\$115,844	19.25%	\$3,511
Other	3.00%	\$908	\$690			
TOTAL	100.00%	\$30,273	\$22,992			3,611
TOTAL LESS FOOD			\$22,302	\$59,298	37.61%	

Table 14

DISTRIBUTION OF WAL-MART SALES BY TYPE OF STORE, 1995

Category	County Reduced Sales	% Specialty	\$ Specialty	% Dept Store	\$ Dept Store
Apparel	\$7,587	63.30%	\$4,803	36.70%	\$2,785
Furn., home furn	\$3,909	65.30%	\$2,552	34.70%	\$1,356
Misc DSTM	\$4,139	63.80%	\$2,640	36.20%	\$1,498
Hardware	\$2,299	87.60%	\$2,014	12.40%	\$285
Drug Store	\$2,299	90.00%	\$2,069	10.00%	\$230
Food	\$920	100.00%	\$920	0.00%	\$0
Auto Parts	\$690	80.00%	\$552	20.00%	\$138
Other Non DSTM	\$460	100.00%	\$460	0.00%	\$0
Total	\$22,303		\$16,010		\$6,292

About 46% of projected 1995 Franklin County department store sales will be lost to Wal-Mart. (See Table 15.) Apparel sales, among the category of stores hardest hit by Wal-Mart in the experience of other places, will decline by about 58%. Other categories of goods that are projected to lose in excess of 25% of existing space include miscellaneous

DSTM stores (sporting goods, books, office supplies, etc.); home furnishings, electronics, and furniture; drug stores; and hardware stores. The most space will be lost in department stores and apparel stores. About 104,000 square feet of space in these two categories, or a little over half of all such space in the County, will be impacted.

St. Albans City and St. Albans Town will experience the greatest impact in the loss of sales and retail square footage due to Wal-Mart. It is within the two communities that the types of stores that have comparable goods to Wal-Mart are concentrated. These communities comprise the retail center for the County. It is estimated that 62% of the DSTM sales lost in these two communities will be in St. Albans Town and 38% in St. Albans City. Nearly 40% of the non-DSTM sales will be lost in St. Albans City and 12% in St. Albans Town.

An estimated 70,213 square feet in existing businesses in downtown St. Albans will be impacted by Wal-Mart. An estimated 95,293 square feet in St. Albans Town will be impacted. The addition of 100,780 square feet of new space due to Wal-Mart will result in a net gain in the Town of 5,487 square feet.

The impact of Wal-Mart will be felt beyond the existing County retail center in the rural retail centers of Swanton and Enosburg Falls. This finding is consistent with the work of Kenneth Stone who found measurable impacts of Wal-Mart stores in outlying communities of Iowa. In Swanton, we estimate that about 11,917 square feet will be impacted, primarily in hardware store space. In Enosburg Falls, about 8,521 square feet of convenience store space will be impacted. About 20% of existing retail space in these two communities will be affected by Wal-Mart.

To be consistent with our general approach to this analysis, we need to compare sales and square footage impacts with Wal-Mart to sales and square footage in the communities in the absence of Wal-Mart. DSTM sales are expected to rise in the absence of Wal-Mart, as shown in Table 11. These sales increases will mostly be felt in the City and Town of St. Albans where DSTM stores are concentrated. We estimate that the DSTM sales increase in St. Albans City would be about \$1 million and in St. Albans Town would be about \$1.7 million. (See Table 18.) The additional DSTM square feet in St. Albans City would be 9,433 and in the Town would be 15,411. Thus, the net impact of Wal-Mart on St. Albans City is anticipated to be 79,646 square feet. The Town is projected to experience an impact on 110,740 square feet of which 100,780 square feet will be offset by Wal-Mart.

It is important to note that the primary reason for the high number of square feet impacted as compared with the number of square feet added by Wal-Mart is the low sales per square foot experienced by existing retailers in Franklin County. Their volume is about one third of the volume experienced by Wal-Mart per square foot.

Finding #8: In 1998 if Wal-Mart expands from 100,780 square feet to 126,090 square feet an additional \$6.5 million in sales and an additional 55,612 square feet will be lost by existing Franklin County stores carrying comparable goods.

Discussion:

There will be further losses in all categories of sales in 1998 if there is a 25,310 square foot Wal-Mart expansion. Again, the highest losses will be in department stores and apparel stores in St. Albans City and St. Albans Town. Tables 15 shows the impact of Wal-Mart by category of goods in 1995 and in 1998.

Table 15							
Loss of Sales to Existing Franklin County Businesses due to Wal-Mart in 1995 and in 1998.							
(000s of current dollars)							
	1995			95-98	1998		
Category	Exist.	Losses	Remain	Losses	Exist.	Losses	Remain
Dept. Store	13,573	-6292	7,281	-990	6,291	-1,827	4,464
Apparel	8328	-4803	3,525	-756	2,769	-1,395	1,374
Furn, etc.	8139	-2552	5,587	-402	5,185	-741	4,444
Misc. DSTM	5944	-2640	3,304	-416	2,888	-767	2,121
					0	0	0
Hardware	7934	-2014	5,920	-317	5,603	-585	5,018
Drug	9337	-2069	7,268	-326	6,942	-601	6,341
Food	56546	-920	55,626	-145	55,481	-267	55,214
Auto	3333	-552	2,781	-87	2,694	-160	2,534
Misc Non DSTM	1802	-460	1,342	-72	1,270	-134	1,136
	114,936	-22302	92,634	-3,511	89,123	-6,476	82,647

Table 16				
SQUARE FEET OF RETAIL SPACE IMPACTED BY WAL-MART, 1995				
(sales in 000s current dollars)				
Category	Reduced Sales	Sales/Sq Foot	Sq Ft Impacted	Adjusted SF(1)
Dept Store	-6292	\$106.50	59,080	65,000
Apparel	-4803	\$117.00	41,051	39,093
Furn, home furn.	-2552	\$106.50	23,962	20,000
Misc. DSTM	-2640	\$106.50	24,789	24,789
Total DSTM	-16,287	\$109.40	148,882	148,882
Hardware	-2014	\$133.00	15,143	15,143
Drug store	-2069	\$186.00	11,124	11,124
Food	-920	\$373.00	2,466	2,466
Auto Parts	-552	\$106.50	5,183	5,183
Other non DSTM	-460	\$128.00	3,594	3,594
Tot: non DSTM	-6,015	\$160.36	37,510	37,510
TOTAL	-22,302		186,392	186,392

(1)Based on case study results & market conditions, these numbers were adjusted slightly.

