

Analysis of Potential Economic Impacts
Due to the Proposed Retail Development
At the Southeast Corner of US Highway 51 and County Road B
in the City of Stoughton, Wisconsin

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Executive Summary

This analysis was conducted to determine the potential economic impacts of a new retail development proposed for the southeast corner of US Highway 51 and County Highway N on the north side of the City of Stoughton, Wisconsin. Greenbriar Village will be anchored by a Wal-Mart Supercenter and include four additional lots totaling approximately 14 acres. For this 155,000 square foot superstore, the developer will be constructing improvements to US Highway 51, along with water mains and sanitary sewers. This development has been considered in the Linnerud Detailed Neighborhood Plan, adopted by the City of Stoughton on November 28, 2006, and incorporated into the City's Comprehensive Plan.

Market Area

The market area for the proposed Wal-Mart Supercenter is defined by larger or more plentiful competition in neighboring communities to the north and south. The trade area for this store is therefore likely to be limited to a 20-minute drive time or 10-mile radius from the store location. There are 86,720 people and 35,593 households in the store's 20-minute trade area.

Potential Impacts

Wal-Mart has been in the Stoughton market for nearly twenty years, and the area business community has adjusted to its presence. Stoughton does not have other directly-competing general merchandise stores which would be impacted by expansion to a supercenter format. The City's sole grocer, Pick'n Save, is likely to be the business most impacted. Wal-Mart is not a new competitor in the market, and its expansion should have few impacts on businesses in the downtown, which has established a specialty niche not directly competing with Wal-Mart's merchandise lines.

Impact Mitigation Measures

While this analysis does not identify any significant negative impacts to the community due to the expansion of Wal-Mart to a supercenter format, it does note concerns related to the as-yet unknown retail and service uses which could be located on remaining lots in Greenbriar Village. These lots may attract businesses to relocate from other commercial districts in the City, or may attract specialty retail and services which compete directly with existing businesses.

Introduction

R.A. Smith & Associates, Inc. was retained by the City of Stoughton in June of 2007 to prepare an analysis of potential impacts resulting from a Wal-Mart Supercenter, proposed in the City of Stoughton, Wisconsin. The new Wal-Mart store will replace an existing store which has been in that location since 1988.

This analysis has been prepared to comply with the City of Stoughton's recently-adopted ordinance, requiring a detailed analysis of any large scale retail development over 40,000 square feet. The ordinance requires an economic and fiscal impact analysis which will provide information to the City to be used in helping evaluate the proposed project. This report contains an analysis of the likely economic impacts of the development project. As such, it addresses the following issues:

- positive, negative and indirect project impacts;
- measures to mitigate project impacts;
- market and financial feasibility; and
- projected costs and benefits to the community.

Over \$20 million will be invested in site work and construction as part of this development project. Additionally, a large number of construction jobs will be created to install the necessary infrastructure, prepare the site, and build the stores. This analysis was unable to confirm the number and nature of these construction jobs, and further notes that it is an accepted practice not to consider these short-term jobs when evaluating the benefits of new development.

Eventual re-use of Wal-Mart's existing store, which will close once the supercenter opens, will have economic impacts on the City of Stoughton. No future tenants for this store are known at this time. This analysis therefore assumes that the property will continue to be assessed at its current level. No increase in value is assumed which would be attributable to remodeling for another use. Similarly, the analysis does not project any sales tax revenues from future users of the property.

Assumptions and methodology used in the analysis are described throughout the report.

Project Overview

A developer has proposed to construct a Wal-Mart Supercenter on the southeastern corner of US Highway 51 and County Highway B in Stoughton, Wisconsin. This center will be located in, and anchor, the new Greenbrier Village shopping area.

Proposed Wal-Mart Supercenter

Wal-Mart has proposed to replace its existing discount store at 1800 US Highway 51 with a new Wal-Mart Supercenter. The present store occupies 41,304 square feet on a 5.7-acre parcel. This site is not owned by Wal-Mart. A Pick 'n Save grocery store is located in the same building as Wal-Mart. No tenant has yet been identified for the Wal-Mart store which will close.¹ The new store will be 155,000 square feet in area, located on a 19-acre lot. It will include groceries along with general merchandise.

The proposed store will have about 87,000 square feet of general merchandise space, which is an increase of 46,000 square feet over its current area. A new store layout, with wider aisles and improved fixtures, will consume a portion of this space. In addition, Wal-Mart will stock items which are not available within the current store, such as expanded pet supplies, furniture, etc.

Both the existing store and the proposed new store will have a pharmacy. No drive-through service will be provided at the new location. The service will remain largely unchanged from present.



Existing Wal-Mart Store

The new store will include Express Tire and Lube service. This is not offered in the existing location. There will be a total of five bays in the center, two of which will be set up for lubrication.

The supercenter will have four tenant spaces. These will include hair care (931 square feet), a vision center (1,908 square feet), and a food service tenant (2,155 square feet). A tenant for the fourth space (613 square feet) is unknown at this time. Similar stores would typically include a banking center.

Generally, Wal-Mart dedicates about 25,000 square feet of store space to grocery items. This does not include space dedicated to retail channels already carried in its discount stores, and frequently found in modern grocery stores, such as health and beauty items, pharmacy items, household cleaning supplies, and etc. Wal-Mart will stock about 30,000 different grocery stock-keeping units (SKU's), which is approximately half the number of SKU's in a modern grocery store. This results in a focus on items with a higher turnover rate. Wal-Mart's own analysis indicates that 30 percent of customers leave the store not having found all of the items that they intended to purchase. This points to the principal advantage a full-line grocery, or other type of competing store, may have over the discount supercenter.

The development in which Wal-Mart will be located includes four outlots, ranging in size from 2.2 acres to approximately 5.5 acres. No users have yet been identified for these sites. It is expected that one of these lots will be used for a restaurant. Other uses which typically locate on lots similar to these include banks and small retailers. Given the larger size of two of these lots, it may be anticipated that they will develop with small retail strips, or multiple free-standing tenants.

¹ Source: Wal-Mart Corporation

Public Improvements

This development will require extension of municipal water and sanitary sewer services. The developer has proposed extending the water main north along US Highway 51, through the site to connections at Oakridge Way, Kings Lynn Road and Kriedeman Drive. A new lift station near the southeast corner of the proposed Wal-Mart site will convey wastewater via a force main to the sanitary sewer in Kings Lynn Road.

The developer has completed a traffic impact analysis for this project. Recommended improvements to the transportation network for the Wal-Mart SuperCenter include the following:

US Highway 51 and Town Line Road/Kriedeman Drive

- Install traffic signal control with southbound left-turn phasing.
- Construct a dedicated left-turn lane and shared thru/right-turn lane on the southbound approach.
- Construct dedicated left-turn, through and right-turn lanes on the northbound approach.
- Construct a dedicated left-turn lane and shared thru/right-turn lane on the westbound approach.

Kriedeman Drive with Internal Ring Road

- Install southbound stop sign control.
- Construct a dedicated left-turn lane on the eastbound approach.
- Construct dedicated left-turn and right-turn lanes on the southbound approach.

Kriedeman Drive/Driveway Access east

- Provide connections to Kriedeman Drive to the east, Oakridge Way to the south and Kings Lynn Road to the south.

Area Characteristics

The proposed site is presently in agricultural use. Uses to the north and west are also agricultural with residential to the south. There is a commercial use (First National Bank) located north of the proposed development site. The site is bordered on the east by US Highway 51.

Linnerud Detailed Neighborhood Plan

As Stoughton's Comprehensive Plan requires preparation of neighborhood plans for newly created neighborhoods, the *Linnerud Detailed Neighborhood Plan* was adopted in 2006 to satisfy this requirement.

