

RETAIL

COMMUNITY ADVISORY COMMITTEE

LAND USE, ECONOMIC DEVELOPMENT AND TOURISM GROUP

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ABSTRACT: The following presents the work of the Land Use, Economic Development and Tourism Group of the Community Advisory Committee. The paper addresses the issue of Retail in Anacortes' future in particular the matter of large scale retail. The Land Use, Economic Development and Tourism Group conducted a broad effort to bring available information to bear on the subject including interviews with land owners and business owner; a review of secondary data analyses prepared by CAC staff; review of available survey data; minutes of a meeting with Mike Shunk, real estate director of Fred Meyer; the Group's own Issues, Concepts and Fundamental Principles statement developed over months of work; the Community Vision statement, goals and values and the Group's literature review of empirical studies addressing the subject matter. The analysis concludes that permitting large scale retail on R Avenue as proposed would represent a significant detriment to the community as a whole, have little or no impact upon tax revenue for local government and could represent a net financial burden to local government in both the short term and long term.

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ISSUE STATEMENT

Is there a need for more local retail options? If so what options are available and can a given option be accomplished consistent with the Communities vision, goals and values.

BACKGROUND/HISTORY

Many of us recall growing up in small town America when there were fewer people spread out over a much wider area. People grew up on farms rather than big cities. Small towns proliferated each serving as an economic hub for surrounding agricultural areas. Even a town of modest population might have several small grocery stores, shoe stores, hardware stores, a bakery, creamery; Penny's and Wards department stores. Of course nothing remains the same.¹

In just three generations the population of the United States has more than doubled. The population is more concentrated in urban centers. Declining transportation cost and better transportation infrastructure allowed retailers to take advantage of economies of scale. The number of single location retailers fell between the 1950 and the 1990's and the number of chain stores more than doubled. More recently there has been a reversal of fortunes for the large regional retail outlets. Of the 870.7 million square feet of vacant retail space in the United States, 35% is empty big-box stores. The general economic decline and the growth of online purchasing contributed to bankruptcy of many large scale retail outlets. These failed outlets create a blight unto themselves depressing sales of local retail in the vicinity as well as property values. Local governments are then faced with creating land use regulation designed to ameliorate the consequences of abandonment of big retail.²

Anacortes adapted and continues to adapt through periods of growth and decline-like every other small town. But Anacortes was and is unique. It is an island community to an extent isolated from commercial centers to the East. While most cities came to rely upon retail growth, Anacortes has maintained a core manufacturing base, voluntarily limited its growth potential through publicly supported acquisition of trust lands, and yet has a diverse retail inventory that continues to respond to market forces and generally provides residents with a wide range of necessary goods and services.

¹ Carden, Retail Innovations in American Economic History: The Rise of Mass-Market Merchandisers, 2011

² Schindler, The Future Of Abandoned Big Box Stores: Legal Solutions To The Legacies Of Poor Planning Decisions, University of Maine, School of Law, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2045787

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Anacortes has 637 businesses, 13 percent retail, 11 percent health care and 6 percent manufacturing.³ In 2013 per capita taxable retail sales occurring within Anacortes City Limits were \$8,748 as compared to \$7695 for the State as a whole. For the same time period, the total per capita sales across all economic activities \$22,633 vs. \$16,812 for Washington State.⁴ In 2013, 941 of Anacortes workers were employed in all retail trades. The average annual wage of the retail trade employee is \$27,949.⁵

INVENTORY OF INFORMATION AND DATA SOURCES

What follows is an inventory and brief discussion of secondary data analyses, research, survey analyses, and interviews related to retail outlets in Anacortes.

1. **Anacortes Employment, Community Advisory Committee, 10/8/14**

Presents Washington employment security department data on Anacortes business industries, employment, wages, where people live and work.

2. **1994-2014 Taxable Retail Sales Report**

Presents time series and cross jurisdiction comparative data on taxable retail sales by business sector.

3. **CBD and Commercial Zone Inventory and Analysis**

Presents an inventory of CBD and Commercial Zone parcels by type and annual sales as compared to Washington State.

4. **Inventory and Analysis of Research results: ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS, Nick Rennis, 2/19/2015**

THE ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS

The following studies have found that locally owned stores generate much greater benefits for the local economy than national chains do.

a. INDEPENDENT BC

<http://www.civiceconomics.com/app/download/7120042004/Independent+BC+for+Screen.pdf> - Civic Economics

KEY FINDINGS: Independent retailers captured just over half of all retail sales as recently as 2003 but have since lost ground. By 2010 independents accounted for 45% of overall retail sales and only 34% of