Table 17				
DISTRIBUTION OF SALES, SQUARE FOOTAGE IMPACT BY TOWN				
1995(sales in 000s of current dollars)				
		Lost	Gained	Net
Municipality	Sales	Square Feet	Square Feet	(Loss)/Gain
	(000s)			
St. Albans City				
DSTM	\$6,088	55,641		(55,641)
Other Retail	\$1,594	14,572		(14,572)
TOT	\$7,683	70,213		(70,213)
St. Albans Town				
DSTM	\$9,925	90,702	100,780	10,078
Other Retail	\$502	4,591		(4,591)
TOT	\$10,427	95,293	100,780	5,487
Swanton				
DSTM	\$168	1,539		(1,539)
Other Retail	\$1,136	10,378		(10,378)
TOT	\$1,304	11,917		(11,917)
Enosburg Falls				
DSTM	\$109	1,000		(1,000)
Other Retail	\$823	7,521		(7,521)
TOT	\$932	8,521		(8,521)
Richford				
DSTM	\$0	0		0
Other Retail	\$49	448		(448)
TOTAL	\$49	448		(448)
TOTAL	\$20,395	186,392	100,780	(85,612)

Table 18
NET IMPACT OF WAL-MART ON DSTM SALES AND SQ. FT
After considering growth that would occur in the absence of Wal-Mart

Municipality	Growth w/o WM Sales (000s)	Growth w/o WM Sq. Feet	WM Sales Impact	WM Sq. Ft Impact	Total WM Impact-Sales	Total WM Impact - Sq Ft
St. Albans City	\$1,032	9,433	\$6,088	55,641	\$7,120	65,074
St. Albans Town	\$1,686	15,411	\$9,925	90,702	\$11,611	106,113

✓ **Finding #9:** Aggregate DSTM sales in Franklin County will be 13% higher in 1995 with Wal-Mart compared to the non Wal-Mart alternative as a result of additional sales from outside the County.

Although local businesses selling products similar to those sold by Wal-Mart will have sharply reduced sales, overall sales levels will increase as a result of non-Franklin County shoppers drawn in by Wal-Mart and some recapture of leakage. The presence of these added shoppers should have the secondary impact of higher sales in eating and drinking establishments and gas stations and other sectors, including personal services (dry cleaners, etc.) and building supply companies. These secondary gains have not been quantified, but should be recognized. It is uncertain whether or not these would be long term gains. That will depend on the long term viability of existing business establishments in Franklin County that compete with Wal-Mart. Under some

circumstances, if Wal-Mart totally dominates local business, these could be long term losses. In any case, these gains are expected to be relatively modest compared to losses for other merchants. In addition, these gains are expected to be concentrated in the vicinity of the Wal-Mart store in St. Albans Town. Reduced shoppers in other parts of the County such as St. Albans Downtown and the Village of Swanton could have secondary negative effects in these areas, such as on restaurants, gas station sales, and personal services. These negative effects would offset some of the gains out by the Wal-Mart store.

1.4. Impact on Retail Employment

Finding #10: In the first full calendar year of operation there will be a slight net loss of retail employment in the PMA. However, over time the number of retail jobs in the county will decline by 167 jobs. This is due to the fact that the existing retail businesses in Franklin County are more labor intensive than Wal-Mart. For every \$10,000,000 in sales in typical Franklin County retail businesses, 106 people are employed. For every \$10,000,000 in sales at a typical Wal-Mart, 65 people are employed. Due to projected sales losses to existing businesses in Franklin County, there will be about 381 retail jobs lost over the next ten years. These jobs will be offset partially by the gain of over 214 Wal-Mart jobs during the same time period.

Based on our 1993 survey there were 408.5 full-time and part-time employees in downtown St. Albans and the Highgate Shopping Center. Surveyed stores totaled 331,000 square feet of retail space. These stores, based on state sales data, had average sales of \$108 per sq. ft., and sales per employee of \$87,500. As the average wage for retail workers is about \$11,500, this means that payroll accounts for 13 percent of sales. This percentage is consistent with other data for small retail centers.

We would anticipate that sales per employee will increase by 3% - 3.2% per annum in the absence of Wal-Mart. By 1995 sales per employee in Franklin County stores would average \$94,000. (See Table 11.) By contrast, Wal-Mart sales per employee are projected to be \$155,000 which reflects the nature of their operations. Thus, for every \$10,000,000 in sales in typical Franklin County businesses, 106 people are employed. For every \$10,000,000 in sales at a typical Wal-Mart store, 65 people are employed. Existing Franklin County businesses are about 60% more labor intensive than Wal-Mart.¹⁵ Therefore, as shown in Table 5, estimated sales losses from existing stores to Wal-Mart would reduce the number of jobs in the county by 245 in 1995 and by 381 in the year 2004.

These losses are partially offset by gains at Wal-Mart. Nonetheless, after the first year of operation, Wal-Mart employee levels remain relatively stable *despite* large sales gains. This is typical at Wal-Mart stores which continually gain efficiency. In the long run the net loss to the County in retail jobs is estimated to be about 104 by 1997 and 381 by the year 2004 below the level they would be in the absence of Wal-Mart.

¹⁵ Wal-Mart sales per employee have risen steadily during the last decade due to the efficiency of their operations and capital investments unavailable to smaller business operations.

Table 19
RETAIL EMPLOYMENT 1987-1991

	1987	1989	1991	% Change 1987-1991
Franklin County	2,666	3,045	3,060	14.8%
Chittenden County	15,543	17,550	16,281	4.7%
State of Vermont	54,122	59,021	55,772	3.0%

Source: Computer runs from *Regional Economic Information System*, Bureau of Economic Analysis, Washington, DC, October 1993.

Note: Includes full-time and part-time jobs.

Table 20
IMPACT OF WAL-MART ON RETAIL TRADE EMPLOYMENT IN FRANKLIN COUNTY

	<u>Employment-Existing Retail</u>			<u>Employment-Wal-Mart</u>			<u>Net</u>
	Sales per Employee	Sales Change (Mil. \$)	Employment Change	Sales Per Employee	Sales Change (Mil. \$)	Employment Change	Net Gain County
1993	\$88,300	---	---	---	---	---	---
1995	\$94,042	(\$23.0)	(245)	\$155,152	\$30.3	195	-50
1997	\$100,155	(\$31.7)	(316)	\$195,800	\$41.6	212	-104
2000	\$109,386	(\$38.6)	(353)	\$217,604	\$50.4	232	-121
2004	\$123,273	(\$47.0)	(381)	\$274,720	\$58.9	214	-167

Finding #11: The loss of 50 retail jobs(in 1995), growing to 167 jobs (in 2004) has negative consequences for the regional economy. The loss of 167 direct jobs, applying the BEA RIMSII model multiplier for Vermont, results in a loss of 242 total jobs (See Table 22). The direct loss of jobs represents a reduction of \$1.8 million in area earnings directly and \$2.9 million statewide indirectly. Total losses at the regional level are estimated to be \$2.6 million.

Table 22
IMPACT OF PAYROLL LOSS ON ECONOMY

Year	Job Loss	Est. Avg. Wage	Loss in Earning	Employee Multiplier	Total Job Loss	Earnings Multiplier	Loss in Earnings
1995	50	11,000	\$550,000	0.45	73	0.56	\$858,000
1997	104	11,000	\$1,144,000	0.45	151	0.56	\$1,784,640
2000	121	11,000	\$1,331,000	0.45	175	0.56	\$2,076,360
2004	167	11,000	\$1,837,000	0.45	242	0.56	\$2,865,720

Finding #12: The scale of the Wal-Mart project, including the building and the land, is substantially oversized for the St. Albans and Franklin County market and will cause major dislocations in the regional retail market. First, the volume of sales at Wal-Mart in the first year of operation will be equal to at least 46% of all DSTM sales in the market and will displace \$22.3 million in sales to all existing stores that were included in our inventory. Second, the land and buildings required for Wal-Mart consume 44 acres, an area approximately the same size as downtown St. Albans. Third, the square footage of

one Wal-Mart store at potential full build out (126,090 square feet) is equivalent to about 35 average sized St. Albans downtown stores.