The *Linnerud Detailed Neighborhood Plan* creates a vision for a 183-acre mixed use neighborhood featuring single-family homes, open spaces and neighborhood and large-scale retail businesses. The plan presents land uses, densities, street



Proposed Wal-Mart site from southwest corner.

layouts, open spaces, stormwater management and neighborhood character themes to serve as the baseline for development proposals in the neighborhood. As the proposed Wal-Mart site is within this neighborhood, development plans are subject to the design and development principles established by the *Linnerud Detailed Neighborhood Plan*, such as providing a community gateway that reflects the community's character as well as providing a mix of retail and service businesses and a variety of housing opportunities for residents

Market Conditions

A new or expanded store may gain sales by capturing new sales attributable to population growth, expanding the drawing power of a community, or transferring sales from businesses which already capture the potential of the existing market. This analysis expects that the additional sales captured by the Wal-Mart Superstore will primarily come from a transfer of sales. These sales will mainly be transferred from businesses in the Madison area, as Stoughton customers and other nearby residents will not have to travel as far for the goods sold there.

Demographics

The City of Stoughton is located in a predominantly rural, but developing part of south-central Wisconsin. The city is approximately 20 to 30 miles from the larger communities of Madison and Janesville. The January 1, 2005 population of the City was estimated to be 12,753 persons². Additional demographic information for the City of Stoughton is provided in Table 1.

TABLE 1 – Demographic Data for the City of Stoughton

| | | |
|---|------------|-------|
| Total city population (2000) | 12,354 | |
| Total city population (2005) | 12,753 | |
| Population 18 and over | 8,863 | 71.7% |
| Median age | 35.2 years | |
| Total city households | 4,734 | |
| Married couple families | 2,538 | 53.6% |
| Female householder, no husband present | 479 | 10.1% |
| Householder living alone | 1,241 | 26.2% |
| Average household size | 2.52 | |
| Average family size | 3.06 | |
| Owner occupied housing units | 3,071 | 64.9% |
| Renter occupied housing units | 1,663 | 35.1% |
| Population 25 years and older, high school graduate | | 88.5% |
| Population 25 years and older, bachelor's degree or higher | | 27.7% |
| Population 16 years and older in labor force | 6,729 | 72.5% |
| Occupation: | | |
| Management, professional and related occupations | 2,195 | 33.9% |
| Service occupations | 913 | 14.1% |
| Sales and office occupations | 1,771 | 27.4% |
| Farming, fishing and forestry occupations | 0 | 0.0% |
| Construction, extraction, and maintenance occupations | 607 | 9.4% |
| Production, transportation, and material moving occupations | 985 | 15.2% |

Source: 2000 Census of the Population and Wisconsin Department of Administration

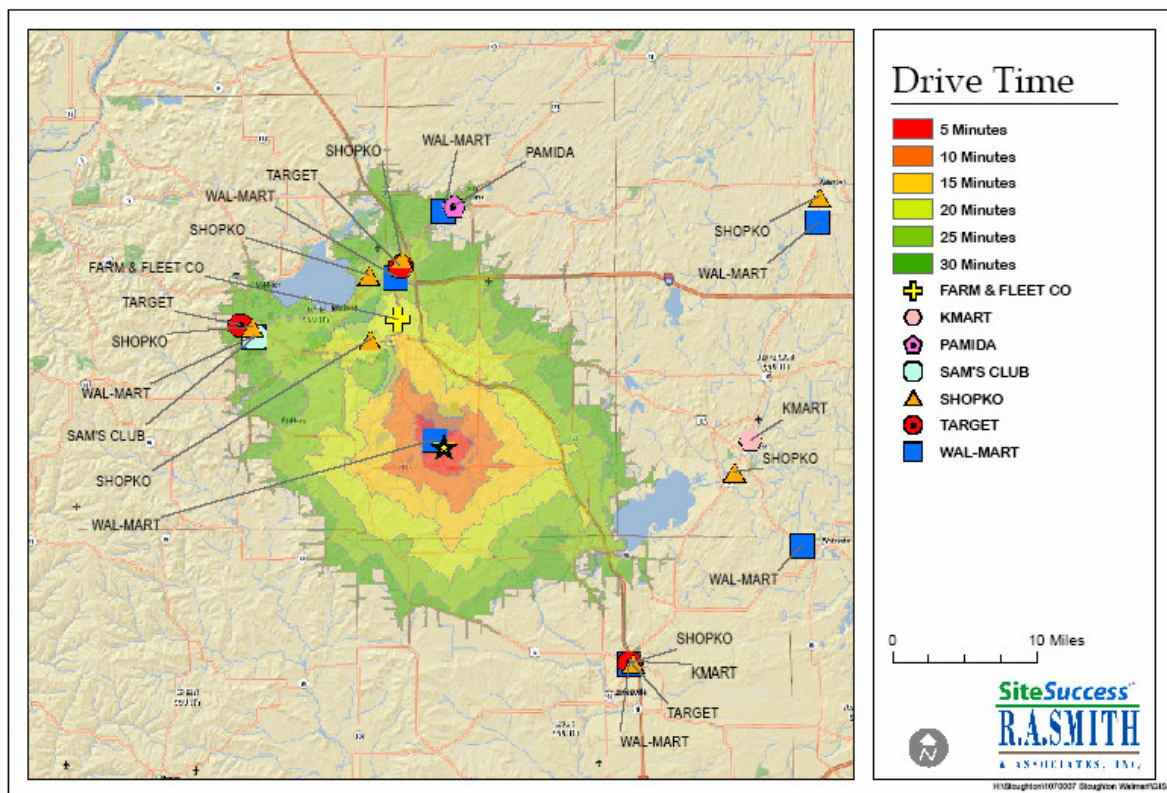
² Wisconsin Department of Administration

Market Area

Retail businesses in the City of Stoughton serve a market area broader than the City borders. This market area will be different for various types of businesses. The trade area corresponding to this store was determined by examining the location and strength of regional competitors and by examining commuting patterns to and from the City of Stoughton. A 20-minute drive time is considered an appropriate approximation of the distance most people will travel to Stoughton as opposed to visiting more dominant retail centers in larger communities. A 20-minute drive time takes in a total (2006) population of 86,720 people and 35,593 households.

