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Highlights

- The national debate on large-format retail arose over concerns that national chain retailers undermine local business, employ people at depressed wages, suppress organized labor, and promote urban sprawl. Several studies make the case for local businesses on the grounds that their local economic impact is greater than that of national chain retailers. This study is an attempt to gauge the impact of large-format retailers on Salt Lake County. It was designed as a case study of a Wal-Mart Supercenter and a Home Depot store recently built in the county.
- The study included a pilot survey and a series of focus group sessions to better understand the activities of local businesses in the market areas. The response rate from the pilot survey indicates that as many as half of the locally owned businesses in the county would need to be surveyed in order to reach a 90 percent confidence level. The focus groups were met with indifference from the businesses surrounding the Wal-Mart Supercenter and Home Depot Store.
- The Wal-Mart market area is transforming from a center of heavy commercial and light industrial activity to a major retail corridor. The Wal-Mart Supercenter is part of a recent expansion of large-format retail along 300 West.
- The Home Depot market area is an established residential neighborhood, with small-format commercial activity concentrated along major streets, and large-format retail concentrated in Brickyard Plaza. The Home Depot's interest in locating in the market area was met with significant opposition, on the grounds that the store would generate traffic and undermine the small-format retail activity on Highland Drive.
- The Wal-Mart Supercenter and Home Depot store are examples of infill development. The neighborhood impacts in this case study may not be relevant to a suburban or rural context.

Impacts of Large-Format Retail on Salt Lake County: A Case Study

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Introduction

Most sizeable communities in the United States have faced controversies in recent years over the continuing encroachment of large-format (or "big box") retailers into market areas that were once dominated by thriving local merchants. The Wasatch Front is no stranger to this phenomenon. Concerted battles are being fought around the region between those who want to maintain a vibrant local economy and an historic community character and those who argue for continued economic development through growth in national chain retailers.

In this context, the Salt Lake County Mayor and Council contracted with the Bureau of Economic and Business Research (BEBR) to conduct a study that would examine the impacts of a Wal-Mart Supercenter at 300 West and 1300 South in Salt Lake City and a Home Depot store at 3300 South and Highland Drive in the Millcreek area of Salt Lake County. The first phase of the study consisted of four components: focus groups, a pilot survey, a profile of the market areas surrounding the stores, and identification of policy considerations for further review.

The project built on the existing debate over the merits of an increasingly homogeneous retail economy centered on large, national brands, unified distribution networks, and global supply chains. Opponents to large-format retailers argue that they undermine local business, employ people at depressed wages, suppress organized labor, and promote urban sprawl.

As part of an extensive and growing body of scholarship on the impact of major retailers on communities nationwide, this study explored the impacts of two large-format retailers on their surrounding neighborhoods and the region's economy.

Large-Format Retail Impacts Nationwide

Many other impact studies have argued for the preservation of strong, locally owned retail sectors because locally owned stores tend to pay their employees better than national retailers, and they yield a greater economic benefit to the area economy than do national retailers.¹ A study conducted by Civic Economics claimed that local retailers generate up to three times as much local economic activity as national chain retailers, when adjusted for revenue.

In a follow-up study for the Andersonville Development Corporation in the Chicago area in 2004, Civic Economics conducted a detailed survey of revenue and expenditure patterns of locally owned businesses in the Andersonville area, comparing them against publicly-held national firms in the area. Ten local businesses were chosen by Civic Economics in collaboration with the client and with the Andersonville Chamber of Commerce. A slate of national competitors were identified but not surveyed; rather, Civic Economics obtained comparable data from annual reports, filings with the Securities and Exchange Commission, the U.S. Economic Census, and other online resources. Multipliers were applied to estimate an impact for the Chicago metropolitan region, comparing the impact of local retailers and national chains.

In May 2005, Economic and Planning Systems (EPS) released a large-format retail impact study for Bozeman, Montana. In this study, EPS argued that the impact on existing retail stores in the Bozeman area is due to a continually evolving retail sector, and that the supercenter and home store format are recent entries to

the area. Before their entry, smaller national retailers – the so-called “category killer” stores² – had already caused significant impacts to local merchandisers. In these cases, supercenters and other large-format retailers may find other prominent national chains as their main competition, rather than small local merchants.

A third line of reasoning in the national debate over large-format retailers is exemplified in a report, still in draft form, by the Massachusetts Institute of Technology (MIT) and the Economic Research Service of the U.S. Department of Agriculture (USDA).³ This report argued that the supercenter's emergence as a competitor in the grocery business has resulted in lower consumer prices for grocery items, with the greatest impacts on low-income and minority households. The Wal-Mart Supercenter in Salt Lake City is strategically positioned to serve a market of low-income and minority households, which may gain the most from lower prices.

The studies by Civic Economics, EPS, and MIT/USDA reflect the broad range of approaches to the nationwide controversy over large-format retailers, and are relevant to the Salt Lake County experience. Like Andersonville, Salt Lake County has a large and vibrant local retail sector that struggles to maintain market share in the face of growing competition from national chains. Salt Lake County has experienced similar development patterns to those in Bozeman, Montana, with firms such as Wal-Mart and Home Depot entering the market after other national chains had established a presence here.