The location of Wal-Mart in St. Albans Town will concentrate retail activity in this area to the detriment of other locations in Franklin County. In the case study research we found that Wal-Mart's share of DSTM sales in smaller markets was around 20%. We found also that the 100,000 square foot store size is exceeded by about 25% of the stores in smaller markets in Virginia and North Carolina. The prospective DSTM share for Wal-Mart in St. Albans is about twice the average for Wal-Mart stores in other markets. As such, the effects on existing businesses and fiscal consequences would be more severe than observed elsewhere.

2. Fiscal Impacts Due to Shift in Sales

2.1. Fiscal Impact on Municipalities due to Shift in Sales

Impact on Property Values in Franklin County

Finding #13: The impact of Wal-Mart on existing businesses will have fiscal and economic consequences to the communities of Franklin County. The project will dramatically shift the locus of retail activity in the County from the balance that exists today between St. Albans City and St. Albans Town and between the City and Town and the outlying villages of Swanton, Enosburg, and Richford. Due to lost sales and store vacancies, values of commercial buildings will decline which in turn will have an impact on local property tax bases. Employment reductions will cause payroll losses which will further lower potential tax revenues. In some communities these tax revenue declines will be nearly or fully offset by increased state aid to education. At the same time, the demand for municipal services will rise in the communities. The overall effect will be to cause major changes in the local and regional fiscal conditions.

✓ **Finding #14:** There is over \$20 million in real and personal property value in stores in Franklin County that sell goods that are also sold in Wal-Mart. Wal-Mart will cause a total decline in these property values of \$6.8 million due to its impact on existing businesses. Wal-Mart will also add about \$5.4 million to property values in the county. Therefore, there will be a net loss in value of \$1.4 million county wide. Assuming these reduced values are reflected in the local property tax base, the net effect in terms of property tax revenues will be negative (-\$33,575). In addition, payroll reductions due to employment decline are projected to impact local revenues by \$13,000 (1995) to \$54,000 (in 2004). Thus, it is reasonable to expect that total local revenue losses are likely to be -\$46,575 in the early years rising to \$87,000 in later years. These revenue losses will be most likely partially offset by an increase in state aid to education in Franklin County communities of \$16,991. The estimated impacts to the property values are conservative. Research conducted by the authors in other locations shows that property value impacts can be from 20-50% greater than we have estimated.

In order to determine the impact of the reduced sales on property values in the Franklin County municipalities, we first conducted an inventory of the assessed value of all real and personal property from which is sold goods that are also sold at Wal-Mart. The data were collected from listers/assessors in the City of St. Albans, Town of St. Albans, Swanton, Enosburg, and Richford. For multistory and multi use buildings we only allocated a share of the total building value to the retail store, depending on the store's location in the building (first floor vs. upper floor) and its share of total space. For real property values we applied the State of Vermont equalization rates for commercial properties in each of the towns. (This enables a fairer comparison between communities and facilitates our estimates of the impact of property value change on state aid to education.) Table 23 shows the results of this inventory.

Table 23
REAL AND PERSONAL PROPERTY VALUES BY MUNICIPALITY, 1993
For Retail Stores that Compete with Wal-Mart

Municipality	Total Store SF	Tot Pers. PV	Tot Eq. Real PV	Tot PV
St. Albans City	241,350	578,386	5,853,637	6,432,023
St. Albans Town	246,891	542,619	8,288,742	8,831,361
Swanton	84,129	304,500	2,974,425	3,278,925
Enosburg	68,314	96,200	1,289,269	1,385,469
Richford	21,094	112,343	323,711	436,054

To determine the impact on these property values from a shift in sales to the Wal-Mart store (based on the 100,780 square foot store), we calculated the square foot value of real and personal property and applied it to the projected square footage of impacted retail space shown in Table 24. Our previous research has shown that there is a minimum of a 1:1 correlation between square feet of property value impacted and square feet of sales impacted.

Table 24 shows the property value impact of reduced sales anticipated in each of the five communities. The community that is expected to experience the largest reduction in property values due to reduced sales at existing stores is the Town of St. Albans. Over \$4.1 million in reduced (equalized) assessed value from what would be expected in the absence of Wal-Mart is projected. However, this reduction will be more than compensated for by the property value gain due to the Wal-Mart facility. The net property value impact in the Town of St. Albans is estimated to be \$1.3 million.

Wal-Mart's contribution to the Town's tax base (after subtracting its share of the existing land value of the property) is estimated to be \$5.4 million. This number was based on information obtained from the Town Listers Office on values at the Highgate Shopping Center for real and personal property, site improvements, and land value after development.¹⁶ After adjusting for the 15% depreciation at Highgate Shopping Plaza, we arrived at a value per square foot of about \$44. Value for site improvements (water, sewer, driveways, parking and landscaping) was added to this figure. In addition, land

¹⁶ The listers were very clear that they could not estimate the value or verify a value for Wal-Mart at this time. They said that the value would depend on the quality of construction of the building. They provided the information on the Highgate Shopping Center for our information and use.

values are expected to increase above their present levels and therefore, a land value rise was factored in as well.

The City of St. Albans is expected to experience the most severe net reduction in property values due to Wal-Mart - over \$2.1 million. Most of the impact will be in real property value (\$2.0 million). The Town and Village of Swanton property value impact is estimated to be \$447,289; the Town and Village of Enosburg's is \$115,560; and the Town and Village of Richford's is \$11,004.

Because the impact on Richford is so small, and therefore, its potential for causing an unreasonable burden minimal, we have omitted that community from the remainder of our fiscal analysis.

We anticipate that these property value reductions will be manifested in lower rents to properties in the downtowns, shopping centers and villages; reduced sales prices for buildings in these locations; and eventually in reduced property value assessments and thus, in tax revenues for the communities.

The effects of over \$405,103 in potential personal property values reductions most likely will be felt the earliest. Once a store moves out, closes or is replaced by another type of business, the taxable personal property of that business is removed from the tax rolls.

√ The real property value impacts are likely to be felt over a longer time frame due to the assessment practices of the four communities. None of these municipalities use the income approach which, if used, would result in a more immediate property value impact. Therefore, the property value impacts we identify in these communities will be felt over a number of years. Probably, the earliest time the impact would be noticed would be at the time of a comprehensive reappraisal.

At today's tax rates (equalized) the amount of tax revenue lost or gained in each community due to the property value reductions or increase is shown in Table 25.

Table 24
PROPERTY VALUES IMPACTED BY WAL-MART (1993 \$, EQUALIZED PROPERTY VALUES) @ 100,780 SF

Municipality	SF IMPACTED	REAL PV	PERS PV	TOTAL	WAL-MART RPV	WAL-MART PPV	NET AFTER W.M.
St. Albans City	79,646	(\$1,995,190)	(\$147,131)	(\$2,142,321)			(\$2,142,321)
St. Albans Town	110,704	(\$3,888,826)	(\$214,187)	(\$4,103,013)	\$5,211,311	\$190,474	\$1,298,772
Swanton	11,917	(\$416,019)	(\$31,270)	(\$447,289)			(\$447,289)
Brookburg	8,521	(\$105,744)	(\$9,816)	(\$115,560)			(\$115,560)
Richford	448	(\$8,305)	(\$2,699)	(\$11,004)			(\$11,004)
TOTAL	211,236	(\$6,414,084)	(\$405,103)	(\$6,819,187)	\$5,211,311	\$190,474	(\$1,417,402)

Values represented reflect the difference between the impact of Wal-Mart and the impact without a Wal-Mart store.