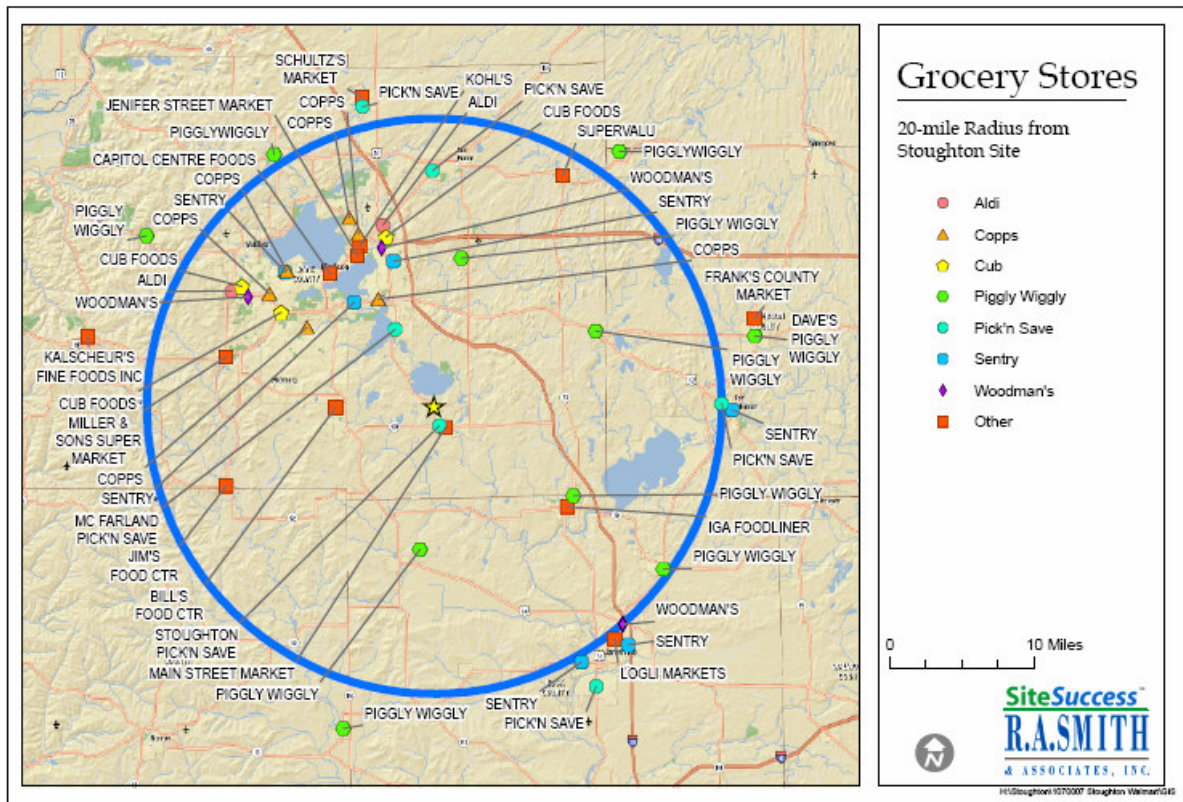
The 2000 census showed that nearly 65 percent of Stoughton workers worked outside of the City limits, with 57 percent working in the Madison metropolitan area. This reflects the dominance of Madison in the regional employment market, which is often a good surrogate for retail markets as well.

FIGURE 3: Drive Times from the Proposed Wal-Mart Supercenter



Locally, the principal competitors for Wal-Mart (either existing or the proposed supercenter) are Dollar General and Pick 'n Save. Within the region, the only significant competition is located in either Janesville, or more importantly, in the Madison area.

FIGURE 4: Grocery Stores within Twenty Miles of the City of Stoughton



(Note that due to the age of the data, this map depicts the Main Street Market, a 13,000 square foot independent grocery which closed in June of 2006.)

Estimated Store Sales

The typical retail store in Wisconsin averages sales of \$264 per square foot³. A 2005 estimate averages Wal-Mart store sales at \$430 per square foot⁴. That figure includes both Wal-Mart's discount stores and its supercenters, and includes both rural and urban markets. Sales will be higher at supercenters and they will be higher in more densely-populated urban and suburban locations. As a result, the Stoughton store should be realizing sales below the average for all Wal-Mart stores. Conversely, its small size and the lack of competition in the immediate area will tend to drive sales up. Estimating this store's current sales at 80 percent of the average (or \$345 per square foot) results in an expected annual store sales of \$14.25 million.

Grocery sales at community shopping centers average \$390 per square foot⁵. This average has been used to calculate the estimated grocery sales at the proposed Wal-Mart Supercenter, with an estimated area of 26,000 square feet. Based on these assumptions, the new Wal-Mart Supercenter is projected to have annual sales of \$40,155,000.

³ Economic Census, US Bureau of the Census

⁴ Bizstats

⁵ Dollars & Cents of Shopping Centers, 2004

TABLE 2: Estimated Wal-Mart Store Sales

| | <u>Store Size</u> | <u>Sale / Sq. Ft.</u> | <u>Estimated Sales</u> |
|----------------------------------|-------------------|-----------------------|------------------------|
| Existing Wal-Mart Discount Store | 41,304 Sq. Ft. | \$345 | \$14,250,000 |
| Proposed Wal-Mart Supercenter | 155,000 Sq. Ft. | | \$40,155,000 |
| • General merchandise sales | 87,000 Sq. Ft. | \$345 | \$30,015,000 |
| • Grocery sales | 26,000 Sq. Ft. | \$390 | \$10,140,000 |

SOURCE: R.A. Smith & Associates, Inc.

As noted above, this analysis anticipates that a majority of the increase in sales with the supercenter format will come from a transfer of sales now occurring in the Madison area. As both Stoughton and Madison are located in Dane county, there should be no noticeable change in sales tax revenues within the county. (Although the new store will draw customers from northern Rock County, the same shopping patterns apply.) The following information, which would normally be applied to estimate sales tax impacts, is provided here merely as supplemental information for the City's review.

TABLE 3: Estimated Competitor Store Sales

| | <u>Store Size</u> | <u>Sale / Sq. Ft.</u> | <u>Estimated Sales</u> |
|----------------------------|-------------------|-----------------------|------------------------|
| Pick ' Save (Stoughton) | 65,000 sq. ft. | \$400 | \$26,000,000 |
| Dollar General (Stoughton) | 9,000sq. ft. | \$150 | \$1,350,000 |

SOURCE: R.A. Smith & Associates, Inc.
Source (Pick 'n Save store size): Pick 'n Save

The difference between actual sales in a place, and the potential market demand in its trade area, is referred to as a surplus (when sales are higher than expected) or leakage (if sales do not sum up to the market potential). ESRI's Retail MarketPlace Profile for the 10-mile radius from the site identifies significant leakage of sales to places outside of the area. This leakage totals \$140,235,110 for both retail trade and food and drink combined. It includes a total of \$108,241,427 in just retail sales. ESRI provides a further estimate of \$64,319,332 in lost grocery store sales, and \$11,554,752 in general merchandise (department store) sales.

A review of data for a 15-mile radius from the site, which would take in the southern portion of the Madison market, confirms the assertion of this analysis that Stoughton residents are doing a significant portion of their shopping in the Madison area. The data provided by ESRI shows a \$599,038,409 surplus in retail sales, demonstrating the Madison area's draw into smaller communities and the rural countryside.

The proposed Wal-Mart Supercenter is expected to have an additional \$25,905,000 in annual sales above the existing discount store. Grocery sales will total \$10,140,000 while there will be an additional \$15,765,000 in general merchandise sales. There is very little in the way of quantitative research which would help in determining where these sales may originate, either from captured leakage or from other businesses in the trade area. The estimates provided in Table 4 are based on prior experience and an assessment of travel and competition factors in the Stoughton market.

TABLE 4: Estimated Sources of New Wal-Mart Supercenter Sales

| | Transferred from <u>Stoughton Stores</u> | Captured sales leaking <u>from Trade Area</u> |
|---------------------|---|--|
| General Merchandise | 5% | 95% |
| Groceries | 25% | 75% |

SOURCE: R.A. Smith & Associates, Inc.

Potential Impacts to Businesses and the Downtown District

Stoughton is a small market community dominated by its larger neighbors north and south, and particularly the City of Madison. In addition to the Wal-Mart store already in the community, local retailers are competing with national and regional chains along Madison's beltline and at regional malls such as West Towne, East Towne, and Hilldale. Directly competing discount chains in this market include Farm & Fleet, Kmart, Shopko, and Target, in addition to other Wal-Mart stores.

Grocery competitors in the region include Copps, Sentry, Cub Foods, and Woodman's. Whole Foods, Trader, Joe's, and similar stores have a minor share of the regional market (estimated at less than three percent) and tend to be focused in specialty categories. In a 2005 analysis of Roundy's acquisition of the Madison-area Kohl's stores, researchers at the University of Wisconsin estimated that Woodman's has the greatest market share, at 27.9 percent. Roundy's (operating both under the Pick 'n Save and Copp's brands, and including its acquired Kohl's stores, has a 23.2 percent share. These are followed by Cub Foods (9.5 percent) and Sentry (8.9 percent). Interestingly, the UW-Madison study noted that consolidation in Madison's grocery sector appears to have resulted in higher prices on many grocery items, as competition has become more limited.

