

## Introduction

The studies included in this compilation were gathered as a result of the decision of the Saranac Lake Village Board to collect reports that examine the potential impacts of large retail developments. The Save Saranac Lake Coalition would like to present the Village Board with these studies in order to share the information we have been collecting over the past months.

The studies in this compilation are a sample of the research that has been done on potential impacts of large retail development on communities. It is not a definitive compilation. It is our opinion that these studies represent the scope of issues that need to be considered by local government officials and planners before making decisions regarding large retail development.

## Summary of Impacts

Potential Impacts addressed in the studies include:

- Impacts on employment and wages
- Traffic impacts
- Tax base affects and land use impacts
- Impacts on police services
- Environmental impacts
- Social impacts
- Impacts on retail sales
- Impacts of local businesses and impacts on local businesses
- A number of case studies are included in the compilation that address all or some of these impacts for a specific community.

### Wages and Employment

Increase in jobs is often quoted as a major positive impact of large retail development for communities. However, studies have shown that these developments often do not yield the number of jobs promised. In “Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion” Emek Basker found that Wal-Mart’s arrival boosts county-level employment by 100 jobs in the first year, which is far less than the 200+ jobs the company claims it will create because it’s arrival causes existing businesses to downsize or close. She finds that over the next four years there is an additional loss of retail jobs as more competing retailers downsize and close. Also noted is that local wholesale jobs experience a decline because Wal-Mart does not utilize local or regional wholesalers.

The economic impact analysis prepared for the proposed Wal-Mart Supercenter in Potsdam (Yellow Wood Associates) found that the store would not create the number of jobs claimed by the company because the arrival of the store would cause a loss of jobs at other businesses. Other studies included in the compilation found a reduction of county-level retail jobs with the opening of a Wal-Mart.

Multiple studies conclude that earnings for general merchandise employees in rural areas increase while grocery workers wages decline with the arrival of a large retail

chain such as Wal-Mart. The reason given is that the new jobs displace other entry level jobs that sometimes pay less in wages (Dube, Eidlin, and Lester). The economic impact analysis for the proposed supercenter in Potsdam found that average annual wages have increased in St. Lawrence County since the arrival of Wal-Mart stores. The study also reports that fewer people have jobs in the retail sector and those who do are being compensated somewhat better in nominal terms although the increases in wages have not kept pace with inflation. Overall, there has been a net decline in employment opportunities in the retail sector since Wal-Mart entered St. Lawrence County. Other studies point out that Wal-Mart pays lower wages than their competitors (meaning other large retail chain stores) causing a downward trend in retail wages nationally as other chains try to compete with Wal-Mart prices.

With the Tri-Lakes already experiencing labor shortages for service jobs further analysis would be needed to determine what the impact of a large retail development would be for the area. Our community has a number of unique characteristics that would need to be considered (i.e. where would employees come from).

### Traffic

Based on vehicle trip forecasts for big box stores it is reasonable to assume that major changes would need to be made in Saranac Lake to accommodate such heavy traffic flows. A 125,000 square foot store typically generates more than 7,500 car trips on weekdays and more on Saturdays. The impact study for the proposed Wal-Mart in Lake Placid estimated that there would be 3.4 daily peak hour trips per 1,000 square feet for a total of 272 trips. Saturdays would generate 5.4 daily peak hour trips for a total of 432 trips.

### Tax Base and Land Use

Proponents of large retail development often cite the increased tax revenues that will be generated for municipalities as a positive impact. However, this is not always the case with large developments. New developments, if not properly planned, can have a negative impact on the tax base. New developments can detract from existing components of the tax base or zoning can fail to protect existing values (“Understanding the Tax Base Consequences of Local Economic Development Programs, RKG Associates).

The studies in this section outline the ways in which tax bases can be affected by large retail developments. Although tax revenues can be increased, they may also be depleted in some communities if the new developments harm too many local businesses. Also, the cost of providing services to the new developments can cost taxpayers more than the developments produce in tax revenue as studies concluded in Barnstable, MA and St. Albans, VT (Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes, Tischler & Associates and St. Albans, Vermont State Environmental Board Act 250 Decision).

The economic impact analysis for the proposed Wal-Mart Supercenter in Potsdam (Yellow Wood Associates) concluded that the county, town and village would receive significant increases in the amount of taxes for the Wal-Mart property. However, fiscal gains from the Wal-Mart would be offset by fiscal loss resulting from business closures. There would be gains in tax revenues, but they would be less than original projections.

How tax bases are affected varies between communities and each community needs to be analyzed separately to determine if the impacts will be positive or negative.

### Police

Many municipalities are reporting that large retailers are generating more police calls and some communities have had to add officers as a result. A number of studies included in the compilation address this impact. The increase in demand for services typically results from an increase in police calls related to bad checks, shoplifting, auto accidents, lock-outs, and auto-related theft in the parking lots.

### Environmental

There are a number of environmental impacts that are associated with large retail development. Due to the variation in impacts depending on the location of the site and scope of the project, only a single study was included in the compilation. "Environmental Impacts of the Proposed Wal-Mart Supercenter in Potsdam" offers a general overview of the environmental issues that need to be considered.

### Social

There is a growing body of research on the social costs of large retail development. Most of the studies focus on Wal-Mart employees because Wal-Mart is the largest retail employer. The studies find the most significant costs are for state-funded health care programs for employees and their children. A study by UC Berkeley Labor Center concludes that if other major retailers scale back wages and benefits to compete with Wal-Mart prices, the tax burden on taxpayers will skyrocket due to the increase in public assistance for the working poor.