Table 25
PROPERTY TAX REVENUE REDUCTIONS PROJECTED
IN FRANKLIN COUNTY COMMUNITIES DUE TO WAL-MART
(1993 Data)

Municipality	Equalized Property Value (loss)/gain	Effective Tax Rate	Revenue (loss)/gain
City of St. Albans	(\$2,142,321)	2.12	(\$45,417)
Town of St. Albans	\$1,298,772	1.42	\$18,443
Town/Vill of Swanton	(\$447,289)	1.07	(\$4,786)
Town/Vill of Enosb.	(\$115,560)	1.57	(\$1,814)
Total	(\$1,406,398)		(\$33,575)

Only town tax rates applied in Swanton and Enosburg.

These data are given for 1993 conditions although Wal-Mart is expected to open in 1995 if granted approval. However, we would expect that given commercial property value growth trends in these communities, the values would be higher in 1995 and therefore, the impacts greater than those estimated here. In addition, property value impacts can run from 20-50% greater than estimated here, according to case study research we have conducted in other communities. The impact of a reduction in retail sales on sales prices per square foot of commercial property and rental rates as well as assessment rates can be felt beyond the spaces occupied by directly competing stores. The entire building in which the store is located as well as the entire street on which retail stores are concentrated can experience a reduction in values. Therefore, the estimates of impact presented in this report are very conservative.

Payroll Reductions Impact on Property Values

Reduced earnings have direct fiscal consequences. Assuming that 30% of retail workers are residents of St. Albans City, there would be a loss of \$257,000 million in earnings from City residents. These lost earnings would reduce personal income in the City which could cause a loss of local property tax revenue of \$10,500 to \$35,400 (1995-2004). (See Table 26.) If 20% of the retail workers live in the Town of St. Albans, there would be a reduction in the Town in revenues of from \$8,300 to \$27,600.

Table 26
FISCAL EFFECTS OF REDUCED WAL-MART RELATED EARNINGS
CITY AND TOWN OF ST. ALBANS (IN 000S)

	CITY		TOWN	
	1995	2004	1995	2004
W-M earnings losses-Total	858	2866	858	2866
Local Share (30%-City; 20%-Town)	257	860	172	573
Total County Income	680,000	680,000	680,000	680,000
St. Albans Share (18.6%-City; 11.7%-Town)	127,000	127,000	79,000	79,000
% Loss in Earnings as % of Income	0.202%	0.680%	0.217%	0.725%
Local Revenue	\$5,200	\$5,200	\$3,800	\$3,800
Potential Local Revenue (Loss)	(\$10.5)	(\$35.4)	(\$8.3)	(\$27.6)

State Aid to Education

Changes in property tax bases have implications to the amount of funds municipalities receive from the State of Vermont under its redistribution formula. Deb Brighton of Ad Hoc Associates of Salisbury, Vermont calculated that state aid to education revenue changes that would occur in the four municipalities if the changes in taxable property value had been included in the FY94 Equalized Grand List number used in the current formula. The results of her analysis are included in Table 27.

Table 27
INCREASE/DECREASE IN STATE AID TO EDUCATION
DUE TO WAL-MART'S IMPACT ON PROPERTY VALUES

Municipality	Addition to Eq. Grand List	Increase(Decrease) in State Aid
St. Albans City	(\$21,423)	26,058
St. Albans Town	\$12,987	-15,885
Swanton	(\$4,473)	5,389
Enosburg	(\$1,156)	1,429

2.2. Fiscal Impact by Municipality

City of St. Albans

Finding #15: Wal-Mart will cause a reduction in retail sales in the City of St. Albans which in turn will impact property values, employment, tax revenues, state aid to education revenues and public expenditures. It is reasonable to expect the net fiscal impact on the City is likely to range from \$30,000 annually in the near term to as high as \$81,513 in 2004.

Finding #16: We find that the downtown is fully served by municipal water and sewer service, has parking, public amenities, including a historic park and historic public and private buildings, and a full range of land uses and services. There is room for further expansion of the retail base in this well-served downtown area. These public facilities, services and amenities will be underutilized due to Wal-Mart resulting in inefficiencies in public investment. Wal-Mart will not only limit the ability of St. Albans City to realize its potential growth in the Downtown, but also will take away some hard earned gains in retail growth over the past 20 years. The opening of Wal-Mart will most likely cause an unreasonable fiscal burden on the City of St. Albans.

Finding #17: Public investment in improvements to the downtown area of St. Albans exceeds \$4 million. These funds came from federal, state and city sources. The funds used include historic preservation, community development, and recreation funds - all aimed at revitalizing the downtown with demonstrable results in the 1970s and 1980s. They do not include money for public water supply and sewage disposal systems although improvements were made to these systems. It is reasonable to expect that this public investment would likely be undermined by an increase in vacancies in the downtown. The vacancies would probably result in underutilized facilities and services which would most likely unnecessarily endanger public investment. Further, additional

investments would probably need to be made on the same order of magnitude as these investments (roughly \$115,000 a year over 15 years) to turn around the likely decline in the downtown due to Wal-Mart.

Trends in Revenues and Expenditures

Commercial property values are rising faster than property values as a whole in the City of St. Albans. Between 1989 and 1993, equalized property values for commercial property grew by 60% while those for the entire city grew by 35%. As a result, commercial property has increased its share of total property value in the City from 24% to 28%. In the absence of Wal-Mart we would expect these trends to continue over the next several years. The trend in commercial tax base growth is the reverse of many small cities that are seeing gains in residential and other sectors and declines or leveling off of commercial tax base growth.

The last full reappraisal in the City was in 1983-1984. In 1989 the appraisals were indexed and updated and a new land schedule was established. In 1993, according to the State of Vermont, assessments citywide were 81.47% of full value based on sales of property. Commercial assessments were 76.83% of full value. The city uses a method of reappraisal whereby land values are separated from building values and the building value is determined by estimating its replacement cost less depreciation. Depreciation is determined by the building's functional obsolescence, physical obsolescence and economic obsolescence. To determine economic obsolescence market conditions and commercial property sales are considered. However, vacancies may not necessarily result in lower property values. Several property owners have approached the Assessors Office about lowering the value of their properties due to vacancies. However, if there is comparable property without vacancies that has a similar value, the value on the vacant property will not change, according to the assessor. When sales occur that reflect the lower values, assessments are likely to be reduced.

Between 1989 and 1993, the tax rate (after adjusting for equalized property values) remained at approximately the same level. This stability has occurred despite rising expenditures, particularly in education, public safety and culture and recreation. (The school budget has doubled over the past nine years, according to the City Manager.) This means that the grand list has been growing sufficiently to cover expenditures without an increase in the tax rate.

The City of St. Albans is the County center and as such has a large amount of tax exempt property. Properties that are tax exempt include: 10% of all city land owned by the railroad, the Post Office, Bellows Free Academy, two elementary schools, churches, library, Armory, Hospital complex (except rented offices), two court buildings, park land, and former school properties that are now used for social services and recreation. It is estimated by the City Manager that 20% of the City's 1,100 acres is tax exempt. In 1983 a study showed that about 28% of the City grand list was tax exempt.