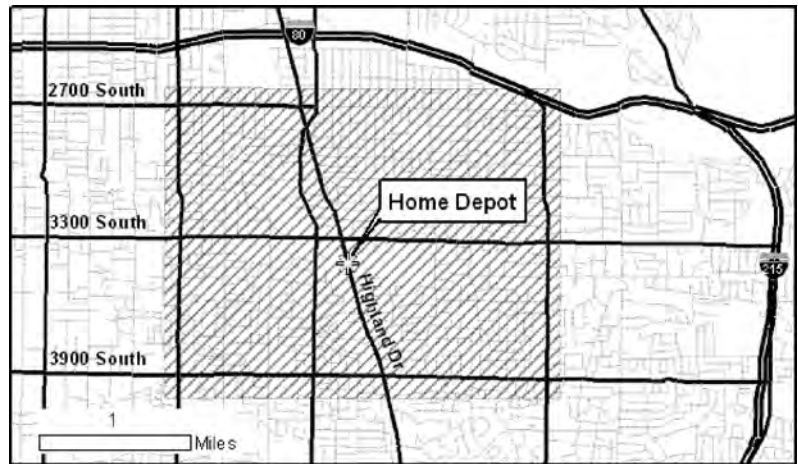
This study endeavors to answer a question similar to the one raised in the Civic Economics reports: what is the comparative economic impact of local retail establishments and national chain retailers? BEBR determined that it would not be sufficient to replicate the methodology used by Civic Economics in their Andersonville report. Civic Economics selected a panel

of businesses chosen according to specific criteria to respond to a survey of revenue and expenditure patterns, and extrapolated data from publicly-held information on major national chain retailers. This methodology may not have offered a complete and accurate picture of economic activity in the Andersonville area, as it did not utilize a random sample of locally owned businesses, and lacked revenue and expenditure data from national chain retailers at the store level. While their conclusions may have been accurate, there is no way to gauge their external validity.

Methodology of the Salt Lake County Baseline Study

BEBR defined market areas surrounding the Wal-Mart Supercenter and the Home Depot store as part of the baseline study. The Wal-Mart market area (Figure 1) is bounded to the north by 900 South, to the south by 2100 south, to the east by State Street, and to the west by I-15. The Home Depot market area (Figure 2) is bounded to the north by 2700 South, to the south by

Figure 2
Map of the Home Depot Market Area



Source: University of Utah DIGIT Lab.

3900 South, to the east by 2300 East, and to the west by 700 East. Our analysis included properties on either side of the boundary streets. The market areas were established to include commercial properties near the Wal-Mart and the Home Depot. As either market area is bounded by other major retail centers, the boundaries were identified in order to establish a consistent commercial profile without encroaching on other high-profile regional retail centers. These market areas guided BEBR in its analysis of existing conditions and initial changes due to the construction of two large-format retail stores.

Figure 1
Map of the Wal-Mart Market Area



Source: University of Utah DIGIT Lab.

The study included a pilot survey of 20 randomly-selected local businesses, to gauge the effectiveness of a broader, statistically valid survey of revenue and expenditure patterns. A comprehensive list of businesses in the market areas was obtained through the Utah State Department of Workforce Services (DWS). To encourage participation, each survey

was mailed out with an addressed and stamped return envelope.

The pilot survey attempted to determine (1) whether local retail establishments would be willing to provide detailed information about their operations, (2) the number of companies that would need to be surveyed in order to meet an acceptable confidence level, and (3) whether a large-format retailer such as Wal-Mart would be willing to provide local expenditure data. The firms were selected from a database maintained by the Vest Pocket Business Coalition, a local advocacy group whose mission is to preserve the vitality of neighborhood businesses. Each company received a letter explaining the study and requesting the company's participation, and the survey form.

Seven of the 20 companies responded - five completed and returned the survey and two called to refuse, resulting in a 30 percent response rate. The exact number of local retail establishments cannot be ascertained, although DWS data indicate that there were 3,608 retail establishments operating in Salt Lake County during the first quarter 2005. Using information collected by the Small Business Administration, BEBR estimated that roughly one-half to three-quarters of these businesses may be locally owned.⁴ Assuming a 30 percent response rate, BEBR would have to survey about 900 businesses in order to achieve a 90 percent confidence level with a ± 5 percent margin of error in order to accurately estimate the economic importance of locally owned retail establishments in Salt Lake County. As many as half of all the locally owned businesses in Salt Lake County would need to be surveyed in order to reach the target confidence level.

BEBR was not successful in securing cooperation from a large-format retailer, such as a Wal-Mart, Home Depot, or Target. There are studies that have attempted to estimate the local spending patterns of national

retailers using publicly available information; however, the accuracy of these estimates is questionable for a variety of reasons. First, not all stores that comprise the large-format network are equally profitable or contribute equally to the company's bottom line relative to some demographic measure such as population. For example, a large national retailer may continue to operate a low-producing store in an area where it wants to maintain a presence. Therefore, making formulaic estimates of local spending using aggregated data will not provide an appropriate basis for comparing the economic importance of the national retailers to that of locally owned retailers.

Given the challenges of estimating local activity from aggregated data and the questionable accuracy of the estimates that are produced, BEBR recommended against a comparative analysis of the economic importance of locally owned businesses and large-format retailers.

To elicit further information from area businesses, BEBR compiled a comprehensive list of businesses surrounding the Wal-Mart Supercenter and the Home Depot store, from which a random sample was drawn to participate in focus group sessions. The businesses selected to participate in the focus groups were identified by a sample of 1,136 businesses in the Wal-Mart market area and 687 businesses in the Home Depot market areas, from a list provided by DWS. Fifty businesses from each market area were contacted in early May 2005 to participate in the focus groups. The focus groups were held over two weeks in May and June 2005.

Few businesses expressed an interest in attending the focus groups. In the Wal-Mart market area, four businesses of the 50 initially contacted agreed to attend the focus group sessions. Twenty-five businesses refused to participate, and the balance could not be reached despite repeated calls. Notably, only one business

identified in the Home Depot market area expressed an interest in attending the focus group. Those individuals who could not attend listed various reasons, including that they were too busy to attend or that their business was not sufficiently impacted by the Home Depot or Wal-Mart to warrant much discussion. Several individuals who declined to participate in the focus group nonetheless offered feedback over the telephone. The focus group sessions were met with indifference from most businesses in both market areas, which can be explained through a number of factors, including a lack of interest, a failure to perceive significant impacts, or a lack of time or available personnel to attend (see focus group results on p.14).