Wal-Mart does not presently have supercenters in the Madison or Milwaukee markets. According to the Milwaukee Journal Sentinel, Wal-Mart has a total 13.6 percent share of the Southeastern Wisconsin grocery market. Since its entry into the Janesville market, Wal-Mart has captured a 25 percent market share for groceries⁶. Due to the limited direct competition at this site, the company is likely to capture a greater portion of the market in Stoughton. While some of these sales may come from the existing Pick 'n Save, a majority are expected to be transferred from expenditures made by Stoughton area residents in Madison stores.

Stoughton lacks many of the kinds of retail businesses which would compete with the more dominant chain competitors in discount, grocery, and specialty categories. Most of the community's businesses tend to serve local needs corresponding to a neighborhood or community level of retailing. A majority of these are located within commercial centers along US Highway 51 on the City's north side, however, Stoughton has a vibrant downtown which includes a number of specialty stores.

Research shows that the impacts of opening a new Wal-Mart Supercenter will peak early on, and subside over time as the novelty of the store wears off. This analysis will discuss both long- and short-term anticipated impacts and likely responses from competitors. As the greatest difference with the new superstore (as opposed to the existing discount store) will be in grocery sales, the analysis will begin by focusing in this category.

Potential Business Impacts

The potential impacts of a Wal-Mart Supercenter to key competitors and classes of retail business are outlined below.

Pick 'n Save / Copps

As one of the largest competitors in the local market, Roundy's (parent company of Pick 'n Save and Copp's) is in the best position to compete directly with Wal-Mart. It presently has a dated store on US Highway 51 adjacent to the existing Wal-Mart. Sales at this store are likely to be impacted both due to the new competition and due to a decline in traffic once Wal-Mart has relocated from adjacent to the grocery store.

To maintain its competitive position, it is expected that Roundy's will respond to Wal-Mart by remodeling its existing Stoughton location or relocating it with a new store within the City. A typical Pick 'n Save or Copp's will be about 60,000 square feet in area and will carry a selection

⁶ Trade Dimensions International

of 45,000 to 60,000 items, versus approximately 30,000 grocery items which will be available at the Wal-Mart Supercenter. Roundy's has recently shifted to a more upscale market, and its new stores often feature prepared meals, salad bars, and other convenience amenities, along with an expanded general merchandise line. This variety, along with its emphasis on quality meat and produce, is likely to be the company's strategy for competing with Wal-Mart.

It is expected that the Stoughton Pick 'n Save will see an initial drop in sales after the supercenter opens. If Roundy's takes no action in response to Wal-Mart's conversion to a supercenter, it can be expected that store sales will return to their existing levels within a two- to three-year period. If, as expected, the store remodels and/or expands, it may anticipate an increase in sales between ten and twenty percent.

Roundy's has other locations (Copp's) in the Madison market which already draw customers from the Stoughton market. By offering additional selection and competition closer to home, Wal-Mart should be expected to divert some of the traffic now headed to these stores. The Copp's store at Southtown Mall is the most likely to be impacted. This impact would likely increase if Roundy's invests in upgrading its Stoughton store, as more sales would be transferred from within the chain.

Jacobson Bros. Meat & Deli

A specialty food store, Jacobson Bros., is unlikely to be impacted either positively or negatively by Wal-Mart's expansion to a supercenter format. Wal-Mart supercenters do not have a full-service butcher and carry a limited selection of meats. While this might raise the consideration of cross-over shopping, the different customer focus of the two stores (premium versus low-cost) suggests that there is unlikely to be much of a significant benefit to Jacobson Bros. Conversely, customers attracted to the quality and selection available through Jacobson's are unlikely to shop Wal-Mart as an alternative.

Yahara River Co-op

Stoughton anticipates the opening of a co-op grocery store in the second half of 2007. This new entry into the market is envisioned to replace the Main Street Market, which closed in 2006 after it was unsuccessful in negotiating a new lease. The co-op is expected to focus on a niche for natural, organic, and specialty foods. While Wal-Mart has ventured into organics, the consumers who shop the co-op are unlikely to be lured to Wal-Mart as an alternative. The greater competition for this future co-op will be Whole Foods, Trader Joes, and the Williamson Street Co-op in Madison.

Madison-Area Grocery Chains (Cub Foods, Sentry, and Woodman's)

As noted above, it is expected that a majority of the new grocery sales realized at an expanded Wal-Mart will be transferred from existing grocers in the Madison area. This will be primarily Woodman's and Copps, and to a lesser extent, Sentry and Cub Foods.

Dollar General

The primary local general merchandise competition for Wal-Mart is a Dollar General store located at 1050 Main Street in the City of Stoughton. This store is estimated to be 9,000 square feet. Dollar General operates on a strategy of selling a large volume (65 percent of inventory) of low-margin highly-consumable products. Its profitability is therefore driven by cost management and high rates of merchandise turn-over. Traditionally, larger discount chains such as Wal-Mart have not targeted this niche. Within Stoughton, Dollar General has competed effectively with both the local Wal-Mart, Pick 'n Save, and more regional competition. As additional merchandise carried in the supercenter will not overlap with that of Dollar General, Wal-Mart's proposed expansion to a supercenter is not expected to impact Dollar General's sales.

Tire & Lube Competitors

Few tire or oil change/lubrication competitors are listed in Stoughton directories. These include Valvoline Instant Oil Change, Stoughton Tire and Auto Repair, and Stark Automotive Group. As with many other categories of retail goods, it is assumed that many Stoughton residents will travel to Madison for a wider selection of tire stores. The addition of tire and lubrication services to a Wal-Mart Supercenter will capture a significant portion of these leaking sales. It can also be expected to divert some sales from existing businesses in the community. This may be especially true for oil change and similar routine maintenance services.

Eye Care Competitors

The primary alternatives to Wal-Mart in eye care services are Davis, Duehr, Dean and Barry Optical. Both are strong competitors who already compete in the same markets with Wal-Mart and other discount chains.

Potential Impacts to Downtown

Downtown Stoughton is a preferred location for specialty stores and service businesses in an historic, traditional retail environment. These downtown businesses are listed in a brochure published by the Stoughton Chamber of Commerce, and are as follows:

| | |
|--|--|
| All Through the House | Artist Quarters |
| Bears N Friends | Catfish River Arts and Antiques |
| Cheesers | Clock Tower Crafts |
| Elves Place | Giggles |
| Greetings and Gifts | Jensen Furniture |
| Just for Keeps | Lazzaro Signature Gallery of Fine Arts |
| Main Street Flowers and Gifts | Main Street Jewelers |
| McGlynn Pharmacy | Midnight Moon |
| Midwest Books | Montage |
| The Next Generation of Stoughton, Inc. | Nelson Cards |
| The Nordic Nook | Oriental Treasures |
| Peeling Ceiling Pottery | Prize Impressions |
| Quart House | Quill and Brush Gallery and Frame Shop |
| Quilt Forge | Saving Thyme |
| Scentiments LLC | |
| Stationery House | |
| The Stolen Heart | |
| Stoughton Antique Mall | |
| Stoughton Cycle | |
| Stoughton Floral | |
| St. Vincent De Paul Store | |
| Thrifty White Pharmacy | |
| Troll Truffles | |
| The Wardrobe | |

In addition, there are several restaurants or taverns listed in the downtown, including:

Canton Garden
Cheap Shots
El Burrito Loco
Fosdal Home Bakery
Java Junction



The Koffee Kup Restaurant
Miles Away Café
Sonny's Bar and Grill

Main Street Kitchen
Pack R Place
Waters Edge

Of these businesses, those likely to be competing with Wal-Mart include the stationery/office supply stores, pharmacies, and floral shops. These businesses are already competing with Wal-Mart, and have more than likely evolved to complement the existing store since it opened in 1988. As it is expected that expansion of Wal-Mart to a supercenter format will expand the City's market penetration, and provide an incentive for nearby residents to do more of their shopping locally, it can be expected that some downtown businesses will actually benefit as a result of this project.