The share of revenues that are derived from local vs. federal and state sources has remained about the same between 1989 and 1993. Around 57% of all revenues are raised from local sources; the largest share (91.5%) of local revenues come from the property tax.

Budgets are very tight in the City of St. Albans. Part of this is due to management and part due to voter demands. As a result, city services are at a minimum for its population level. For example, at 13 police officers the city is below the standard of 14.6 for its population level.¹⁷ Last year, the municipal budget was passed after three votes. The school budget was passed after five votes. The city budget has been level funded (i.e. below the cost of living) for about a decade.

The City has municipal water supply and sewage disposal systems that serve not only the City but parts of the Town of St. Albans as well. The City is undertaking some major infrastructure improvements to its water supply and sewage disposal systems. The total design capacity of the St. Albans City Water System is 6.0 gallons per day (GPD). Existing usage is estimated to be 1.9 million GPD. The service area is the City of St. Albans (73%) and outside locations (27%). Users outside the City are mostly in the Town of St. Albans. The City expects to serve the Greyhound Track site with water, according to the Water Service Area in the draft Municipal Plan, but the Wal-Mart site is not shown on that map. About 10% of the water system users are commercial; most (86%) are residential customers. An upgrade to meet Federal Safe Drinking Water Act standards estimated to cost \$6.5 million is underway. The local share of the cost is \$4.4 million. There is some uncertainty over the impact of zebra mussels on Lake Champlain on the water system. Extensions and hookups are authorized by the City Council on a case by case basis. The City conducts an analysis of the impact of each project to determine whether extension or hookup is in the best interest of the City. The type of analysis that was done on the Wal-Mart project is unknown. The downtown retail area of the City of St. Albans is fully served by the water system.

The total design capacity of the sewage treatment facility is 4 million GPD and the existing usage is 2.3 million GPD. Committed, but unused capacity equals 699,358 GPD, leaving a remaining capacity of 963,809 GPD. However, the BOD capacity of the plant is more limited. Due to this constraint as of 2/22/94 there were 10,353 GPD remaining in capacity. The State of Vermont recently denied a connection for a school needing 14,000 GPD. The City anticipates financing improvements to correct this situation primarily with industrial user fees (St. Albans Creamery and Ben & Jerry's). The service area is the City of St. Albans (83%) and the Town of St. Albans (17%). Proposed development likely to be served by the City wastewater system according to the Municipal Plan map does not include the Wal-Mart site. (See p. 59 of the Plan.) Ten percent of the users are commercial; most are residential (85.6%). In 1990 a sewer allocation ordinance was adopted by City Council. According to the ordinance the service area lies within the City limits. Extensions beyond may be permitted if reserve capacity exists and the extension is in the best interest of the City.

The City maintains two downtown parking lots to serve the downtown area. Parking fees have declined as a source of revenues. In February of 1992 parking fees on city streets and in lots were deleted in an effort to attract people downtown. In February of 1993 the deletion of fees on streets was made permanent; fees in the lots were reinstated at \$.10 an hour with \$10.00 fines.

¹⁷ According to the City Manager, the standard is 2 officers per 1,000 population.

The City is increasingly providing regional services, for which it usually charges. For example, the City provides central dispatching for a "911" line which extends as far as Enosburg. The fees charged defray 20% of the costs for the central dispatching system. The Community Development Director works on a fee basis in other Franklin County communities helping them apply for and administering state and federal funds. Her time is reimbursed from the grant moneys.

Special needs of the downtown area include:

- a foot patrol officer
- sidewalk improvement and maintenance
- parking lot maintenance
- street and curb maintenance
- streetscape improvements and maintenance
- Taylor Park improvements and maintenance
- fire protection (more and more sprinklers are being installed in downtown buildings reducing fire risk)

✓ These needs will warrant City attention regardless of whether there are vacancies in the buildings or not. It is not expected that the City will be able to reduce city services due to a reduction in retail activity. The City may find that it will need to put further efforts into downtown revitalization should this happen. The installation of sprinklers downtown should keep the risk of fire about the same as it is now although communities with a lot of downtown vacancies often see an increase in arson and other fires. Additional demands may be placed on the police department and the assessors office (for reassessments) due to vacancies, however.

According to the City Manager and the Zoning Administrator, the city's tax base is stagnant and can't expand unless the city rezones. As a result, the City in its proposed Municipal Plan calls for "entry corridors" on Route 7 to the north and south and on Route 36 to the east and west in what are now primarily high density residential zones. These new gateway areas would have certain types of professional and business development allowed in them. The downtown, in spite of many improvements in the 1970's and 1980's in both occupancy and appearance, has many historic buildings with vacant second and third floor space as well as some vacant and underutilized first floor space. The draft plan calls for the downtown to remain the retail center as well as to provide for residences, offices, government, and services. It is unclear that there is a market for the entry corridor commercial areas and a downtown commercial area in addition to the town commercial areas. A study for the downtown is underway; the study is intended to show what improvements are needed to promote revitalization of the downtown area.

Table 28

CITY OF ST. ALBANS REVENUES AND EXPENDITURES					
(000's current dollars)					
	1989		1993		1989-1993
REVENUES	#	% of Total	#	% of Total	% Change
Local					
Property tax-school	\$2,157	29.26%	\$3,201	32.54%	48.40%
Property tax-town	\$1,657	22.48%	\$1,955	19.87%	17.98%
Other	\$425	5.77%	\$428	4.35%	21.04%
Total	\$4,239	57.51%	\$5,584	56.77%	31.73%
Intergovernmental					
Total	\$3,132	42.49%	\$4,253	43.23%	35.79%
Total	\$7,371	100.00%	\$9,837	100.00%	33.46%
EXPENDITURES					
Gen. Gov't	\$1,839	25.15%	\$2,214	22.41%	30.36%
Education	\$5,252	71.84%	\$7,400	74.90%	40.90%
Other	\$220	3.01%	\$266	2.69%	21.40%
Total	\$7,311	100.00%	\$9,880	100.00%	35.14%
GRAND LIST/TAX RATE					
Grand List (000's)	\$1,230 N.A.		\$2,140 N.A.		
Tax Rate: Town	1.35	42.86%	0.914	37.15%	
Tax Rate: Library	0.05	1.59%	0.05	2.03%	
Tax Rate: School*	1.75	55.56%	1.50	60.98%	
Total Tax Rate	3.15	100.00%	2.464	100.16%	
Equal. Grand List					
TOT: PVR	1,999		2,871		43.63%
COMM: PVR	\$477		\$764		60.23%
Effective Tax Rate	1.94		2.12		9.28%

Public Investment in Downtown St. Albans

There has been substantial public investment in downtown St. Albans. The predominant use of the funds is for public improvements that will revitalize the downtown. The State of Vermont, in keeping with Act 200 policies and state agency planning requirements, built a new courthouse downtown at a cost of \$2.5 million. Historic preservation funds from federal and state sources have been invested in downtown buildings that are in retail, commercial, civic and housing uses. Other funds have supported parking improvements, the St. Albans Historical Museum, a church, Taylor Park, street trees, trash receptacles, and loans to downtown businesses. In all, over \$4 million in public funds, not including private matching funds, have been spent in the downtown area since 1978. There have been visible results. The City Manager said that when he returned to

St. Albans in the early 1970s, he could count 14 boarded up buildings in the downtown. The improvements since that time are noticeable. Storefronts are in use, the facades have been improved, street trees are planted, there is adequate parking, Taylor Park has undergone major restoration and new construction has taken place. However, a major reason for these improvements was the public money - averaging \$115,000 in downtown revitalization funds a year - that supported the downtown. If a similar downturn in the local economy were to occur due to Wal-Mart, it is reasonable to expect that a similar level of effort would be required (except in today's dollars).