Questions on wage and benefits activity were included in the survey sent out to locally owned businesses. Wage data were also obtained through DWS which provided job posting information from August 2004 to August 2005 in the two North American Industry Classification System (NAICS) categories that included the Wal-Mart Supercenter and the Home Depot and are dominated by national chain retailers.

Retail sales were estimated using taxable sales data from the Utah State Tax Commission at the census tract level. Given the time constraints of this study, data were only available for calendar year 2004.

Finally, a comprehensive study was undertaken to develop a profile of the commercial and residential activity in the Wal-Mart and Home Depot market areas, to serve as a baseline for further study in the future. This profile includes data on assessed valuation of all real property in the market areas. Ten years of assessed valuation data were obtained by Newreach, Inc., a firm that specializes in real property data in the Salt Lake area. BEBR computed the cumulative percent change in market value of each parcel in the market areas. Information on traffic patterns was obtained through traffic analysis studies conducted for Wal-Mart

and Home Depot as part of the permit process to build their stores.

Employment, Wages, and Retail Sales in the Market Areas

Large-format retailers can significantly impact employment and wages in a region. Recently, a Reuters news article claimed that Wal-Mart alone added 210,000 net jobs to the U.S. economy in 2004, while simultaneously decreasing nominal wages by 2.2 percent.⁵ With the growth of large-format retail in Salt Lake County, and the emergence of new retailers into the market, understanding the impact of large-format retail on wages in Salt Lake County is a vital step toward understanding the broader economic and social impacts of this type of development.

Unfortunately, reliable employment and wage data at the local or store level is not readily available. Establishing a baseline requires an understanding of the wage and employment trends of small businesses and those of large national retailers. The pilot survey indicated that determining a valid measure of small business employment will be ascertained only at great time and expense. BEBR also attempted to obtain wage data from members of the Vest Pocket Business Coalition via a telephone and fax survey. The response rate was too low to determine a pattern. Furthermore, it is highly unlikely that large national retailers such as Wal-Mart or Home Depot will release wage and employment data for their stores in Salt Lake County.

In order to better understand how large-format retailers pay their employees, BEBR obtained wage data on job openings posted through DWS in two NAICS categories that are dominated by national retailers: home centers; and warehouse clubs and supercenters. DWS provided wage data on 389 job postings between August 1, 2004 and July 31, 2005, accounting for 697 job openings. The median wage for all job categories

Table 1
Wage Data From Job Postings Through DWS For Warehouse Clubs, Supercenters, and Home Stores
August 2004 Through July 2005

	Median	Minimum	Maximum
All Job Categories	\$ 8.00	\$ 5.15	\$ 13.00
Assemblers and Fabricators, All Other	8.00	8.00	8.00
Automotive Service Technicians and Mechanics	7.00	7.00	7.00
Bakers	7.12	7.00	8.10
Bookkeeping, Accounting, and Auditing Clerks	8.00	8.00	8.00
Butchers and Meat Cutters	7.00	7.00	7.00
Cashiers	8.00	5.50	9.50
Carpenters	7.50	7.00	8.00
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	7.12	6.75	7.12
Customer Service Representatives	7.00	5.25	8.00
Data Entry Keyers	9.00	8.00	9.00
Demonstrators and Product Promoters	7.20	7.20	7.20
Food Preparation Workers	7.12	6.75	7.12
Helpers--Production Workers	7.25	6.00	8.00
Industrial Truck and Tractor Operators	9.00	6.00	9.00
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	7.97	7.00	9.20
Laborers and Freight, Stock, and Material Movers, Hand	7.52	5.15	9.00
Packers and Packagers, Hand	6.85	6.85	6.85
Parking Lot Attendants	7.70	7.70	7.70
Postal Service Mail Sorters, Processors, and Processing Machine Operators	7.25	7.25	7.25
Receptionists and Information Clerks	9.00	8.00	9.00
Retail Salespersons	7.27	6.50	13.00
Sales and Related Workers, All Other	9.00	8.40	12.00
Sales Representatives, Services, All Other	8.00	7.60	10.00
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	11.50	11.00	12.00
Security Guards	8.00	6.37	9.00
Shipping, Receiving, and Traffic Clerks	9.00	8.00	9.00
Stock Clerks and Order Fillers	7.25	5.65	11.00
Tire Repairers and Changers	8.90	8.90	8.90
Truck Drivers, Light or Delivery Services	12.00	8.00	12.00

Source: Utah Department of Workforce Services.

n=389

was \$8.00 an hour. The DWS data is only a partial picture of the wage trends of large national retailers because it does not include data on benefits, and likely represents a small sample of the jobs offered by national retailers in the time period. A summary of the wage data is included in Table 1.

The Utah State Tax Commission provided retail sales data for the census tracts in and around the market areas for calendar year 2004. BEBR collected data from an expanded study area in order to identify the extent to which new retail development in the market areas pulls from other existing nearby retail centers.

The data for the Wal-Mart market area captured retail sales in Salt Lake City south of the central business district and west of 700 East, and the retail activity along the I-80, I-15, and SR-201 corridors in South Salt Lake City. Retail activity in the Central Business District⁶ was not included in this analysis, as it is responsive to a largely different set of markets and is not in direct competition with discount retailers such as Wal-Mart and other firms that will likely locate in or near the market area.