No significant changes are planned for the pharmacy element within the new store, and neither of the two independent pharmacies in the downtown are anticipated to be negatively impacted by Wal-Mart's conversion to a supercenter.

With nearly double the area available for general merchandise, this analysis expects a small expansion in the floor space dedicated to office supplies. This may not, however, result in any significant increase in the variety of items carried. Rather, more space is likely to be provided to display and stock items already carried in the existing store.

Although Wal-Mart may expand on its current floral section, the company does not provide the range of services found in the independent shops located downtown. These businesses serve a largely different market and are unlikely to see their sales impacted.

Small Business Diversity

With few exceptions, this analysis has not found any evidence to suggest that the diversity of Stoughton's small businesses would be impacted by a conversion of the existing Wal-Mart discount store to a supercenter format in a new location. While it is possible that the initial entry of Wal-Mart into the market in 1988 contributed to structural changes in the make-up of the local business community, that community has adjusted to the presence of the discount chain. In fact, a majority of the businesses presently in the community are unlikely to experience a negative impact, and may potentially benefit from a stronger Wal-Mart which offers more alternatives to local consumers, making it possible for them to shop near home instead of commuting to Madison.

Concern exists for the health of smaller automotive service businesses. Wal-Mart could prove to be significant competition to some of these businesses. Its combination of services, extended and holiday hours, and low prices may be effective in luring customers from smaller, independent operations.

Impacts from Businesses Other than Wal-Mart

This analysis has addressed impacts related to the known tenant (Wal-Mart) of a larger retail development, which includes approximately 14 acres of land for outlot development. At this time it is impossible to identify future users for those properties, which may include businesses new to the community, or businesses already within the community which may consider moving to a higher-traffic location. Any new businesses may provide competition for businesses already in the community. Relocations could have adverse impacts on existing commercial areas. The businesses most likely to consider relocation are not the specialty businesses in the downtown (which benefit from its historic quality), but rather, other neighborhood-serving retail and services such as the Pick 'n Save grocery or auto repair, hair care, etc.

Potential Real Estate and Property Tax Impacts

The following considerations relate to the potential of this development to disrupt, or to benefit the local commercial real estate market and property tax collections within the City of Stoughton.

Retail Space Needs and Commercial Vacancies

Other than a few small store spaces in the downtown and in newer commercial buildings on US Highway 51, there are few commercial vacancies within the City of Stoughton. While similar vacancies exist in surrounding communities such as Evansville, Edgerton, Oregon, and McFarland, there are no large commercial vacancies. The closing of the existing Wal-Mart in Stoughton will create a vacancy of approximately 41,000 square feet.

Stoughton's market area is currently leaking over \$140,000,000 million in annual sales. If all of this were to be captured locally, at the average Wisconsin sales per square foot of \$264, the region could support up to about 530,000 square feet of new retail space. This does not reflect that the trade area does not have a sufficient population to support all of the kinds of retail represented in these figures, nor does it recognize that people from within the trade area will always continue to shop outside locations.

The addition of 155,000 square feet of new retail space would be sufficient to capture 30 percent of the trade area leakage. Meeting 30 percent of the existing need is an attainable goal and should not create an excess (or glut) of commercial space. This assumes that the 41,000 square feet vacated by Wal-Mart would be filled by new retail uses. Given the lack of similarly-sized commercial properties in the market, a good location on the main thoroughfare, a strong anchor (Pick 'n Save) and the growth within the Stoughton area, it can be expected that the vacated Wal-Mart space will be filled within a relatively short time frame.

Building Lifespan

The new Wal-Mart building will be a concrete and steel frame commercial building. Built to have large clear spans, this building may be easily subdivided and would be adaptable to many future uses including retail, office, or industrial. Buildings of this type are typically financed over a 20-year period and have a lifespan of easily twice that length. Given the nature of retailing, these buildings are often substantially remodeled on a 10- to 20-year cycle, depending on the user.

Alternative Site Uses

Although this decision has largely been made with the decision to adopt the *Linnerud Detailed Neighborhood Plan* and incorporate it into the City's *Comprehensive Plan*, the City of Stoughton may consider the desirability of alternative uses for this site. In effect, to do so would be to reconsider the entire commercial development at this location.

Four general types of alternative use could be considered, including open space, agriculture, industry, or residential uses. Open space is generally warranted if there is a lack of open space in the vicinity, or if there are significant natural resources worthy of preservation. Neither of these apply to this site. Although currently in agricultural use, the site has been identified by the City as a location in which to grow. Industrial areas have been planned in other parts of the community. This is also true of residential uses.

The excellent visibility of the site, its location, and the traffic on US Highway 51, combine to make this site ideally suited to the kinds of retail uses proposed in the City's *Comprehensive Plan* and in the proposed development plan. The analysis also suggests that the taxes and improvements resulting from this proposal will be more than sufficient to offset the City's incremental costs to service it. It therefore appears that, on a variety of factors, commercial uses are the highest and best use for the site.

Property Taxes

Assessments for existing commercial properties in the City of Stoughton were examined in order to estimate the property taxes which will be generated by the new development. A comparison of these values is provided in Table 5.

TABLE 5: Comparison of Commercial Property Values

| Location | Land Value | Parcel Size | Value / Acre | Improvements | Total Assessed Value | 2006 Property Taxes Paid |
|---------------|------------|-------------|--------------|--------------|----------------------|--------------------------|
| Wal-Mart | \$302,700 | 5.7 | \$53,105 | \$1,616,600 | \$1,919,300 | \$32,349 |
| Pick 'n Save | \$577,200 | 5.2 | \$111,000 | \$2,386,800 | \$2,964,000 | \$49,976 |
| Broux House | \$316,900 | 1.6 | \$198,062 | \$722,800 | \$1,039,700 | \$17,595 |
| Proposed Site | \$9,600 | 36.0 | | | | \$147 |

SOURCE: R.A. Smith & Associates, Inc, City of Stoughton, Dane County

The estimated value of the improved site on which this development will be located is \$150,000 per acre. This estimate is based on its location, the value of improvements which will be installed, its size, and a comparison to similar properties in the city. At 19 acres, the Wal-Mart site will have a total estimated value of \$2,850,000. The improvements are estimated to have a value of \$35 per square foot, or a total of \$5,425,000. This will result in a total value of \$8,275,000 for the Wal-Mart property.

TABLE 6: Estimated Development Site Property Values

| <u>Location</u> | <u>Land Value</u> | <u>Parcel Size</u> | <u>Value / Acre</u> | <u>Improvements</u> | <u>Total Assessed Value</u> | <u>Taxes Paid</u> |
|-----------------|-------------------|--------------------|---------------------|---------------------|-----------------------------|-------------------|
| Wal-Mart | \$2,850,000 | 19 ac | \$150,000 | \$5,425,000 | \$8,275,000 | \$147,380 |

SOURCE: R.A. Smith & Associates, Inc.