"The Wal-Mart Tax" (AFL-CIO) includes a survey of which employers' workers are forced to rely on publicly funded health care. Wal-Mart's workers are the most numerous recipients of state funded health care in 19 of the 23 states surveyed.

According to "Wal-Mart and County-Wide Poverty" (Goetz and Swaminathan) the presence of a Wal-Mart store hinders a community's ability to move families out of poverty. The study does not attempt to draw conclusions about why Wal-Mart expands poverty, but the authors suggest several possible factors, including a loss of social capital that occurs when locally owned businesses close.

### Retail Sales

There is an abundance of information contained in studies on how Wal-Mart and other large retailers change the economic structure of retail and retail sales. Dr. Kenneth Stone of Iowa State University has several studies addressing these issues and he is cited often throughout research on the subject. In his study "Competing with the Discount Mass Merchandisers" Dr. Stone found that 7,326 Iowa businesses closed between 1983 and 1993 due to sales losses when Wal-Mart stores opened.

Many of the studies address this issue and the consensus for rural areas seems to be that large retailers have a negative impact on existing businesses. If income or population is not increased, sales for large retailers can only come from capturing sales leakage to other regions or from existing businesses. The National Trust for Historic Preservation reviewed situations in nine Iowa counties and found that 84% of Wal-Mart's

sales were captured from existing businesses. An economic impact study in Greenfield, MA estimated that the proposed Wal-Mart store would cost existing merchants \$35 million in sales. Another study of a proposed Wal-Mart in St. Albans, VT decided that 76% of the new superstore's sales would be captured from existing businesses within the county. The economic impact study for the proposed Wal-Mart in Potsdam concluded that should the supercenter be built in Potsdam, Wal-Mart would have a virtual monopoly on one sub-sector of total retail sales in the county. The loss of many local businesses in small communities can have tremendous impacts, including but not limited to negative impacts on the tax base and community character.

### Local Businesses

The studies in this section demonstrate that locally owned businesses generate more local economic impact than chain stores. "The Andersonville Study of Retail Economics" (Civic Economics) found that spending \$100 at an independent business created \$68 in additional local economic activity, while spending \$100 at a chain produces only \$43 worth of local impact.

"The Economic Impact of Locally Owned Businesses vs. Chains: A Case Study of Midcoast Maine" (Institute for Local Self-Reliance and Friends of Midcoast Maine) reports that three times as much money stays in the local economy when one buys goods and services from locally owned businesses instead of large chain stores. Using a variety of sources, the analysis estimates that just 14.1% of revenue from chain stores returns to the local economy, mostly in the form of payroll. The rest leaves the state. The survey also found that local businesses contributed more to local charity than national chains.

### Case Studies

This section includes studies that were done for individual communities. The studies examine the numerous impacts in relation to each community. Included are the studies done for North Elba and Potsdam by Yellow Wood Associates. There are also studies done for Iowa communities, St. Albans, Cape Cod, Chicago, Los Angeles, and Bay Area. The final study "10 Reasons Why Vermont's Homegrown Economy Matters" was included because it addresses important issues associated with planning for economic development. The author outlines the benefits of local businesses and ways to ensure the financial health of towns through the local economy and revitalization.

## **Conclusion**

Based on the number of potential impacts and the varying degree of the individual impacts on different communities it would be beneficial to have an economic impact analysis specific to Saranac Lake. Analyzing how the impacts could affect our unique community, as well as our neighbors, is needed to plan for a sustainable economic future.

The Save Saranac Lake Coalition believes there is substantial evidence contained in the studies to suggest that large retail development has an overall negative impact on small rural communities. There are some positive impacts, however they vary among different communities and are often overestimated. Again, it would be helpful to have an

independent economic analysis of how the impacts may affect Saranac Lake and the larger community.

It is quite likely that the current Land Use Code was adopted prior to the possibility of big box development in our area and that the current Code does not give the Village sufficient protection from potential negative impacts. If the Village only changes zoning without a careful examination of the entire Land Use Code, the Planning Board could be faced with the prospect of reviewing a significant plan without all the necessary tools and controls to protect the long-term interests of the community. Due to the scale of any anticipated development and its significance to the future of the Village the Village Board is urged to do the necessary study and planning now before irrevocable changes are set in place.

There is a growing trend nationally and internationally to protect communities from the negative impacts of large-scale retail development by adopting a retail size cap\*\*. A retail size cap will not prevent stores from locating in Saranac Lake. Rather, the size cap will encourage retailers to design stores that are in scale with the larger community. Saranac Lake has the opportunity to make informed, smart growth decisions for our community that will have lasting effects.

## **Recommendations**

The Save Saranac Lake Coalition recommends the following based on the findings of the studies presented in this compilation:

1. It is recommended that an economic impact analysis be completed by an independent consultant for the Saranac Lake area. This will give a more accurate overview of how each of the potential impacts could affect Saranac Lake and surrounding communities.
2. It is recommended that the Saranac Lake Village Board enact a retail size cap moratorium until the Land Use Codes and Master Plan are updated and further impact studies are complete.
3. It is recommended that the Saranac Lake Village Board enact a permanent retail size cap based on findings of economic impact studies, updates made in the Land Use Codes and Master Plan, and economic development plans for the trade area (CEDS document).

*\*\* For additional information and examples of store size caps, please refer to the article "Store Size Caps" after the Annotated Bibliography in the Part I of the compilation.*