A total of \$309.4 million in taxable retail sales were generated in the 11 census tracts surrounding or

included in the Wal-Mart market area, \$79.6 million of which was generated in the market area – accounting for 23 percent of all retail sales. Most of the retail sales in the area were generated immediately north of the market area, due to a high concentration of automobile dealers and specialty retail stores.

Taxable retail sales data for the Home Depot market area captured retail sales in the Millcreek community of Salt Lake County, and portions of South Salt Lake, Murray, and Holladay. Fifteen census tracts were included in the analysis, four of which exist within the Home Depot market area. A total of \$209.5 million in taxable retail sales were generated in the census tracts. Roughly three-quarters of all retail sales in the area during 2004 were distributed among three census tracts along 3300 South, and in one census tract along 3900 South near State Street. A total of \$39.9 million in sales – 19 percent of the area total – were generated in the census tract that includes Brickyard Plaza and Harmons Grocery Store. The tract that includes the Home Depot store generated \$12 million in retail sales in 2004, although the addition of the Home Depot store in this census tract is sure to increase that number in subsequent years.

The retail sales data may not be a fully accurate indicator of the extent of retail activity in the Home Depot market area and in the neighborhoods surrounding it. Furthermore, reported retail sales data may vary from actual retail sales depending on whether a retailer reports sales data from the point of sale or from another address. Future research will require more reliable retail sales data over time to better understand sales trends in and around the market areas.

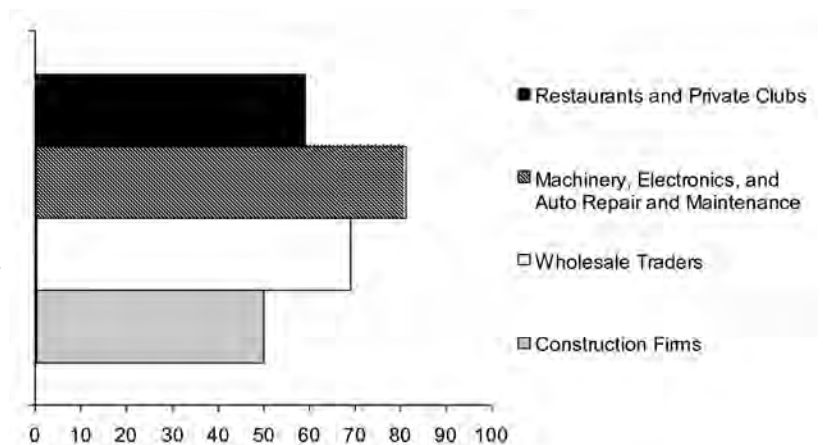
Characteristics of the Market Areas

A major component of the study is an analysis of the baseline characteristics of the Wal-Mart and Home Depot market areas. The market areas are unique, and offer two distinct cases of what could happen when a major retailer locates a store in a neighborhood.

Business Activities

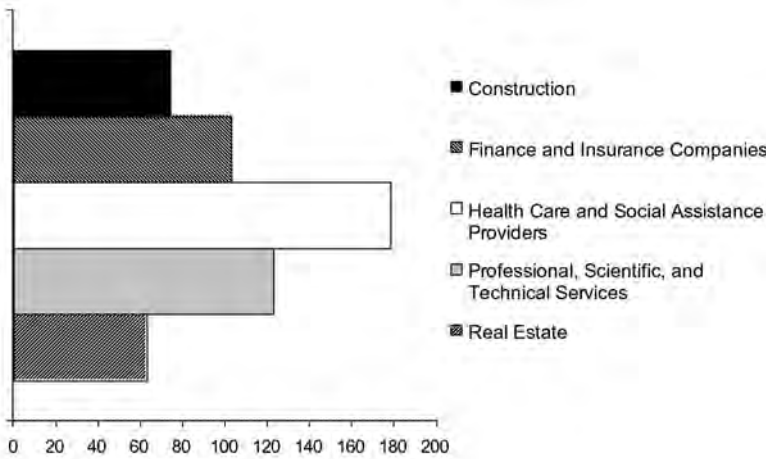
Each of the market areas exhibits a unique mix of uses and business activities. With convenient access to I-15 and downtown, the Wal-Mart market area is a regional center of light industrial operations and wholesale trade. This market area includes business clusters serving the construction industry, heavy machinery sales and repair, and automotive sales and repair. Figure 3 illustrates the major business clusters in the Wal-Mart market area. Given its location, the market area is now attractive to large-format commercial retailers. Since 1995, when Costco Wholesale and Home Depot located stores near 2100 South, the transition has intensified since the completion of the I-15 reconstruction project and the addition of light rail. Attendant businesses such as fast food restaurants, gasoline stations, and convenience stores have located

Figure 3
Major Business Clusters in the Wal-Mart Area: May 2005



Source: Bureau of Economic and Business Research and Utah Department of Workforce Services.

Figure 4
Major Business Clusters in the Home Depot Area: May 2005



Source: Bureau of Economic and Business Research and Utah Department of Workforce Services.

in the emerging retail corridors along 300 West and 2100 South. There are currently 24 fast food restaurants, eight gasoline stations, and nine convenience stores in the market area.

The Home Depot market area, owing to a large residential population, has a business composition that is typically found in an older suburb. The primary business clusters are finance and insurance, health care, professional and technical services, and real estate, as indicated by Figure 4. These businesses account for 44 percent of all the businesses in the market area.

There are 144 retail trade businesses in the market area. Furniture and home furnishing stores, specialty retail, and apparel shops comprise the bulk of retail trade in this market area. There are 53 restaurants and 12 gasoline stations with convenience stores. Much of the retail trade in the market area is concentrated along the major arterial streets, with smaller clusters of neighborhood retail establishments scattered throughout the market area. A substantial cluster of health care providers surrounds St. Mark's Hospital on 3900 South. Most of the large national retailers in the Home

Depot market area exist near the Brickyard Plaza retail development. Table 2 lists the major national retailers with a presence in either market area.