The City of Stoughton had a 2005 effective property tax rate of \$17.81 per \$1,000 of value^[8]. This includes the levies for the City of Stoughton, Dane County, Stoughton Area School District, the vocational/technical district, and the state of Wisconsin. Estimates for the property taxes which will be generated by the new development are based on these figures.

TABLE 7: New Property Tax Revenues by Taxing Authority

| Taxing Authority | Effective Rate | New Property Tax Revenue |
|--------------------------------|----------------|--------------------------|
| City of Stoughton | 6.89 | \$57,015 |
| Dane County | 2.52 | \$20,850 |
| Stoughton Area School District | 7.96 | \$65,870 |
| MATC | 1.27 | \$10,510 |
| State of Wisconsin | .59 | \$4,880 |

SOURCE: R.A. Smith & Associates, Inc.

Potential City and County Service Impacts

The following section assesses both the positive and negative impacts which are expected to be associated with the proposed Wal-Mart Supercenter. In addition to these measurable impacts, there may be other impacts which are only inferred. Examples may include an increase in commercial property values if the new store helps to retain local purchasing power within the community.

City and County Revenue Impacts

An analysis of expected property tax revenues generated by the new store was included in the previous section of this report. The City of Stoughton is expected to receive approximately \$57,000 annually in new property taxes. Dane County should receive about 20,850 per year in additional property tax revenues.

Wisconsin exempts most food and drug sales from taxation. The state also prevents local municipalities from imposing a sales tax. With these considerations in mind, sales tax impacts are likely to be minimal and not to have much local impact, other than to Dane County. Since most Stoughton residents already spend significantly in the Madison metropolitan area, diversion of sales tax revenues from Madison to Stoughton should have no effective impact on county sales tax collections.

The City of Stoughton and Dane County will be the primary beneficiaries of any new property taxes generated by the development. Wisconsin's system of school funding bases shared revenue payments to school districts on a complex formula which takes property tax base into consideration. An increase in property tax revenue to the school district is likely to be offset by a corresponding decrease in payments from the state.

Wisconsin does not tax sales of most grocery and drug items. These two categories make up about 45 percent of average supercenter sales, and about 21 percent of traditional discount store sales⁷. The remaining items are taxed at a rate of 5.5 percent, with 5 percent being levied by the State of Wisconsin, and 0.5 percent levied by Dane County. The estimated taxes generated by the existing and proposed Wal-Mart stores are shown in Table 8.

TABLE 8: Estimated Wal-Mart Store Sales Taxes Generated

| | <u>Estimated Total Sales</u> | <u>Taxable Sales</u> | <u>Wisconsin Sales Tax</u> | <u>Dane County Sales Tax</u> |
|----------------------------------|----------------------------------|--------------------------|--------------------------------|----------------------------------|
| Existing Wal-Mart Discount Store | \$14,250,000 | \$11,257,500 | \$562,875 | \$56,288 |
| Proposed Wal-Mart Supercenter | \$36,240,000 | \$19,932,000 | \$996,600 | \$99,660 |

SOURCE: R.A. Smith & Associates, Inc.

Public Safety Costs

The City of Stoughton's police and fire departments were asked to identify public safety costs associated with the existing Wal-Mart store. Staff from R.A. Smith & Associates spoke with representatives of the departments in July of 2007 to discuss past service demands and any concerns regarding the new store.

⁷ U.S. Economic Census, 2002

There have been very few fire calls, and the department does not expect an increase due to an expansion. The new store will be constructed to the most up-to-date fire safety standards, which exceed those in place at the time the existing store was constructed.

Police calls have been related to theft from the store and minor traffic accidents which have occurred on-site. Annual calls average were estimated to be less than one per week.

Based on the information obtained, any additional public safety costs associated with the new store are anticipated to be inconsequential.

Transportation Capital and Operating Costs

Development on this site will necessitate construction of left-turn lanes and shared thru/right-turn lanes on the southbound, northbound and westbound approach of US Highway 51 and Town Line Road/Kriedeman Drive with installation of traffic signal control at the southbound left-turn. In addition, connections to Kriedeman Drive to the east, Oakridge Way to the south and Kings Lynn Road to the south from the internal ring road will be provided. At Kriedeman Drive/Internal Ring Road, southbound stop sign control will be installed as well as construction of dedicated left-turn on the eastbound approach and left-turn and right-turn lanes on the southbound approach. Approximately 2,200 lineal feet of new roadway is associated with the Wal-Mart Supercenter.

Under current State of Wisconsin formulas for local road funding, the annual cost of maintaining local roads is estimated at \$2,190 per mile. Applying this figure, the City of Stoughton should see an increase in its annual transportation-related costs of about \$900, due to the new roads which will be added for this project.

Employment Impacts

The City of Stoughton requires a consideration of construction jobs in the review of any large-format retail project's economic impact on the community. Wal-Mart has not provided the requested information to complete this analysis. In general, construction employment on projects of this nature is sporadic, and it is certainly temporary. At most, construction employment might average eight to twelve workers during a period of about four to six months. Although the impact of this employment may be favorable to Stoughton, due to the lack of information and the temporary nature of the benefits, this analysis recommends that these impacts not be considered by the City in its review of the project.

Wal-Mart opened its current Stoughton store in 1988. The store currently has 99 employees. As a result of the proposed new store, employment is planned to increase by over 100 persons to a total of 207 jobs⁸.

TABLE 9: Existing and Proposed Wal-Mart Employment

| | <u>Full-Time</u> | <u>Part-Time</u> | <u>Total</u> |
|--|------------------|------------------|--------------|
| Existing Wal-Mart Store | 52 | 41 | 99 |
| Proposed Wal-Mart Supercenter | 110 | 97 | 207 |
| <i>Store Manager</i> | 1 | | 1 |
| <i>Co-Manager</i> | 1 | | 1 |
| <i>Assistant Manager</i> | 6 | | 6 |
| <i>Department Manager</i> | 24 | | 24 |
| <i>Pharmacist</i> | 3 | | 3 |
| <i>Pharmacy Technician</i> | 6 | | 6 |
| <i>Optometrist</i> | 1 | | 1 |
| <i>Non-License Optician</i> | 4 | | 4 |
| <i>Offices</i> | 2 | 3 | 5 |
| <i>Customer Service Representative</i> | 2 | 4 | 6 |
| <i>Sales Associate</i> | 24 | 36 | 60 |
| <i>Overnight</i> | 8 | 12 | 20 |
| <i>Stocking</i> | 6 | 9 | 15 |
| <i>Cashiers</i> | 18 | 27 | 45 |
| <i>Tire & Lube</i> | 4 | 6 | 10 |

Source: Wal-Mart Corporation

Wages

The current occupational profile of Dane County is mostly oriented to low- and moderately-skilled service sector jobs. These tend to pay minimal wages, but in Dane County these wages are slightly

⁸ Wal-Mart Corporation

above the average for Wisconsin. Wal-Mart's full-time employees earn an average wage of \$10.11 per hour, and in Wisconsin the average wage for the company's full-time employees is \$10.91 per hour. This is comparable to the most common occupations found in the county. At the same time, it should be noted that this average wage (\$10.91 per hour) is comparable to, or more than the average hourly wage of only 44 job titles in Dane County, representing about 16 percent of the work force.

The United Food and Commercial Worker's Union, among others, has commented on the comparative low wages paid by discount stores in general, and Wal-Mart in particular, as opposed to grocery stores. As Table 14 demonstrates, there is very little difference in department store versus grocery store wages. Much of the difference may be attributed to the different work force compositions of the two store types.