³ Anacortes Employment, Community Advisory Community, 10/8/2014

⁴ 1994-2013 Taxable Retail Sales Report

⁵ Economic Development Existing Conditions Report 17-12-2014

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the market with automobile and gasoline sales excluded. For every \$1M in sales, independent retail stores generate \$450K in local economic activity, compared to just \$170K for chains. 2.6times as many local jobs are created when spending is directed to independent businesses instead of chains. A shift of just 10% of the market from chains to independents would produce 31K jobs paying \$940M in annual wages.

b. INDIE IMPACT STUDY SERIES

<http://www.localfirst.org/images/stories/SLC-Final-Impact-Study-Series.pdf> - Civic Economics

KEY FINDINGS: Local retailers return a total of 52% of their revenue to the local economy compared to just 14% for national chain retailers.

c. GOING LOCAL

<http://www.mecep.org/view.asp?news=2003> - Maine Center For Economic Policy

KEY FINDINGS: Every \$100 spent at locally owned businesses contributes \$58 to the local economy. \$100 spent at a chain store yields just \$33 in local economic impact. A shift of 10% of spending from chains to locally owned businesses would generate \$127M in additional local economic activity and 874 new jobs.

d. THINKING OUTSIDE THE BOX

<http://civiceconomics.com/app/download/5841600904/Magazine+Street+2009.pdf> - Civic Economics

KEY FINDINGS: 16% of money spent at a box store stays in local economy. Local retailers return more than 32% of their revenue to the local economy. A shift of 10% of spending from chains to local businesses would generate \$235M/yr. in local economic activity. A 10% shift in the opposite direction would lead to a negative economic impact. A 179K sq. ft. small business district hosts over 100 businesses and generates \$105M in sales with \$34M remaining in the local economy. A 179K sq. ft. box store generates \$50M in annual sales, with just \$8M remaining in the local economy and requires an additional 300K sq. ft. of space for parking.

e. LOCAL WORKS

<http://civiceconomics.com/app/download/5841655104/GR+Local+Works+Complete.pdf> - Civic Economics

KEY FINDINGS: Shifting 10% of total spending from chains to locally owned businesses would result in \$140M in new economic activity, including 1,600 new jobs and \$53M in additional payroll.

f. SAN FRANCISCO RETAIL DIVERSITY STUDY

<http://ilsr.org/wp-content/uploads/2011/12/SFRDSMay07-2.pdf> - Civic Economics

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KEY FINDINGS: Every \$1M spent at local stores creates \$321K in additional local economic activity, including \$119K in wages paid to local employees. Same \$1M spent at chain stores generate only \$188K in local economic activity, including \$71K in local wages. For every \$1M in sales, independent stores create 2.22 local jobs while chains create just 1.31. Redirecting 10% of spending from chains to local businesses would generate \$192M in additional economic activity and almost 1,300 new jobs.

g. ANDERSONVILLE STUDY OF RETAIL ECONOMICS

[http://civiceconomics.com/app/download/5841713404/](http://civiceconomics.com/app/download/5841713404/AndersonvilleStudy.pdf)

[AndersonvilleStudy.pdf](#) - Civic Economics

KEY FINDINGS: Spending \$100 at an independent business creates \$68 in additional local economic activity, while spending \$100 at a chain produces only \$43 in local activity. Local businesses generate slightly more sales per square foot compared to chains (\$263 vs. \$243). For every square foot of space occupied by a chain, the local economic impact is \$105 compared to \$179 for every square foot occupied by an independent business.

h. ECONOMIC IMPACT OF LOCALLY OWNED BUSINESSES VS. CHAINS

<http://ilsr.org/wp-content/uploads/files/midcoaststudy.pdf>

- Institute For Local Self Reliance & Friends Of Mid coast Maine

KEY FINDINGS: Locally owned businesses spend 44.6% of their revenue within the surrounding two counties. Another 8.7% is spent elsewhere in the state. A national retailer returns just 14.1% of its revenue to the local economy, mostly in the form of payroll.

i. ECONOMIC IMPACT ANALYSIS

[http://civiceconomics.com/app/download/5841748704/Lamar](http://civiceconomics.com/app/download/5841748704/Lamar+Retail+Analysis.pdf)

[+Retail+Analysis.pdf](#) - Civil Economics

KEY FINDINGS: Spending \$100 at a national retailer creates \$13 worth of local economic activity, while spending \$100 at local stores generates \$45 in local economic activity.

RETAIL EMPLOYMENT The following studies conclude that the arrival of a big-box store decreases the number of retail jobs in a region.

j. THE EFFECTS OF BOX STORES ON LOCAL LABOR MARKETS

<http://www.socsci.uci.edu/~dneumark/walmart.pdf> - Journal

Of Urban Economics

KEY FINDINGS: The opening of a box retailer reduces county-level retail employment by 150 jobs. For every new retail job created by a box store, 1.4 jobs are lost as existing businesses downsize or close. The arrival of a box store reduces total county-wide retail payroll by an average of \$1.2M.

k. JOB CREATION OR DESTRUCTION?