Property Values

Property values in the market areas were established from parcel data obtained by Newreach, Inc. The data reflect the market value of each property, rather than the assessed value. Generally, property values in the Home Depot market are higher than those in the Wal-Mart market area, although the median value of real property has increased dramatically in both market areas in the past ten years. Table 3 summarizes property value trends in the market areas.

Market values of real property in the Wal-Mart market area have appreciated consistently since 1995, but have shown some volatility in recent years. In the past decade, properties west of 300 West between 900 South and 1300 South have appreciated more than properties in the rest of the market area, owing to their proximity to the central business district and enhanced access to I-15. Most of these properties are zoned general

Table 2
Major National Retailers in The Market Area

<u>Wal-Mart Market Area</u>	<u>Home Depot Market Area</u>
Best Buy	Albertsons
CompUSA	Media Play
Costco Wholesale	Mervyn's
Lowe's Home Improvement *	OfficeMax
Office Depot	Rite Aid Drug Stores
Petsmart	The Home Depot
Sam's Club *	T.J. Maxx / Home Goods
The Home Depot	Walgreens
Wal-Mart Supercenter	

*Announced to enter the market area in 2006.
 Source: Bureau of Economic and Business Research.

**Table 3
Summary of Property Value Trends in 2004**

Wal-Mart Market Area						
Type	Median Value 1995	per ft ² 2004	Cumulative Mean Increase Since			
			2003	2001	1998	1995
Commercial	\$48.40	\$77.45	7.2%	13.1%	38.2%	95.4%
Industrial	\$9.25	\$14.54	11.2%	33.0%	55.4%	85.8%
Residential	\$37.62	\$69.36	8.2%	22.5%	32.2%	109.8%

Home Depot Market Area						
Type	Median Value 1995	per ft ² 2004	Cumulative Mean Increase Since			
			2003	2001	1998	1995
Commercial	\$64.28	\$120.04	9.9%	21.2%	60.3%	116.8%
Residential	\$58.09	\$86.21	5.3%	13.1%	16.3%	60.3%
PUDs	\$62.08	\$88.64	36.2%	49.6%	84.7%	64.0%
Single-Family	\$57.56	\$86.01	4.4%	14.2%	16.9%	57.7%

Source: Bureau of Economic and Business Research and Newreach, Inc.

commercial. Parcels along 900 South, 1300 South, 2100 South, State Street, and 300 West have also appreciated significantly in the past ten years. Market value losses since 1995 are isolated to specific parcels.

The Home Depot market area has a much larger residential population, with thousands of single-family homes and planned-unit developments.⁷ Appreciation of real property in the Home Depot Market area has been fairly consistent over the last ten years. Among properties in the Home Depot market area, commercial parcels near the convergence of Highland Drive, 1300 East, and 3300 South have gained the greatest value, ranging from 50 percent to over 500 percent. Some residential properties in the southwest quadrant of the market area have declined in value since 1998, but have nonetheless appreciated in the last year. Very few properties in the

Home Depot market area have decreased in value in the past ten years.

Future research into the market areas should examine how the Wal-Mart Supercenter and Home Depot stores may impact the market value of surrounding parcels. Commercial properties along 300 West in the Wal-Mart market area may have the greatest potential for appreciation, as commercial retailers continue to expand into the area. Commercial activity in the Home Depot market area is stable, as there is not a concerted effort to change the patterns of development in the area.

Residential Characteristics

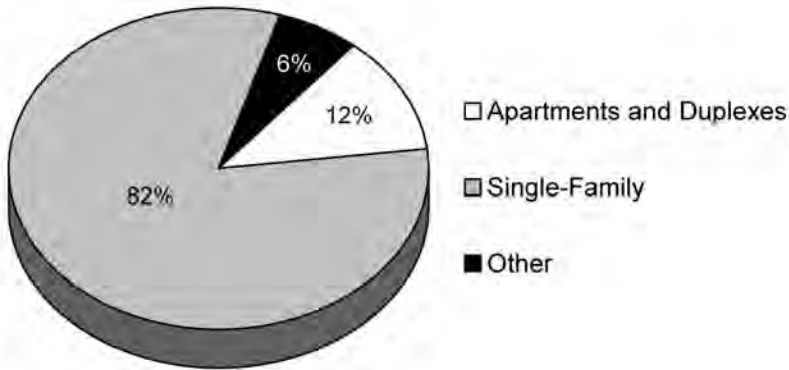
The Wal-Mart and Home Depot market areas have very different residential characteristics. Table 4 offers a side-by-side comparison of key demographics in each market area, compared to the county as a whole. The Wal-Mart market area is much less affluent than the

**Table 4
Demographic Characteristics: 2000**

Component	Wal-Mart Market Area	Home Depot Market Area	Salt Lake County
Total population	3,283	27,177	898,387
Median age	29.9	30.5	28.9
Population 25 years and over	2,080	17,649	509,453
Percent of Population 25 years and over	63.4%	64.9%	56.7%
Median household income	\$24,375	\$41,721	\$48,373
Families below poverty level	20.5%	7.1%	5.7%
Owner-occupied housing units	40.2%	60.4%	69.0%
Renter-occupied housing units	59.8%	39.6%	31.0%

Source: U.S. Census Bureau, 2000 Summary File 1 and Summary File 3.

Figure 5
Housing in the Wal-Mart Market Area: May 2005



Source: Bureau of Economic and Business Research and Newreach, Inc.

Home Depot market area, and has a much smaller population. The housing mix is also considerably different. Figures 5 and 6 show the distribution of housing types in the market areas.