A majority of the new jobs which will be created by expansion of the existing Wal-Mart store to a supercenter will require minimal skills or training, and will pay wages below average for the State of Wisconsin and Dane County. In the third quarter of 2006, the average Wisconsin worker earned \$687, and the average Dane County worker earned \$784. At the average Wal-Mart wage of \$10.91, an employee working 40 hours would have a weekly earnings of \$436, or 56 percent of the county average weekly earnings.

Stoughton's Comprehensive Plan addresses goals for economic development in the community. These goals include efforts to diversify the local employment base by attracting additional higher-wage professional and technical employment to the community. The jobs which will be created by an expanded Wal-Mart (or which would be created by almost any retailer) do not appear to contribute toward attainment of that goal.

TABLE 10: Most Common Occupations in Dane County (4th Quarter 2005)

| <u>Occupation</u> | Hourly Wages | | | | | |
|-------------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | Entry Level | | Average | | Experienced | |
| | <u>Dane Co.</u> | <u>Wisc.</u> | <u>Dane Co.</u> | <u>Wisc.</u> | <u>Dane Co.</u> | <u>Wisc.</u> |
| Retail Salespersons | \$7.23 | \$7.00 | \$11.02 | \$11.22 | \$12.92 | \$13.32 |
| Registered Nurses | \$22.94 | \$21.53 | \$27.85 | \$26.47 | \$30.30 | \$28.94 |
| Cashiers | \$6.89 | \$6.33 | \$8.34 | \$8.00 | \$9.06 | \$8.83 |
| Customer Service Representatives | \$10.30 | \$10.03 | \$14.61 | \$14.55 | \$16.77 | \$16.81 |
| Waiters & Waitresses | \$5.94 | \$5.91 | \$8.51 | \$7.58 | \$9.79 | \$8.42 |

Source: Wisconsin Department of Workforce Development

According to the Wisconsin Department of Health and Family Services, about 93 percent of Dane County adults over the age 18 are covered by health insurance. Approximately 70 percent of the population is covered by employer-sponsored health insurance programs. Wal-Mart offers several health insurance plans to its employees. These vary in both cost and the extent of coverage, and are comparable to plans offered by other county employers.

TABLE 11: Current Job Openings in Dane County

| <u>Occupation</u> | Hourly Wages | | | | | |
|----------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | Entry Level | | Average | | Experienced | |
| | <u>Dane Co.</u> | <u>Wisc.</u> | <u>Dane Co.</u> | <u>Wisc.</u> | <u>Dane Co.</u> | <u>Wisc.</u> |
| Customer Service Representatives | \$10.30 | \$10.03 | \$14.61 | \$14.55 | \$16.77 | \$16.81 |
| Registered Nurses | \$22.94 | \$21.53 | \$27.85 | \$26.47 | \$30.30 | \$28.94 |
| Foodservice Counter Attendants | \$6.63 | \$5.90 | \$7.88 | \$7.33 | \$8.51 | \$8.04 |

Source: Wisconsin Department of Workforce Development

TABLE 12: Comparative Employment of Grocery and Department Stores

| <u>Occupation</u> | Percent of Work Force and Hourly Mean Wage (2005) | | | | |
|---|---|-------------|-----------------------|-------------|-------------|
| | Grocery Store (US) | | Department Store (US) | | All Retail |
| | <u>Percent</u> | <u>Wage</u> | <u>Percent</u> | <u>Wage</u> | <u>Wage</u> |
| Food Preparation Workers | 4.57% | \$9.46 | 0.04% | \$10.40 | \$9.30 |
| Combined Food Preparation & Serving Workers | 3.74% | \$9.07 | 0.78% | \$8.52 | \$8.74 |
| Supervisors/Managers of Retail Sales Workers | 5.05% | \$16.68 | 3.56% | \$15.99 | \$17.94 |
| Cashiers | 33.72% | \$8.76 | 14.15% | \$8.08 | \$8.28 |
| Retail Salespersons | 2.09% | \$10.33 | 37.29% | \$9.31 | \$11.07 |
| Customer Service Representatives | 2.23% | \$9.74 | 1.37% | \$9.85 | \$11.45 |
| Stock clerks and Order Fillers | 16.09% | \$9.86 | 16.76% | \$9.29 | \$9.61 |
| Butchers and Meat Cutters | 3.64% | \$13.62 | 0.03% | \$15.86 | \$13.58 |
| Hand Packers and Packagers | 7.59% | \$7.57 | 0.26% | \$8.92 | \$7.90 |
| Shipping, Receiving, and Traffic Clerks | 0.60% | \$12.73 | 2.27% | \$9.57 | \$11.37 |
| Hand Laborers and Freight, Stock, and Material Movers | 1.90% | \$9.31 | 3.72% | \$8.91 | \$9.53 |
| Weighted Average | | \$9.74 | | \$9.37 | -- |

Source: US Bureau of Labor Statistics

Corporate Giving and Volunteer Participation Policies

Wal-Mart provided information related to its charitable giving policies and the extent of its activities within the State of Wisconsin. In 2006, Wal-Mart Stores and Sam's Club gave \$4,102,602 in cash and in-kind donations to local causes and organizations in the communities they serve in the state of Wisconsin. Through additional funds raised through stores throughout the state, Wal-Mart contributed and raised a grand total of \$6,378,317 as a result of its presence in Wisconsin. The company-supplied charitable giving and volunteer information are provided here in full.

Wal-Mart Gives Back to the Communities We Serve

At Wal-Mart, we believe in a philosophy of **operating globally and giving back locally**. We know we can make the greatest impact on our communities by supporting causes that are important to our customers right in their own neighborhoods. We are proud to be a “store of the community” for all of the communities we serve by helping to provide financial and volunteer support to more than 100,000 charitable and community-focused organizations, and by utilizing our locations to provide opportunities for our customers and associates to give back.

Wal-Mart is the Largest Corporate Cash Contributor in America.

Last year, Wal-Mart was recognized by the *Chronicle of Philanthropy* as the largest corporate cash contributor in America. In 2006, **Wal-Mart gave more than \$270 million to 4,000-plus communities in the United States**. Charitable contributions from Wal-Mart support a variety of causes and issues in the areas of education, the environment, health and human services, civic and community groups, and culture and the arts. The majority of those contributions were made to **organizations at the local level**, based not just on corporate decisions, but also on recommendations from our associates. This grassroots style of philanthropy encompasses the small things, such as allowing the Girls Scouts to sell cookies at our front doors, and the big things, like funding college scholarships and assisting emergency responders in times of disaster.

In 2006, the company and the Wal-Mart and Sam's Club Foundation gave **more than \$300 million to support our 6,700 world-wide communities**, including \$272 million given within the U.S.

In addition to philanthropic support provided by the company, Wal-Mart's customers and associates donated **more than \$115 million in individual contributions** through company-sponsored fundraisers.

Wal-Mart also donated \$1 million or more to numerous charitable and community organizations including, but not limited to: the **American Cancer Society**, the **American Red Cross**, the **Boys & Girls Clubs**, **Mercy Health System of Northwest Arkansas**, the **MLK Memorial Fund**, the **National Fish and Wildlife Foundation**, the **National Urban League**, **Northwest Arkansas Community College**, and the **Special Olympics**.

Volunteerism Always Pays. Always.

In addition to making charitable contributions to various organizations and causes, we also are active in supporting an **extensive associate volunteer network**. This network has become **one of the largest volunteer programs** in the U.S., **and it grows as we grow**. As part of our grassroots style of giving, many of our community involvement programs directly involve our associates working with local community non-profit organizations and their projects.

Wal-Mart's associate volunteer program, Volunteerism Always Pays (V.A.P.), encourages associates to **take active volunteer roles in their communities**. After an associate serves as a volunteer with an organization for a certain number of hours, **Wal-Mart makes a financial contribution** to the organization in their name. This allows an associate's time contribution to do even more good.