<http://www.missouri.edu/~baskere/papers/> - Review Of Economics & Statistics

KEY FINDINGS: Box retail boosts employment by 100 jobs in the first year. Over the next four years, there is a loss of 40-60 additional retail jobs as more retailers downsize and close. A box store's arrival leads to a decline of 20 local wholesale jobs in the first five years, and an additional 10 wholesale jobs over six or more years. This works out to a net gain of just 10-30 retail and wholesale jobs. There is also an average decline of 30 retail jobs in surrounding communities.

WAGES & BENEFITS The following studies have found that big-box retailers are depressing wages and benefits for retail employees, and that median incomes have risen faster in places with more small businesses compared to those dominated by big businesses.

l. DOES LOCAL FIRM OWNERSHIP MATTER?

<http://edq.sagepub.com/content/25/3/277.abstract> - Economic Development Quarterly

KEY FINDINGS: Counties with a larger density of small, locally owned businesses experience greater capita income growth while the presence of large, non-local businesses has a negative effect on incomes.

m. LIVING WAGE POLICIES AND BIG-BOX RETAIL

http://laborcenter.berkeley.edu/retail/bigbox_livingwage_policies11.pdf - UC Berkeley Center For Labor Research & Education

KEY FINDINGS: Box retail employees earn 12.4% less than retail workers as a whole.

n. A DOWNWARD PUSH

http://laborcenter.berkeley.edu/retail/walmart_downward_push07.pdf - UC Berkeley Center For Labor Research & Education

KEY FINDINGS: Opening a single box retail store lowers the average retail wage in the surrounding county by between .5% and .9%. Every new box store in a county reduces the combined or aggregate earnings of retail workers by 1.5%. Total earnings of retail workers Nationwide were reduced by \$4.5B due to box retail presence.

o. WHAT DO WE KNOW ABOUT BOX STORES?

http://walmartwatch.com/img/documents/brennan_center.pdf - Brennan Center For Justice

KEY FINDINGS: Box retail employees earn 20% less than retail workers.

p. REVIEWING AND REVISING BOX RETAIL'S BENEFITS STRATEGY

<http://ilsr.org/walmarthealthmemo.pdf> - Institute For Local Self Reliance

KEY FINDINGS: 48% of box retail employees are enrolled in their insurance plans, compared to an average of 68% for other employers. Employees enrolled in corporate retail insurance plans spend an average of 8% of their income on health care, 2x the national average. 40% spend more than 16% of their income on health care. 46% of their children are either on Medicaid or are uninsured.

EXISTING BUSINESSES These studies look at how the arrival of a large chain impacts local retailers and other nearby businesses.

q. THE IMPACT OF AN URBAN BOX STORE ON AREA BUSINESSES

<http://edq.sagepub.com/content/26/4/321.abstract> - Economic Development Quarterly

KEY FINDINGS: After 2 years of a box store's arrival, 27% of local businesses close. Businesses within close proximity have a 40% chance of closing with that probability declining by 6% with each increasing mile away. Closures eliminate 300 full-time jobs.

r. BUSINESS CHURN AND THE RETAIL GIANT

<http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6237.2012.00857.x/abstract> - Social Science Quarterly

KEY FINDINGS: Within 15 months of a box store opening, 4.4-14.2 existing retail establishments close. At most 3.5 new retail establishments open.

s. MOM-AND-POP MEET BIG-BOX: Complements or Substitutes

<http://ideas.repec.org/p/nbr/nberwo/15348.html> - Journal Of Urban Economics

KEY FINDINGS: Measure of large, negative effects on existing retailers within a 5-mile radius of a new big box. Smaller but significant impacts on those in a 5-10 mile radius.

t. MAJOR FLAWS UNCOVERED IN STUDY CLAIMING BOX RETAIL HAS NOT HARMED SMALL BUSINESSES

<http://ilsr.org/wp-content/uploads/files/wmsmallbusiness.pdf> - Institute For Local Self Reliance

KEY FINDINGS: Number of retail businesses with fewer than 10 employees declines by one-fifth over a 20-year period after the arrival of box retail. In that same period, the number of retailers with 1-4 employees per 1M people fell by 38% and retailers with 5-9 employees declined by 30%.

u. THE IMPACT OF BIG BOX STORES ON HOST TOWNS AND SURROUNDING COUNTIES

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<http://ilsr.org/wp-content/uploads/files/stone-study.pdf> - Iowa State University

KEY FINDINGS: Although local tax base adds \$2M with each box store, the decline of retail stores in following years has a depressing effect on property values, offsetting gains from box store property. A box retailer leads to a net loss of 110K sq. ft. of retail space. 214 jobs created by the new retailer are offset by the loss of 381 jobs at other businesses. For every dollar in tax benefit created by the large-scale retailer, there is \$2.5 in tax losses and public costs.

y. COMPETING WITH THE DISCOUNT MASS MERCHANDISERS
http://www.econ.iastate.edu/faculty/stone/1995_IA_WM_Study.pdf - Iowa State University

KEY FINDINGS: Average large-scale retailers cost other merchants \$12M/yr. in sales. These losses result in the closure of 7,326 businesses in ten years (including grocery, apparel and hardware stores).