Summary of Fiscal Conditions on City of St. Albans

- Continuing public reinvestment is needed to support the downtown given public use, public spaces and public buildings that are located there. Over the past 13 years over \$4 million in public funds has been spent in the downtown; \$1.5 million is directly related to downtown revitalization. A study is underway to identify what improvements are desirable for the downtown.
- Space in existing buildings and on underutilized land is available for expansion in the downtown.
- Existing vacancies downtown are already causing property owners to seek lower assessments.
- Budgets are tight in the city and increases in the tax rate are not well-received by the voters. Tax exempt property may be as high as 20% of the Grand List. The City also provides valuable regional facilities and services. Therefore, tax base declines could be an adverse fiscal impact on the downtown and have implications to the broader region as well.
- It will take time for real property value declines to be reflected in City assessments given the method of assessing that is used. In the City this lag may give a false sense of security that the tax base has not changed and only upon a comprehensive community reappraisal will the impacts be felt. By then, residents could see an identifiable shift in tax burden from commercial properties to residential. Given the date of the last full reappraisal (1983), there may be near term pressures for a full reappraisal in St. Albans City if Wal-Mart is approved.
- Tax base growth outside the downtown may be possible at entry corridors to the City if zoning changes are approved. However, these changes, unless carefully crafted, may impact the viability of the downtown.

Fiscal Impact of Wal-Mart on St. Albans City

Wal-Mart will cause a reduction in retail sales in the City of St. Albans which in turn will impact property values, employment, tax revenues, state aid to education and public expenditures. The projected \$2,142,332 reduction in property value will potentially cause \$45,000 in lost annual revenues in the City of St. Albans from what would be expected in the absence of Wal-Mart. Payroll losses to St. Albans residents that worked in retail stores could impact tax revenues by an additional \$10,500 to \$35,400 (1995-

2004). The property value losses could be offset by \$26,058 in state aid to education, yielding a net loss of about \$30,000 in the near term. However, we would expect that the City, along with the State and Federal government, will need to invest additional public funds for downtown revitalization that could equal the historic investment of about \$115,000 a year. In addition, the City will face pressure for a full reappraisal. Secondary impacts on the downtown could cause property value losses that are 20-50% higher than these estimates.

We find that the downtown is fully served by municipal water and sewer service, has parking, public amenities, including a historic park and historic public private buildings and a full range of land uses and services. There is room for further expansion of the retail base in this well-served downtown area. These public facilities and services and amenities will be underutilized due to Wal-Mart resulting in inefficiencies in public investment. Wal-Mart will not only limit the ability of St. Albans City to realize its potential growth in the Downtown, but also will take away some hard earned gains in retail growth over the past 20 years. The opening of Wal-Mart will most likely cause an unreasonable fiscal burden on the City of St. Albans.

Town of St. Albans

Trends in Revenues and Expenditures

Both total property values and commercial property values in the Town of St. Albans grew by about 53-55% between 1989-1993, based on equalized values. Commercial property value has been consistently between 13 and 14% of total property value during this period.

The method of appraisal in the Town is the same as the method used by the City - replacement cost new less depreciation. Reappraisal occurred in 1992. In 1993, according to the State of Vermont, assessments townwide were 1.01 (or just a little over 100%) of full value and commercial assessments were .98 of full value. The Town Listers Office said that vacancies in retail properties may not necessarily result in lower property values at least in the short run due to this method of assessment.

Between 1989 and 1993, the effective tax rate (the rate after adjusting for equalized property values) declined by 12%. This tax rate reduction occurred in spite of a 137% increase in general government expenditures and 23% increase in education expenses, which make up 82% of town expenditures. During this period the share of total expenditures paid by local property taxes remained about the same (66%). State and federal revenues increased by 3% during this period. Strong grand list growth has enabled this community to reduce its effective tax rate over the past four years.

The Town does not have its own sewage disposal system and water supply system. It utilizes the City of St. Albans systems under special agreements with the City. Services to the Wal-Mart site are intended by the applicant and the Town to be provided under such agreements. The Fire Department is primarily voluntary (a salary is budgeted equivalent to one 1/3 time person.) The Town does not maintain its own police department. Police services are provided under an agreement with the Sheriff's Office.

Ambulance services are from a private provider. The Town no longer maintains a landfill. Individual property owners arrange for disposal with a hauler.

Tax base growth in the vicinity of the Wal-Mart is highly likely due to the opening of the store. (See section of report on secondary development around site.) Two lots on the property where Wal-Mart is proposed are available for subdivision although they are not yet permitted. The land in the area is zoned commercial and there are large tracts of vacant land. Based on observations in other locations it is reasonable to expect that fast food outlets (some are already in the area), supermarkets, gas stations, and building supply stores would locate near to Wal-Mart. In more established commercial strip areas, offices and services locate near to the retail facilities. Eventually, this could happen in the Town of St. Albans.

It is likely that over time due to the Wal-Mart store, demands will grow in the Town of St. Albans for police protection, fire protection, additional planning and studies, traffic improvements, and reassessments. According to RKG's 1993 report, none of these demands for services are being anticipated by the Town or the applicant at this time. Of greatest potential cost to the Town is the cost for adequate police protection. Establishment of a police department is typically a minimum of \$100,000. It is reasonable to assume that the level of retail activity in the vicinity of Wal-Mart (estimated to be over 250,000 square feet, including Wal-Mart but not including secondary development) will generate police calls for vandalism, larcenies, alarms, fender benders, accidents and traffic control. The applicant's estimate for police calls of 15 per Wal-Mart store seems low. Police calls at the University Mall in South Burlington, which had about 310,000 square feet of space and about 35% more sales than Wal-Mart is projected to have at the time this estimate was made, ranged from 1,100-1,600 calls annually.

Strip development imposes costs to the community in reviewing development applications. The issues raised by strip development, such as loss of community character and open space, traffic impacts, water supply and sewage disposal, and storm water runoff, require technical review. In particular, the Town is likely to incur costs for developing, imposing, and enforcing zoning regulations and impact fees to manage the development. The Town may incur costs for hiring the following types of assistance in the review of these projects: legal, planning, traffic engineering, and civil engineering. The Town may incur similar costs to participate in Act 250 proceedings on such applications.

Summary of Fiscal Conditions in St. Albans Town

The Town's tax base growth is strong and that should help it manage increasing demands on services due to the retail and commercial development due to the Wal-Mart project. There is vacant land zoned for commercial purposes in the vicinity of the Wal-Mart site.

The Town has a minimal level of services for the extent of development it is likely to have. It does not have its own public sewer and water supply systems, full time police or fire protection. Police protection is the area of greatest need that the Town may face in the future.