Last year, through the V.A.P. program, our associates recorded nearly **1 million volunteer hours**. As a result of this volunteer activity, the program gives approximately \$5 million annually to organizations where Wal-Mart and Sam's Club associates volunteered.

Numerous associates **have been recognized in their communities** and by the organizations they serve for their **outstanding efforts**.

Our Communities, Our Associates and Our Partners Help Us Help Others.

At Wal-Mart, we serve thousands of communities across America and in those communities we've formed some remarkable partnerships. These relationships allow us to connect with our associates and our more than 127 million customers per week to do **enormous good on both the local and national levels**.

In 2005, Wal-Mart contributed more than **\$57 million to support education initiatives**, including local schools and universities, student scholarships, educational organizations and Wal-Mart's Teacher of the Year Program. In 2005, the **Teacher of the Year Program provided \$4.4 million to schools across the country** and honored 3,800 of the country's top teachers. Since its inception in 1995, the program has recognized more than 25,000 teachers nationwide.

When disaster strikes, Wal-Mart stores and Sam's Club locations can be counted on to work with disaster relief agencies, supporting their lifesaving work and helping communities begin the recovery effort. In 2006, **Wal-Mart donated nearly \$2 million in cash and products to support 75 disaster relief operations** in 35 states. While always a focus for the company, Wal-Mart's position as a leader in the area of disaster relief was highlighted in the wake of Hurricanes Katrina and Rita in 2005. Wal-Mart donated more than \$18 million in cash and \$3 million in merchandise to assist with relief efforts.

The Salvation Army has a long-standing relationship with Wal-Mart, and in 2006, Wal-Mart demonstrated its support for the organization's Red Kettle Campaign by once again allowing the bell-ringers in front of our stores and clubs. Donations collected in the Red Kettles at Wal-Mart locations reached an all-time high of \$30.4 million, accounting for 25 percent of all donations to The Salvation Army's campaign. In 2006, the company hosted "Bells Ringing Across America," a nationwide event that featured associates ringing bells in front of stores and clubs to encourage donations. Wal-Mart CEO Lee Scott launched the event from a store in Bentonville, Ark., where he announced a \$1.25 million contribution from the Wal-Mart and Sam's Club Foundation to the annual campaign.

Wal-Mart has a long history of supporting our nation's military and their families. In 2006, the company partnered with **Sesame Workshop** and provided \$1.5 million to develop an outreach project aimed at helping children of military personnel deal with the challenges of deployment. Wal-Mart also gave \$500,000 in toys and gifts to military families with loved ones deployed overseas through its "Operation Christmas" initiative in partnership with **Operation Homefront and America Supports You**.

Children's Miracle Network, a national organization that aids children's hospitals across the country, is one of the most significant recipients of Wal-Mart giving. In 2006, it is estimated that the company and its U.S. customers provided nearly \$34 million in support of CMN, including \$6 million from Wal-Mart Canada.

Wal-Mart donated \$5 million to **America's Second Harvest – The Nation's Food Bank Network** and developed a partnership to increase awareness of hunger in the U.S. Through customer donations at Wal-Mart and Sam's Club locations nationwide, an additional \$3.7 million was raised to purchase and distribute protein-rich foods to individuals in need through America's Second Harvest member food banks.

Since 1996, Wal-Mart stores have posted the pictures of more than 7,100 missing children. As a result of **Wal-Mart's Missing Children Boards, we've helped to recover more than 160 children.** Wal-Mart also continues to promote Code Adam, a program created by Wal-Mart 10 years ago and used today by other businesses. The Code Adam program immediately alerts all employees to assist in finding children that are separated from their parents in a Wal-Mart or Sam's Club.

Proposed Mitigation Measures

The preceding analysis identified few potentially adverse impacts to the City of Stoughton or its business community as a result of the proposed expansion to a supercenter format in a new location. Areas of potential concern are noted here, along with recommendations for how the community may address the concerns.

- Trade Area Sales Leakage

The analysis identified a significant amount of potential sales which is not presently being captured by Stoughton businesses. A majority of these sales are "leaking" from the community to stores in Madison. The expanded Wal-Mart Supercenter will capture some of these expenditures, and in the process, reduce the number of shopping trips by Stoughton residents to Madison. This is not a threat to Stoughton businesses, but a potential opportunity to realize additional sales as well. The City, Chamber of Commerce, or individuals may address this opportunity by conducting market research to determine what shoppers purchase on their shopping trips outside of the area. Businesses can then tailor their goods or services to meet this market potential and encourage local shopping.

- Grocery Store Impacts

Stoughton's only existing grocer, Pick 'n Save, is likely to be the business most impacted by the addition of groceries in a Wal-Mart Supercenter. As a competitor with a significant market share, the likely response from Roundy's (the parent company) will be to remodel and perhaps expand its existing store. It is possible that the store will seek to relocate within the City. The store may also be converted to a Copp's, which is a better-known brand in the Madison market.

The City of Stoughton can be proactive in encouraging this investment and mitigating any impact if the store does relocate. Contact between City officials and Roundy's can help to ascertain the company's plans and facilitate investment in store improvements.

- Downtown Business Impacts

While the Wal-Mart Supercenter is expected to have no direct impacts on businesses in the downtown, this analysis noted the potential for indirect impacts as smaller retail centers are developed around the supercenter. These smaller, free-standing and multi-tenant spaces could be attractive to some of the specialty retailers in the downtown. The City of Stoughton should carefully consider whether future development in the area will attract new businesses to the community or will be likely to encourage relocation of businesses from the downtown.

- Auto-Related Business Impacts

The Express Tire and Lube Center in the Wal-Mart Supercenter will introduce a strong competitor in the local auto parts, maintenance, and repair market. While Wal-Mart does not offer the extent of services available from other repair shops or auto parts stores, they do offer longer evening, weekend, and holiday hours, multiple service bays and technicians to provide fast service, and national coverage if there is ever a problem. These convenience factors will weigh heavily on consumer's choice of service provider, as will the perception of lower pricing (similar, for instance, to Farm & Fleet).

Effectively competing in this environment is ultimately going to be the responsibility of individual businesses. How well they respond (for example, providing towing or delivery services, offering loaner vehicles, extending hours of operation, etc.) is a decision for the business owner to make. There is little the City of Stoughton can do to impact these conditions.

- **Municipal Service Impacts**

The impacts of replacing the existing Wal-Mart store with a supercenter may be divided into one-time initial impacts and long-term operational impacts. Initially, development of the store will result in traffic impacts requiring an outlay for lane and traffic control improvements. These will be fully funded by the developer without cost to the City of Stoughton.

Over time, the new supercenter will result in increased costs to the City for road maintenance, police and fire protection, and a variety of other services. It is estimated that the new store will generate approximately \$57,000 in new property tax revenues for the City of Stoughton. This additional revenue is more than sufficient to offset the minor costs which were identified.

- **Employment Impacts**

The new store is expected to create an additional 108 jobs within the community. This analysis notes that a majority of the full-time jobs being created will be paying less than the average weekly wage for both Dane County and the State of Wisconsin. The jobs will offer benefits including health insurance, and they will be comparable in pay to employment at other discount and grocery stores in the metropolitan area.

A portion of Wal-Mart's employees can be expected to fall within the definition of low- to moderate-income households. Data is unavailable at this time to determine if the new workers are already living in Stoughton, perhaps changing jobs to work for Wal-Mart, or moving to the community to obtain employment. At a minimum, it can be expected that Stoughton will need to monitor and maintain its inventory of housing within the monthly cost range of this group, and perhaps expand efforts to provide affordable housing over time.