POVERTY RATES Counties that have gained box stores have fared worse in terms of family poverty rates, according to this study.

z. BOX RETAIL AND COUNTY-WIDE POVERTY
<http://www.blackwell-synergy.com/doi/abs/10.1111/j.1540-6237.2006.00377.x> - Social Science Quarterly

KEY FINDINGS: U.S. counties that have more large-scale retail have a higher poverty rate than counties with few or no large-scale retailers. Counties that add large-scale retail experience higher poverty rates and greater usage of food stamps than those counties without.

SOCIAL CAPITAL AND WELL-BEING the following studies have found that a community's level of social capital and wellbeing is positively related to the share of its local economy held by local businesses, while a corporate presence undermines social capital and civic participation.

aa. HEALTH & WEALTH OF US COUNTIES
<http://cjres.oxfordjournals.org/content/early/2011/12/14/cjres.rsr034.short?rss=1> - Cambridge Journal Of Regions, Economy and Society

KEY FINDINGS: Counties with a vibrant small-business sector have lower rates of mortality and a lower prevalence of obesity and diabetes.

bb. STREET SURVEY OF BUSINESS REOPENINGS
<http://cbr.tulane.edu/PDFs/campanella3.pdf> - Tulane University

KEY FINDINGS: After 15 months of vacancy, 75% of locally owned businesses reopen, compared to only 59% of national chains.

cc. BOX RETAIL AND SOCIAL CAPITAL
<http://www.nercrd.psu.edu/BigBoxes/>

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[WalMartandSocialCapital2.pdf](#) - American Journal Of Agriculture Economics
KEY FINDINGS: Box retail depresses civic participation and is associated with lower voter turnout.

dd. CONFIGURATION OF LOCAL ECONOMIC POWER AND CIVIC PARTICIPATION IN THE GLOBAL ECONOMY

http://muse.jhu.edu/login?auth=0&type=summary&url=/journals/social_forces/v084/84.4blanchard.html – Social Forces

KEY FINDINGS: Residents of communities with highly concentrated economies tend to vote less and are less likely to keep up with local affairs, participate in community organizations, engage in reform efforts or participate in protest activities at the same levels as their counterparts in communities with dispersed economies composed predominantly of locally owned small businesses.

CITY COSTS These studies find that the cost of providing big-box stores with city services — road maintenance, police, fire, etc. — can exceed the local tax revenue generated by these stores, resulting in a net loss to taxpayers.

ee. ROLLING BACK PROPERTY TAX PAYMENTS

<http://www.goodjobsfirst.org/publications/rolling-backproperty-tax-payments-how-wal-mart-short-changes-schoolsand-other-public-> - Good Jobs First

KEY FINDINGS: Large-scale retailers systematically seek to minimize their payment of taxes that support public schools and other vital local government services.

ff. UNDERSTANDING THE FISCAL IMPACTS OF LAND USE

<http://www.morpc.org/pdf/fiscalimpacts.pdf> - Development Economics

KEY FINDINGS: Retail buildings produce a net annual loss of \$0.44 per sq. ft.

gg. FISCAL IMPACT ANALYSIS OF RESIDENTIAL & NONRESIDENTIAL LAND USE PROTOTYPES

<http://ilsr.org/wp-content/uploads/files/barnstablestudy.pdf> - Tischler & Associates

KEY FINDINGS: Box retail generates a net annual deficit of \$468 per 1K sq. ft. Specialty retail produces a net annual return of \$326 per 1K sq. ft. However, box retail produces a net loss when costs of road maintenance and public safety services are added in.

hh. UNDERSTANDING THE TAX BASE CONSEQUENCES OF LOCAL ECONOMIC DEVELOPMENT PROGRAMS

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<http://ilsr.org/concordtaxstudy.pdf> - RKG Associates

KEY FINDINGS: Over a span of 12 years, when adding 2.8M sq. ft. of new commercial development, tax revenues decline by 19%.