Table 29

TOWN OF ST. ALBANS REVENUES AND EXPENDITURES					
(000's current dollars)					
	1989		1993		1989-1993
REVENUES	#	% of Total	#	% of Total	% Change
Local					
Property tax-school	2,655	54.71%	2992	52.75%	12.69%
Property tax-town	539	11.11%	787	13.88%	46.01%
Other	359	7.40%	200	3.53%	-227.41%
Total	3,553	73.21%	3979	70.15%	11.99%
Intergovernmental					
Total	1,300	26.79%	1693	29.85%	30.23%
Total	4,853	100.00%	5672	100.00%	16.88%
EXPENDITURES					
Town Government	699	14.52%	1,031	17.74%	140.90%
Education	3,876	80.52%	4767	82.02%	22.99%
Other	239	4.96%	14	0.24%	-94.14%
Total	4,814	100.00%	5812	100.00%	20.73%
GRAND LIST/TAX RATE					
Grand List (000's)	1,404	N.A.	3,063	N.A.	
Tax Rate: Town	0.39	17.11%	0.29	20.57%	
Tax Rate: School	1.89	82.89%	1.12	79.43%	
Total Tax Rate	2.28	100.00%	1.41	100.00%	
Equal. Grand List-TOT	1,977		3,033		
Equal Tax Rate	1.61		1.41		
Equal Grand List-COM	271		420		

Although Wal-Mart will have an immediate impact on the Town's tax base, the effect of the decline in other retail businesses will be felt over a longer time frame due to the Town's method of appraisal.

Fiscal Impact of Wal-Mart on St. Albans Town

Finding #18: The Town will experience an immediate gain in fair market value of \$5.4 million due to Wal-Mart. This gain will be offset over time by a reduction of property values in other locations of \$4.1 million. The net effect on of these changes to the Grand List on town revenues is estimated to be +\$18,443. Payroll losses to St. Albans (see Table 24) could impact local revenues by from -\$8,300 to -\$27,600 (1995-2004). The net impact of property value changes to the Grand List will reduce the Town's state aid to education revenues by \$15,885, yielding a net negative fiscal impact of \$5,742 in annual revenues. Thus, it is reasonable to expect that the Town of St. Albans will probably have

a negative fiscal impact due to Wal-Mart. In addition, it is our professional opinion based on our experience, that with the addition of Wal-Mart and secondary development, the Town will probably need to have a full time police department to manage its commercial area. The minimum start-up cost for a police department is \$100,000. Other expenses that the Town will most likely face in the future include planning and development review expenses, traffic improvements, reassessments, and fire protection. Thus, it is reasonable to expect that the gains in tax base due to secondary development around the Wal-Mart site would probably be offset by these additional costs. Thus, it is our professional opinion that Wal-Mart will probably have a negative fiscal burden on the Town.

Town/Village of Swanton

Finding #19: Wal-Mart will impact 12,000 square feet of retail space in the Town and Village of Swanton. The space has a value of \$447,289 in (equalized) real and personal property value. The reduction of these values from the Grand List will mean a loss of revenues of \$4,786 annually based on a combined tax rate for the Village and the Town. The loss of these revenues will be fully offset by a gain in state aid to education of \$5,389. The Village of Swanton has many special needs in its village center, including sidewalk maintenance and improvement, park maintenance, street, curb and parking area maintenance, and water, sewer and electric service, including street lighting. The Village is a mixed use area, composed of retail stores, services, government offices, public and civic buildings as well as residences. To continue to maintain the level of public services in this area, the mix of uses and level of occupancy must be retained. Thus, it is reasonable to expect that the impact on over 10,000 square feet of retail space in the Village would likely have negative fiscal consequences for this small community.

Trends in Revenues and Expenditures

The Village of Swanton is typical of many traditional village settlements in the State of Vermont. Most of the retail stores that will compete with Wal-Mart are located in the Village of Swanton, a separate municipality from the Town of Swanton. However, property in the Village is taxed for certain town services, including schools. The Village budget supports a sewer system, water system, electric department (that runs a hydroelectric facility), police department and general administration. In addition, there are sidewalks in the village center that require maintenance and recently were improved for handicap accessibility. The Village has had several issues to face with respect to the sewer system, including phosphorous removal, stormwater runoff, and sludge disposal. Recently, improvements were made to the hydroelectric facility that raised the height of the dam.

Sewer, water and electric costs are paid for through user fees. There is no water and sewer service outside the village. Commercial use of electricity declined by 2.6% between 1989 and 1993 although the number of commercial users has grown by 7.3% and revenues from commercial users have grown by 15.3%.

The grand list in the village grew by 24.8% between 1989 and 1993, based on townwide equalization rates. The effective tax rate (for village services only) has not changed since 1989 (\$.42). There was no data collected on total commercial property in the village;

however, we know from our survey that retail store property values in the town and village are \$2,974,524 and retail store personal property values are \$304,500. Assuming 85% of these properties are in the Village, these properties would represent 3.3% of the grand list.

Outside of user fees about two thirds of all village expenses are paid for through the property tax. The major categories of expenses besides the water and sewer systems and the electric department are general government, police, and highways. Expenses for these services have grown by about 14% since 1989.

In the Town the major expense item is the school system (90% of the 1993 budget); the school budget has grew by 44% between 1989 and 1993. Other areas of growth in the last four years (1989-1993) are general government (47%) and culture and recreation (94%). The Town receives a large share of its revenues from state aid to education (46%) in 1993. The property tax funds 37% of all services.

The Grand List (equalized) in the Town, excluding the Village, grew by 35% in the last four years. The effective tax rate grew by 6.6% over the same period from \$1.06 to \$1.13. Town wide, including the Village, commercial property value grew by 10.25% between 1989 and 1993 while total town wide property value grew by 31.80%, based on equalized values. Commercial property is declining as a share of total property value from 13.06% in 1989 to 10.42% in 1993.

The method of appraisal in the Town and Village is the same method used by the other municipalities in the county - replacement cost new less depreciation. The last townwide reappraisal was in the late 1980's. According to the State of Vermont, townwide assessments were 78% of fair market value and commercial assessments were 68% of fair market value in 1993.

Summary of Fiscal Conditions and Impacts on Swanton from Wal-Mart.

According to our analysis Wal-Mart will impact 12,000 square feet of retail space in the Town and Village of Swanton. The space has a value of \$447,289 in (equalized) real and personal property value. The reduction of these values from the Grand List will mean a loss of revenues of \$4,786 annually based on a combined tax rate for the Village and the Town. The loss of these revenues will be fully offset by a gain in state aid to education of \$5,389.

Wal-Mart will also have an impact on the ability of property owners to pay the Village rates for water, sewer and electric service. The loss of over 10,000 square feet of retail space in the Village could have a serious impact on income to property owners.

Like the City of St. Albans but on a smaller scale, the Village of Swanton has many special needs in its village center, including sidewalk maintenance and improvement, park maintenance, street, curb and parking area maintenance, and water, sewer and electric service, including street lighting. The Village is a mixed use area, composed of retail stores, services, government offices, public and civic buildings as well as residences. To continue to maintain the level of public services in this area, the mix of uses and level of occupancy must be retained. The impact on over 10,000 square feet of

retail space in the Village could have negative fiscal consequences for this small community.