Single-family homes comprise 82 percent of the housing stock in the Wal-Mart market area. Most of the housing is located between Main Street and the light rail line west of 200 West. It is readily accessible to roads and area transit, although pedestrian circulation in the market area is limited by major roadways, a rail line, and adjacent commercial land uses. The median value of single-family housing in the market area is \$82,950, or \$48.76 per square foot. The value of the single-family housing stock has risen 43 percent on average over the past ten years.⁸

According to the 2000 census, 3,283 residents lived in the market area. The median age was 29.9, and 63.4 percent of the population was 25 years and older. The median household income was \$24,375 and 20.5 percent of the families living in the market area were below the poverty level,

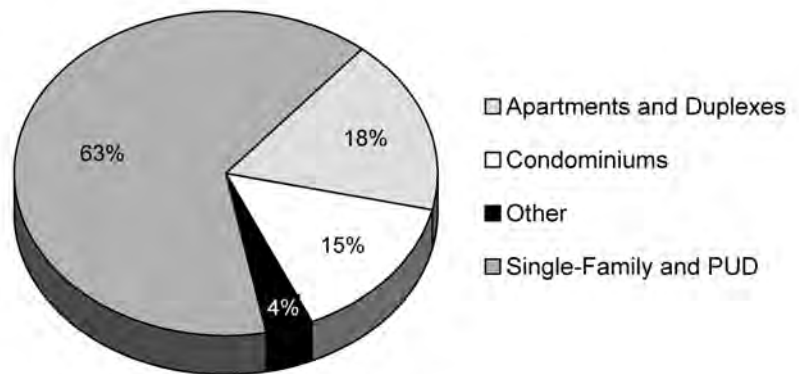
and 59.8 percent of the housing in the market area is renter-occupied.

The Wal-Mart market area is more ethnically diverse than the county as a whole. Notably, 32.3 percent of the residents in the market area identified themselves as Hispanic or Latino in the 2000 Census, a figure much higher than Hispanic or Latino representation county-wide. Table 5 illustrates race and ethnicity characteristics of the market areas.

In the Home Depot market area, single-family housing and PUDs comprise 71 percent of the housing stock. Much of the remaining stock consists of apartments and condominiums. Aside from commercial areas along the major arterials and on some street corners, the entire Home Depot market area is residential. Higher density housing, including apartments, duplexes, and condominiums, tends to be concentrated near the major arterials.

In 2004, the median value of single-family housing was \$169,900, or \$86.01 per square foot, while the median value of PUDs was \$240,600, or \$88.64 per square

Figure 6
Housing in the Home Depot Market Area: May 2005



Source: Bureau of Economic and Business Research and Newreach, Inc.

foot, figures significantly higher than those for the Wal-Mart market area. PUD housing is newer than most of the single-family housing stock in the market area, and is valued higher than single-family homes. The market value of single-family housing has risen 33 percent over the past ten years, while the market value of housing in PUDs has risen by 26 percent.

According to the 2000 census, 27,177 residents lived in the market area. The median age was 30.5 and 65 percent of the population was 25 years old or older. The median household income was \$41,721 and 7.1 percent of the families living in the market area were below the poverty level. Of the housing units in the market area, 60 percent were owner-occupied. The racial and ethnic composition in the Home Depot market area is slightly more homogeneous than that of Salt Lake County.

Changes and Impacts in the Wal-Mart Market Area

In the past ten years, the Wal-Mart market area has faced major change, propelled by an expanded retail presence, the addition of Franklin Covey Field, installation of light rail, and highway improvements, including the addition of a second highway interchange. As the market area became more accessible to regional transportation, it became more attractive for regional retail development. Costco and Home Depot were the first retailers to establish there, and others followed in subsequent years. After the reconstruction of the highway interchange at 1300 South, Wal-Mart and Lowe's Home Improvement elected to locate stores in the market area near the interchange.

Wal-Mart first proposed locating a 210,000 square foot Supercenter store on the corner of 1300 South and 300 West in 2001. Fourteen parcels were assembled to

accommodate the store, and a number of businesses, including a truck dealer, were displaced. The application required the vacation of Albermarle Avenue between 300 and 400 West. Site constraints prompted Wal-Mart to include a parking structure in its Supercenter development, one of the first in the country.

The Wal-Mart Supercenter was built in a commercial zone, and did not require a conditional use permit. Per the recommendation of a traffic impact analysis conducted by CLC Associates, Wal-Mart paid for a traffic signal, and gave Salt Lake City a gift of \$50,000 for landscaping and improvements at a new community center. Salt Lake

**Table 5
Race and Ethnicity**

Component	Wal-Mart Market Area	Home Depot Market Area	Salt Lake County
White alone – Not Hispanic	55.4%	88.1%	80.9%
Hispanic or Latino	32.3%	6.4%	11.9%
Black/African American alone	2.2%	1.3%	0.9%
American Indian and Alaska Native alone	2.8%	0.6%	0.7%
Asian alone	2.9%	1.5%	2.5%
Native Hawaiian and Other Pacific Islander alone	1.7%	0.5%	1.2%
Some other race alone	0.0%	0.1%	0.1%
Two or more races	2.5%	1.5%	1.7%

*Note: Hispanics may be of any race. The above data represent the Hispanic/Latino communities as a distinct category and are not included in the other racial components.

Source: Calculated by BEBR using U.S. Census Bureau data, Census 2000 Summary File 1.

City made no concessions to Wal-Mart during the site-planning process. There was little opposition from other businesses or residents in the area. The store opened in August 2004.

Traffic in the Wal-Mart market area has been heavily influenced by the I-15 reconstruction project. Traffic volumes, measured in average annual daily traffic (AADT) counts, increased along 1300 South between 300 West and the interchange since it was constructed. AADT counts along the other arterial road segments have stabilized or declined since the completion of the highway reconstruction project.