STATE COSTS Because many of their employees do not earn enough to make ends meet, states are reporting high costs for providing healthcare and other public assistance to big-box employees.

ii. **EMPLOYERS WHO HAD 50 OR MORE EMPLOYEES**

<http://ilsr.org/wp-content/uploads/2011/12/massachusetts-50-plus-employers.pdf>

- Commonwealth Of Massachusetts

KEY FINDINGS: Chain store employees rely on state health care assistance at a cost to taxpayers of \$8.3-14.6M/yr.

jj. **BOX RETAIL'S LOW WAGES AND THEIR EFFECT ON TAXPAYERS & ECONOMIC GROWTH**

<http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/WalMartReport-May2013.pdf> - U.S. House Committee On Education & The Workforce

KEY FINDINGS: Box retail employees require an average of \$3K/yr. in public assistance (Medicaid, food stamps, housing) costing taxpayers \$4.2B/yr.

kk. **HIDDEN COST OF BOX RETAIL JOBS**

<http://laborcenter.berkeley.edu/retail/walmart.pdf> - UC Berkeley

KEY FINDINGS: Taxpayers spend \$86M/yr. providing healthcare & other public assistance for every 44K box retail employees. Average box retail employee requires \$720 in taxpayer-funded healthcare and \$1,222 in other forms of assistance (food stamps, housing). If competing grocers and local retailers adopt corporate retail wage and benefit levels, it would cost taxpayers an additional \$410M/yr. in public assistance.

SUBSIDIES The following studies look at the massive public subsidies that have financed the expansion of big box stores and how this subsidized development has failed to produce real economic benefits for communities.

ll. **TAX BREAKS & INEQUALITY**

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/taxbreaksandinequality.pdf%E2%80%9D> - Good Jobs First

KEY FINDINGS: Local and state governments across the country have given corporate retail \$21.4B.

mm. **SUBSIDIZING THE CORPORATE ONE PERCENT**

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/>

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[subsidizingthecorporateonepercent_0.pdf%E2%80%9D](#) - Good

Jobs First

KEY FINDINGS: At least 75% of cumulative disclosed subsidy dollars have gone to large corporations. Corporate retail has received more than 261 individual subsidies.

nn. AN ASSESSMENT OF THE EFFECTIVENESS & FISCAL IMPACTS OF THE USE OF LOCAL DEVELOPMENT INCENTIVES

<http://www.ewgateway.org/DIRR/dirr.htm> - East-West Gateway Council Of Governments

KEY FINDINGS: Over 20 years, local governments have diverted more than \$5.8B in public tax dollars to subsidize private development. 80% of these subsidies support the construction of big box stores. More than 600 small retailers in the same study area closed in a 10 year range.

oo. FISHING FOR TAXPAYER CASH

http://www.public-accountability.org/reports/fishing_for_tax_cash_finalc.pdf - Public Accountability Initiative

KEY FINDINGS: Case study of chain retailer receiving \$500M in taxpayer subsidies from cities and states. After taxpayers had put up \$84M for a particular development, the store had moved just one year later.

pp. SKIMMING THE SALES TAX

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/skimming.pdf> - Good Jobs First

KEY FINDINGS: States spend \$1B/yr. lining the pockets of large chains. One box retailer has received \$130M in sales tax diversion over a ten year period.

qq. SHOPPING FOR SUBSIDIES

<http://www.goodjobsfirst.org/sites/default/files/docs/pdf/wmtstudy.pdf> - Good Jobs First

KEY FINDINGS: Studies 244 box stores in 35 states that have received state and local development subsidies totaling just over \$1B.

CONSUMERS & PRICES The following studies have found that chains are not always a bargain.

rr. SAME PRODUCT, MANY PRICES

<http://www.consumerreports.org/cro/magazine/2013/05/samegeneric-drug-many-prices/index.htm> - Consumer Reports

KEY FINDINGS: Average prices are lower at independent stores than many national chains.

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ss. WRESTLING WITH BIG BOX RETAIL

<http://www.epi.org/content.cfm/wp276> - Economic Policy Institute

KEY FINDINGS: Systematically refutes a fraudulent study that claims that box retail saves consumers \$263B annually.

TRAFFIC This study examines the traffic impact of supercenters.

tt. TRIP GENERATION CHARACTERISTICS OF FREE-STANDING DISCOUNT SUPERSTORES

http://ilsr.org/wp-content/uploads/2011/12/ite_article.pdf

- ITE Journal

KEY FINDINGS: Box retail generates 42% more traffic.

CHARITABLE CONTRIBUTIONS Small businesses donate about twice as much per employee to charitable organizations as large businesses, according to this study.

uu. BUSINESS CONTRIBUTIONS TO COMMUNITY SERVICE

<http://www.ntis.gov/search/product.aspx?ABBR=PB92112028> -

Small Business Administration

KEY FINDINGS: Companies with fewer than 100 employees give \$789/employee compared to \$334/employee at companies with more.

5. Anacortes Chamber of Commerce membership survey on proposed land use changes for MJB Property Jan. 7, 2014

The Survey was sent to C of C members using Survey Monkey in January, 2014. The response period opened on January 7 and closed on January 13, 2014. There were 143 responses. There is no demographic data on the respondents; all are presumably Chamber members. The number of respondents to each question is in parentheses after the "No" percentage.