Table 30

VILLAGE OF SWANTON REVENUES AND EXPENDITURES					
(000's current dollars)					
REVENUES	1989		1993		1989-1993
	#	% of Total	#	% of Total	% Change
Local					
Property tax-school		\$0 0.00%		\$0 0.00%	
Property tax-town		\$284 62.69%		\$354 66.67%	24.65%
Other		\$136 30.02%		\$141 26.55%	61.59%
Total		\$420 92.72%		\$495 93.22%	17.86%
Intergovernmental					
Total		\$33 7.28%		\$36 6.78%	9.09%
Total		\$453 100.00%		\$531 100.00%	17.22%
EXPENDITURES	#	% of Total	#	% of Total	
Gen. Govt		\$448 97.60%		\$482 92.16%	6.35%
Education		\$0 0.00%		\$0 0.00%	
Other		\$11 2.40%		\$41 7.84%	272.73%
Total		\$459 100.00%		\$523 100.00%	13.94%
GRAND LIST/TAX RATE					
Grand List (000's)		\$624		\$660	
Tax Rate: Vill		0.46		0.54	
Tax Rate: School		NA		NA	
Total Tax Rate		0.46		0.54	

Table 31

TOWN OF SWANTON REVENUES AND EXPENDITURES (000's current dollars)					
REVENUES	1989		1993		1989-1993
	#	% of Total	#	% of Total	% Change
Local					
Property tax-school		\$1,422 32.76%		\$2,198 33.85%	54.57%
Property tax-town		\$136 3.13%		\$304 4.68%	123.53%
Other		\$107 2.46%		\$219 3.37%	104.67%
Total		\$1,665 38.36%		\$2,721 41.90%	63.42%
Intergovernmental					
Total		\$2,676 61.64%		\$3,773 58.10%	40.99%
Total		\$4,341 100.00%		\$6,494 100.00%	49.60%
EXPENDITURES	#	% of Total	#	% of Total	% Change
General Gov't		\$654 12.88%		\$692 10.55%	5.81%
Education		\$4,064 80.05%		\$5,866 89.45%	44.34%
Other		\$359 7.07%		\$0 0.00%	
Total		\$5,077 100.00%		\$6,558 100.00%	29.17%
GRAND LIST/TAX RATE					
Grand List (000's)		\$1,370 N.A.		\$1,567 N.A.	
Tax Rate: Town		\$1.16 N.A.		\$1.45 N.A.	
Tax Rate: Vill.		\$0.91 N.A.		\$1.26 N.A.	
Eq. G-TOT T&V		\$2,167		\$2,856	31.80%
Eff. Tax Rate (T&V)		\$0.74		\$1.07	45.21%
Equal Comm. GL-TOT		\$283 13.06%		\$312 10.92%	10.25%

Town/Village of Enosburg

Finding #20: It is estimated that due to property value declines in Enosburg, tax revenues could fall by \$1,814 annually. This loss in revenue will be offset by \$1,429 in state aid to education. This fiscal impact on Enosburg is not expected to be adverse for the community.

Trends in Revenues and Expenditures

The Village of Enosburg is similar to the Village of Swanton in terms of the services it provides and its role in the town and surrounding communities. It is the commercial and civic center for the area. The Village is responsible for a water and sewer system and light department, which it supports through fees and charges. Other services provided include police and fire protection, highways and general government administration. These services are funded primarily from the property tax. The highest area of growth in expenditures is in general government, the light department, and sewerage. Costs for fire protection and highways have declined.

The Grand List (equalized according to townwide ratios) in the Village grew by over 50% between 1989 and 1993. During this time the tax rate declined by about one third from .91 to .60. Although we have no estimates of total commercial property value in the Village, we do have estimates of retail property value in the Village. The Village has \$96,200 in personal property value and \$1,289,269 in real property value in retail store space. These values represent 3.5% of the Grand List in the Village.

In the Town, as in most Vermont towns, the largest expense item is the school system (82%). Expenditures for schools have grown by 20% since 1989. General government, highways and debt service are the other large expenses. General government costs grew by 84% between 1989 and 1993. Overall, expenditures in Enosburg are growing by 23%.

It has been many years since the last reappraisal in the town. The State of Vermont estimates that the townwide property values are 58% of fair market value and the commercial property values are 57% of market value. The Grand List grew by 49% between 1989 and 1993. Commercial property has remained at about 13% of the total Grand List. The effective tax rate declined by 18% from 1989.

Summary of Fiscal Impacts of Wal-Mart on the Town/Village of Enosburg

It is estimated that due to property value declines in Enosburg, tax revenues could fall by \$1,814 annually. This loss in revenue will be offset by \$1,429 in state aid to education. This fiscal impact on Enosburg is not expected to be adverse for the community. However, the impact on 8,500 square feet of retail space in the commercial center could have broader community impacts, such as decline in customers to pay charges for water, sewer, and lights; loss of retail stores that make it worthwhile to shop in Enosburg causing some decline in other businesses; loss of activity in the center; and more frequent and longer auto trips to shop in the Town of St. Albans.

Table 32

VILLAGE OF ENOSBURG REVENUES AND EXPENDITURES					
(000's current dollars)					
REVENUES	1989		1993		1989-1993
	#	% of Total	#	% of Total	% Change
Local					
Property tax-school	\$0	0.00%	\$0	0.00%	
Property tax-town	\$169	7.60%	\$338	12.97%	100.00%
Other	\$2,019	90.80%	\$2,199	84.30%	89.10%
Total	\$2,188	98.43%	\$2,537	97.35%	15.95%
Intergovernmental					
Total	\$35	1.57%	\$69	2.65%	97.14%
Total	\$2,223	100.00%	\$2,606	100.00%	17.23%
EXPENDITURES					
General	\$919	36.50%	\$923	34.30%	0.44%
Government					
Other (light)	\$1,601	63.53%	\$1,765	65.66%	10.24%
Total	\$2,520	100.00%	\$2,688	100.00%	6.67%
GRAND LIST/TAX RATE					
Grand List (000's)	\$209 N.A.		\$235 N.A.		12.40%
Tax Rate: Vill	1.17 NA		1.04 NA		-11.10%

Table 33

TOWN OF ENOSBURG REVENUES AND EXPENDITURES					
(000's current dollars)					
	1989		1993		1989-1993
REVENUES	#	% of Total	#	% of Total	% Change
Local					
Property tax-school	\$854	23.95%	\$1,081	24%	27%
Property tax-town	\$198	5.55%	\$291	7%	47%
Other	\$910	25.52%	\$851	19%	-6%
Total	\$1,962	55.02%	\$2,223	50%	13%
Intergovernmental					
Total	\$1,604	44.98%	\$2,221	50%	38%
Total	\$3,566	100.00%	\$4,444	100%	25%
EXPENDITURES					
General Gov't	\$354	9.56%	\$463	10%	31%
Education	\$3,080	83.20%	\$3,720	82%	21%
Other	\$268	7.24%	\$358	8%	34%
Total	\$3,702	100.00%	\$4,541	100%	23%
GRAND LIST/TAX RATE					
Grand List (000's)	\$460	N.A.	\$508	N.A.	10%
Tax Rate: Town	0.61	24.70%	0.77		26%
Tax Rate: School	1.86	75.30%	NA		
Total Tax Rate	2.47	100.00%	NA		