The traffic impact analysis conducted by CLC Associates projected that the Wal-Mart Supercenter would have a minimal impact on traffic levels in the market area, and that those impacts that would occur would be during the evening peak travel period and on Saturdays.

The Wal-Mart market area is continuing to change. Sam's Club and Lowe's Home Improvement Warehouse are locating in the market area. A building across the street from the Wal-Mart Supercenter was recently renovated into a small strip mall with a fast-food restaurant. At least 19 properties along 300 West were for sale or lease in the first half of 2005. One major firm along 300 West sold its property and is relocating. The market area's transition will likely continue disrupting incompatible activities of existing businesses.

Changes and Impacts in the Home Depot Market Area

The controversy surrounding the Home Depot store arose from concerns that it would adversely impact locally owned small business, generate traffic levels that would cripple area streets, and would undermine the neighborhood's character. Before the construction of the Home Depot store, the site consisted of a flower shop and several dilapidated residences.¹⁰ Home Depot's

application for rezoning and a building permit was one of Salt Lake County's most controversial retail proposals. The zoning process was appealed over four years, culminating in a legal dispute, settled as the Home Depot was under construction.

Home Depot complied with about a dozen conditions in building a new store in the market area, including a signalized intersection, a reduced building footprint to accommodate parking, a landscaped parking lot, and a site design that blends in with the neighborhood. At over 110,000 square feet, the Home Depot store, though smaller than most other Home Depots, is one of the largest retailers in the market area.

Opponents to the Home Depot cited traffic as a major concern. Before a major upgrade, Highland Drive had no dedicated left-turn lane serving any of the businesses in the market area. The reconstruction project provided a dedicated turning lane and improved access into the Home Depot store site.

Traffic volumes along Highland Drive between 3300 South and 3900 South declined from 1998 to 2001, and rose from 2001 to 2003 back to 1998 levels. Traffic along 3300 South at the Highland Drive intersection has remained roughly constant since 1998. Traffic along either road is high and future retail expansion would require added capacity.

A traffic impact analysis conducted by Sear-Brown projected that the Home Depot site would generate relatively few daily trips on average. Weekday peak hour trips would increase by about 216 vehicles per hour on average, and weekend peak hour trips would increase by 405 vehicles per hour on average. Level of service delays at the intersection of Highland Drive and 3300 South are projected to be 24.6 seconds during the evening peak, and 23.4 seconds on Saturdays, only slightly higher than the delays that existed before construction of the store.

Few changes are occurring in the Home Depot market area. A drug store has located on the corner opposite the Home Depot and a new strip retail development has been built on 1300 East opposite the Brickyard development. A local retailer is renovating the Villa Theatre for commercial use. A new retail development was constructed on 2700 South and 2300 East, and most of the tenants are high-end specialty retailers.

Where market forces and planning efforts have collaborated to transform the Wal-Mart market area, the Home Depot market area is experiencing market transformation on a much slower and smaller scale. Aside from the Home Depot, the retail upgrades are largely in character with existing land use patterns. Salt Lake County planning officials do not seek to dramatically transform the Highland Drive retail corridor, and indicated that they would recommend against any further rezoning along Highland Drive.

The Wal-Mart Supercenter and the Home Depot store are two examples of a continued expansion of large-format retail in Salt Lake County, but the stores in question in this study are more accurately characterized as infill projects in established urban areas. Infill projects utilize and enhance existing infrastructure and are often built into areas with compatible uses, and behave differently than similar developments at the edge of an urban area. Both projects were built on small sites and required significant investments in infrastructure and site upgrades. Infrastructure and site costs vary substantially depending on where a large-format retail store is built. Furthermore, both the Wal-Mart Supercenter and the Home Depot located in markets that have already faced the onslaught of large-format retailers. Neither the Wal-Mart Supercenter nor the Home Depot can be considered urban sprawl.

The market areas are starkly different. While the Wal-Mart market area is in the midst of a major transformation, the Home Depot market area is an

established residential neighborhood with clusters of retail activity. The Wal-Mart Supercenter is part of a redevelopment strategy, while the Home Depot store is an isolated incident of retail expansion into an existing, stable neighborhood.

Policy Considerations and Conclusion

Policy discussions on large-format retail concern inefficient land-uses, excessive traffic generation, and urban sprawl. Initially, none of these factors seems applicable to either market area. The economic impacts and neighborhood changes that will occur in the market areas identified in this study may be dramatically different than the impacts that would occur if either the Home Depot or the Wal-Mart were built at the periphery of the Salt Lake urban area. Policy and planning implications should be established from this context.

Both the Wal-Mart Supercenter and the Home Depot store have been built among existing business, many of which have been present in the market areas for years. Much of the direct competition these stores face is with other national chain retailers. The most immediate concern with these retailers is their capacity to disrupt existing, unrelated business activity. This is particularly evident in the Wal-Mart market area, where some businesses are facing pressure to leave the neighborhood due to added traffic generated by the new retail development.