Question 1: Should CC approve the change in zoning from industrial to commercial 2 (C2) on the MJB property at 28th and R?

Yes 59% No 41% (143)

Question 2: Do you want a medium dry-goods store in Anacortes (Defined in the accompanying memo as 100,000 sf)?

Yes 68% No 32% (142)

Question 3: Do you want it located on the proposed property on R Avenue?

Yes 53% No 47% (140)

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Question 4: If not, where would you like it located? 68 answered question four.

Of those who answered:

2 said CBD

16 said nowhere in Anacortes or such a store not needed.

30.5 said along Hwy 20 corridor (one person said there or on Commercial)

2 said anywhere in town

3 said other location in town.

4.5 said on Commercial

3 said in town but not at 28th and R

4 said MJB site.

2 gave other responses.

Summary: Highest support for Hwy 20 or no such store. Few support MJB site. Sum of those who favored some other location in town was 12.5.

Question 5: Additional comments.

Pro MJB site or box store in general: 19

Anti box store in Anacortes, or store not needed, or anti MJB rezone: 26

Pro box store at different site: 1

Other responses: 4

In general, of those who responded to Question 4, most of those were not in support a large retailer in Anacortes and not in favor of the MJB site. Objections were mainly that we need the industrial land, that waterfront land should not be used for retail and that we should promote economic development that would be more beneficial than the retail jobs provided by the store.

6. Notes from meeting with Anacortes Independent Merchant Association 8/26/2014

The general consensus was that we are not fond of a big box store but we felt we had no control over the outcome. Important issues included the recruitment of other small businesses that would bring more choices to Anacortes and still maintain our uniqueness. We

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would also like to see more City involvement in drawing attention to the shops that are already here. We want to preserve and enhance what we have and make the shopping part of Anacortes more appealing. We want to capitalize on the richness of our history – industrial and historical. Raising awareness of our history and the availability of local shops was discussed.

Suggestions included the use of permanent signs on buildings and street corners listing the locations of various businesses (laminated directional). One suggestion was for a year-round covered market facility on the MJB property (which could include local produce and seafood, crafts, art, entertainment, etc)...something similar to Pike Place Market in Seattle.

7. Meeting with Mike Shunk, QFC, Real Estate Director (Fred Meyer/QFC)-Meeting notes 7/22/2014

- a. 50,000 SF is the smallest footprint store for a Fred Meyer (does not include dry goods)
- b. 123,000-125,000 SF is minimum footprint needed for a store that includes dry goods selection
- c. Burlington Fred Meyer is about 145,000 SF; an Anacortes store would not be much different
- d. Although there are some 2-story stores in more urban areas (Seattle, etc.), a two story store would not be a preference for Anacortes
- e. Consumers prefer ease, expect to park in surface parking, one-story store, hard to change habits/expectations; need a lot of density to support a 2-story store
- f. Believes a Fred Meyer would be successful and a good fit in Anacortes
- g. Would pull from a larger area, Oak Harbor, Islands, etc.
- h. Anacortes is still on the list of location considerations
- i. Need a minimum of approximately 12-13 acres
- k. Would want store site to include a fueling facility and drive-through pharmacy
- l. Cost efficiency – takes tens of millions to get a store built
- m. To achieve efficiency – typically need to use a pre-designed footprint, but will work with a jurisdiction to address community-specific issues – architecture, character/theme,

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site/building lighting, building design, modulation, rooflines, illumination, safety, signage, etc.

n. Need to have an identity, connection with the customer; want customer to have familiar experience shopping at any Fred Meyer/QFC store

o. Mixed use store (w/ residential on top) a possibility? There are 3 stores, all in urban areas (Seattle, etc.); need density, a lot of foot traffic/population to support

p. Preference would be to locate in town (along R Ave or Commercial, etc., not farther south/east on Highway 20) Want to be close to the core (near downtown), other services.

8. Residents Spending Survey Report 1/8/2015

The survey form was mailed to 7700 Anacortes utility customers and available on line to all Anacortes residents. There were 2072 respondents or approximately 27 percent of the Anacortes households. The elderly were disproportionately represented among the respondents. Large proportions of the respondents reported traveling outside Anacortes for the purchase of Furniture, Apparel and Electronics.

One question of the survey asked reads as follows: “What is your shopping preference for Anacortes? (check all that apply).” 1753 respondents answered this question:

Other stores (Trader Joes, Target, Hagen’s, etc.)	3%
I’m satisfied with the stores available in Anacortes.	23%
Seek locally-owned mercantile selling dry goods.	27%
A store like Fred Meyer with groceries and dry goods.	47%
More, smaller stores in the Central Business District.	18%
I’ll continue to shop off-island.	15%

The results are difficult to interpret because the responses are not mutually exclusive and accordingly the percent distribution by response exceeds 100%. Some of the respondents obviously did choose to check more than one preference. While 47% of the respondents checked a preference for a “store like Fred Meyer,” 85% seemed to have

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expressed a preference for or an additional preference for, some other alternative that is different from a “store like Fred Meyer.”

The analysis of the written comments (over 1000 respondents) does offer a series of mutually exclusive responses. That is, Large-scale, No Large-scale, additional retail but no large-scale, Anacortes should not change. 26% of the respondents, who made written comments, desired a Large-scale retail while 49.6% desired something other than Large-scale retail.

9. Land Use, Economic Development and Tourism Study Group Proposal

Issues and concepts, evaluation, fundamental concepts as related to Land Use, Economic Development and Tourism-Community Advisory Committee, Land Use, Economic Development and Tourism study group.

TAXABLE RETAIL SALES AND LEAKAGE

Local government revenues rely partly upon sales taxes to provide needed services. In 2013 sales tax revenues represent 20% of the City’s General Fund revenues.⁶ Sales tax revenues represent about 9% of the total City budget revenues⁷.

Nonetheless, any proposal that promises increased taxable retail sales for the City government carries with it an incentive for favorable review. Whether elected official should be influenced by such an incentive is a matter of debate. Elected officials have duties to the public as a whole not just the financial well being of the government. However, the public may well benefit from better services provided through greater tax revenues. What are the real advantages or disadvantages to the public as a whole given particular alternatives?

Still the notion of sales tax “leakage” seems to carry some sway. “Leakage” is defined as the difference of between the Anacortes per capita taxable retail sales in a particular sector and that of the per capita sales in that same sector for the State as a whole-where that difference is a negative number. Anacortes is in the enviable situation where most of its retail sectors do experience positive comparisons to the statewide experience.

Anacortes per capita Motor Vehicle and Parts Dealer sales is twice that of the State as whole. Anacortes Food and Beverage stores have per capita sales also twice that

⁶ See City of Anacortes 2013 Audited Financial Statement, Page 26

⁷ See 2014 budget, http://www.cityofanacortes.org/document_center.php#.VPdaw2Y5DIV

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of the State. Likewise, Health and Personal Care stores have per capita sales also twice that of the State. Overall, 2013 per capita taxable retail sales occurring within Anacortes City Limits were \$8,748 as compared to \$7695 for the State as a whole.⁸

There is perhaps “taxable retail sales leakage” in clothes, shoes, jewelry, luggage and leather good (NAICS code 446) in that some Anacortes residents are likely travelling outside Anacortes to purchase these items. But to suggest that Anacortes residents are spending \$23 million outside of Anacortes for “general merchandise” is not a fair interpretation of the data⁹. “General Merchandise (NAICS code 452)¹⁰ by definition is not a type of merchandise but rather represents sales from a type of store: “Department Stores, discount and non-discount; Warehouse clubs and supercenters.” Anacortes does not have any “Department Stores, discount and non-discount; Warehouse clubs and supercenters.” Is it reasonable to call this “leakage?” Are Anacortes residents spending \$23 million annually outside of Anacortes just for the convenience and pleasant atmosphere of a department store? Probably not. A department store is, in effect, an amalgamation of separate stores in separate trades consolidated under one roof. Anacortes already has the separate stores of a department store other than perhaps some lines of clothing and shoes. Locating a “Department Stores, discount and non-discount; Warehouse clubs and supercenters” will not create \$23,041,873 in new retail sales as is being suggested. Taxable general merchandise sales are occurring at Anacortes stores selling general merchandise that are not department stores or supercenters (eg. Safeway, The Market, Rite-Aid, Walgreens, West Marine, Sebo’s, Ace to name but a few). Should we have a department store to consolidate all the existing general merchandise sales into one store so we can provide infill for more clothes, shoes, jewelry, luggage and leather goods outlets? Should we consolidate all general merchandise sales into one store to increase tax revenue for the local government? The answer to this question will not come from an analysis of “Taxable Retail Sales Leakage.”

STRUCTURAL AND HISTORIC ISSUES

- a. Why do we have “limited” retail options-why doesn’t the market system alone provide more options?
- b. Why is commercial space so expensive in Anacortes?
- c. 50,000 sq. ft. limits on commercial building size has prevented large scale retail development in the commercial zone. Good policy or not?

⁸ 1994-2013 Taxable Retail Sales Report

⁹ Also see Population Conditions, Property Counselors, tables 10 and 11, and Fig. 4

¹⁰ See City of Anacortes 2013 Audited Financial Statement, P. 18

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- d. Citizens have rejected prior bids to rezone industrial area for commercial purposes.
- e. History of large scale retail development has created a level of community distrust.
- f. Future role of internet retail sales in Anacortes.
- g. Risk that Native American development on SR-20 and impact upon CBD and viability of large-scale retail store.