This case study has included an extensive analysis of the impacts of two retail projects on existing neighborhoods, and prompts a number of policy considerations:

- A retailer determined to enter or expand its presence in a market will make significant concessions to construct a store. Both Wal-Mart and Home Depot spent millions in locating in constrained areas. The Home Depot faced down significant neighborhood opposition

Focus Group Results

Only six businesses participated in the focus groups, all of which were from the Wal-Mart market area. All but two focus group sessions were cancelled due to a lack of attendance. Despite limited participation in the focus group sessions, participants offered the following insights related to the Wal-Mart Supercenter:

- **Traffic.** Participants observed more pedestrian and automobile traffic coming into the neighborhood. Most of the participants expressed concern that traffic generated from the Wal-Mart Supercenter adversely impacts their business activities, prompting at least one firm to relocate out of the market area
- **Poor Infrastructure.** Participants claimed that sidewalks and streets in the Wal-Mart market area are ill-equipped to handle additional traffic, and that the intersection of 1300 South and 400 West was especially difficult to navigate. The participants agreed that Salt Lake City could do more to invest in infrastructure throughout the market area.
- **Increased Neighborhood Profile.** Participants noted that the Wal-Mart Supercenter raised the profile of the market area by bringing retail customers into the area. Accordingly, properties are changing hands and other investments are taking place as consumers throughout the region are recognizing 300 West as a viable retail corridor.
- **Crime.** Three participants claim to have observed an increase in crime surrounding the Wal-Mart Supercenter, including break-ins, thefts, and vandalism of vehicles and property, and public nuisance crimes.
- **Incompatibility of Business Activities.** Three participants stated that their operations were not compatible with a major retailer nearby. As retail continues to penetrate the market area, many of the light industrial firms that had flourished for years are now experiencing pressure from traffic congestion and changes in property values. The three participants that raised this issue are contemplating moving or ceasing their operations.
- **Lack of Public Participation.** Three firms expressed concern that they were not included in the public participation process as Wal-Mart and other large retail enterprises sought approval to locate their stores in the market area. One firm questioned why small businesses in other neighborhoods in Salt Lake City have received financial assistance to facilitate relocation, yet firms in the Wal-Mart market area have not been approached with similar offers.

and repeatedly modified its design for the Highland Drive store. Conversely, with the exception of the zone change for the Home Depot store, planning authorities made no significant concessions to the retailers. Public concessions to major retail development should be avoided in a competitive retail market.

- Traffic impacts cannot be measured strictly in numbers; the potential of retail traffic to compromise existing businesses must be considered.
- The Wal-Mart Supercenter has been disruptive to area businesses and has displaced some existing businesses whose activities are incompatible with retail activity. Businesses are either shutting down or relocating to other areas. The potential for incompatible business activities should be considered in master planning efforts and site approvals.
- When assessing the impact of large-format retail on small business, it is important to understand that small business activities encompass a variety of business sectors; it is possible that a large retailer can exist in harmony with small businesses. The Home Depot store is a good example of this, as the market area boasts a vibrant collection of small, locally owned businesses that do not compete with Home Depot.
- The adverse impacts of a large-format retail establishment can be mitigated if it is an infill development that ties into public transit, established neighborhoods, or an underserved market.
- A large-format retail store built at the edge of a small town or as part of a vast new suburban development may have an entirely different impact on the area's economy.
- Small businesses are a significant investment in our community and are vital to our economic welfare. While national chain retailers provide notable employment opportunities and consumer choices, the strategic importance of small businesses should be

considered as national chain retailers continue to expand their presence.

The baseline study concluded that Wal-Mart Supercenter and Home Depot store do not conform to patterns commonly attributed to large-format retailers. First, the stores in the BEBR study were infill projects, and do not fit the characteristics of suburban expansion. Consequently, their impacts are in many respects unique to the neighborhoods they were placed in. Secondly, national retailers have dominated the region's market for home improvement centers and discount retail stores for some time now, so initial impacts on local businesses are a result of incompatibility, not direct competition. In this regard, the damage was done long ago, when national retailers began to undermine local merchants in the grocery, general retail, and specialty goods market. Nonetheless, local businesses are impacted.

This article is an illustration of two developments that are relevant to the larger debate on large-format retail. Despite the limitations of using a survey of business revenue and employment in arriving at a valid and reliable comparison of economic impact, the baseline study included a detailed analysis of the areas surrounding each retailer, providing the basis of future study. Determining the extent of the impact will require a second look at the market areas in the near future.

References

¹“The Andersonville Study of Retail Economics” and “Economic Impact Analysis: A Case Study (Austin)” by Civic Economics and “The Economic Impact of Locally Owned Businesses vs. Chains: A Case Study in Midcoast Maine” by the Institute for Local Self-Reliance are three prominent studies that advance this argument.

²Stores such as Barnes and Noble Booksellers, Office Depot, and PetSmart fit this category.

³“Consumer Benefits from Increased Competition in Shopping Outlets: Measuring the Effect of Wal-Mart” by Jerry Hausman and Ephraim Leibtag, Revised Draft dated October 2005.

⁴According to the Small Business Administration, 44 percent of the establishments operating in the Salt Lake City-Ogden MSA in 2002 had fewer than 10 employees. It is likely that a large percentage of these small businesses comprise the base of locally owned businesses.

This information can be accessed at:
www.sba.gov/advo/research/data.html

⁵“Is Wal-Mart good or bad? It's still a mystery” Reuters article dated November 4, 2005, posted on MSNBC.com.

⁶The geographic boundaries of the Central Business District are: 300 East, North Temple, 400 South and 500 West. Retail activity in the CBD includes the downtown malls and the Gateway.

⁷A planned unit development is a form of residential construction whereby some traditional zoning or land use regulations are waived, in order to give the developer greater flexibility in building and site design issues in accordance with a general plan. Traditionally, PUDs are built at slightly higher densities than most single-family residences, and can include a mix of land uses within the development.

⁸Newreach, Inc. and the Bureau of Economic and Business Research.

⁹Conversation with Doug Wheelright, Deputy Director, Salt Lake City Planning Department, 28 June 2005

¹⁰Conversation with Curtis Woodward, Staff Planner, Salt Lake County Planning Department, 27 June 2005

¹¹Tables 6 and 7, East Salt Lake Home Depot Traffic Impact Study, Sear-Brown, 2003.

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