OPTIONS

1. Types of Store

- a. No change: continue with current zoning
- b. More, smaller stores: multiple specialty stores
- c. Locally owned dry goods store: 25k – 50k sq. ft dry goods
- d. Regional store: 100,000 square feet store with all departments including grocery, dry goods, pharmacy, etc.

2. Location

- a. South Commercial
 - i. In-fill along Commercial Ave., Multi-use possible
 - ii. No zoning changes needed
- b. Industrial Zoned Area
 - i. parcel between R Ave. & TT Trail/22nd St. & 28th St.
 - ii. Rezone from industrial to permit commercial
- c. SR 20 on March Point
 - i. Acres undeveloped or under-developed available
 - ii. Rezone from light manufacturing to permit commercial

ANALYSIS

Types of Store

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1. No change (No 100,000 ft. sq. retail store):

a. Pros:

Many of the local retail stores are locally owned or otherwise maintain strong ties to the community. Local retailers employ the disabled; provide local employment, and have recently invested significantly in their shops appearance and range of goods. The level of volunteerism and philanthropy among local retail is unprecedented in nearby communities. The literature is replete with studies showing locally owned retail generates far more economic return for local communities than the regional retailers. Local retailers return 52 percent of their revenues to the local economy as compared to 14 percent for the chains¹¹.

b. Cons: Some lines of products will not be available locally

c. Comments:

CAC Land Use, Economic Development, and Tourism suggested that land south of 17 remain intact to preserve land for future small industrial business and potential for development of green industries in Anacortes;

2. More, Smaller stores:

a. Pros: minimal impact on existing businesses, no zoning changes needed

b. Cons: Development may not occur

c. Comment: Are there incentives that could entice retailers or land owners to develop retail? CAC Land Use supported Development of business incubator promoting small locally owned business that employ locally and retain profits in the Anacortes. Anacortes should promote a “Buy Local” ethic or value to support current and future locally owned retail businesses and the City Government as a major economic driver for the community should, where appropriate, contract with local businesses both retail and generally.

3. Locally-owned dry goods store:

¹¹ Inventory and Analysis of Research results: ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS, Nick Rennis, 2/19/2015, Paragraphs a-1.

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a. Pros: Impact on existing businesses minimized, products tailored to local market needs, destination retail potential, local ownership

b. Cons: Unconventional business model difficult to launch - success uncertain.

c. Comments: Are there existing businesses willing to expand into this segment?

4. 100,000 sq. ft. store

a. Pros: Greater product offering, more convenience.

b. Cons:

Regional retails negatively impact employment, wages and benefits, drives locally retailers out of business, drives up poverty rates, undermines social capital and civic participation, increase Medicaid and food assistance roles, will not necessarily provide lower prices and will have negative impacts on traffic and require greater expenditure for local law enforcement¹².

One of the most comprehensive studies of the subject analyzed the impact of 1200 big box stores, in 15 counties in the Washington DC metropolitan area, over a time frame of nearly 30 years. The study controlled for socioeconomic characteristics of the market, transportation access, population growth, and distance from a big box store. Among stores within one mile of a new Big Box., employment growth among single unit retailers and small chains declined by 27% and 31% of the jobs were destroyed among single unit and small chains. The negative impact upon employment growth rates and employment is lesser (8% and 10%) at a distance of 1 to 5 miles and lesser so but still statistically significant at a distance of 10 miles from the Big Box.¹³

Location:

1. South Commercial Ave.

¹² Inventory and Analysis of Research results: ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS, Nick Rennis, 2/19/2015, Paragraphs j-jj

¹³ Haltiwanger, MOM-AND POP MEET BIG-BOX: COMPEMENTS AND SUBSTITUTES, National Bureau of Economic Research, Sept. 2009 <http://www.nber.org/papers/w15348>

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- a. Pros: Promotes infill, no rezone needed
- b. Cons: May not provide needed space, unable to attract businesses

2. Industrial Zoned Area

- a. Pros: Close to business center
- b. Cons: Displaces industrial jobs
- c. Comments:

3. SR 20 on March Point

- a. Pros: Adequate space, high traffic area
- b. Cons: Location not desired by retailers, risk of migration

CONCLUSION AND RECOMMENDATION

Permitting large scale retail on R Avenue as proposed would represent a significant detriment to the community as a whole, have little or no impact upon tax revenue for local government and could represent a net financial burden to local government in both the short term and long term. Promoting more locally owned smaller retail outlets is more likely to provide a wider range of sustainable retail options. Locally owned dry goods outlet is another alternative that could increase retail choices. Expanding transportation options to major discount stores to the East should be developed and implemented especially for seniors.