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**Estimated Fiscal and Economic  
Impact of a  
Proposed New Walmart  
In Powhatan County**

**January 2010**





Mangum Economic Consulting, LLC is a Richmond, Virginia based firm that specializes in producing objective economic, quantitative, and qualitative analysis in support of strategic decision making. Examples of typical studies include:

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Dr. Mangum earned his Ph.D. in economics at George Mason University in 1995, where he was fortunate enough to receive his training under Nobel Laureate James Buchanan and the team of colleagues Dr. Buchanan had recruited to the Center for Study of Public Choice. He has nearly two decades of experience in quantitative analysis and policy development at the federal and state level.



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## Executive Summary

This report assesses the likely fiscal and economic consequences associated with the proposed construction of a new Walmart store and adjacent additional retail development in Powhatan County. The most important findings from that assessment are as follows:

1. The proposed development would generate approximately \$652 thousand in additional annual county revenue during its operations stage.
2. The broader economic impact of the proposed new Walmart store and adjacent additional retail development on Powhatan County is estimated to be:
  - *Additional Economic Output* – \$21.9 million in one-time direct and indirect economic benefits during the construction stage, and \$21.5 million in on-going annual direct and indirect economic benefits during the operations stage.
  - *New Jobs* – 120 one-time additional new jobs during the construction stage and 367 on-going additional jobs during the operations stage.
3. The proposed new development would enable Powhatan County to:
  - Capture the substantial sales tax revenue that is currently lost when county residents leave the county to make their retail purchases.
  - Further diversify the county’s revenue profile to provide additional support for the rapidly rising educational expenditures that the county has experienced as a result of sharply increased residential growth.
  - Provide job opportunities that would enable county residents to find employment in the community in which they live.

## Introduction

This report assesses the likely fiscal and economic consequences associated with the proposed construction of a new Walmart store and adjacent additional retail development in Powhatan County. In the pages that follow, we: 1) provide detail on the proposed development, 2) quantify the likely fiscal impact and overall economic impact that the development would have on Powhatan County, and 3) evaluate other economic implications of the project. This report was prepared by Mangum Economic Consulting, LLC.

## Project Detail

The proposed development would be located on a 33 acre tract positioned northwest of the intersection of Route 60 and Luck Stone Road. After full build-out, the development would include:

- 1) 155,000 square foot Walmart store that would employ approximately 300 individuals, and
- 2) 15,000 square feet of adjacent retail development that would employ approximately 50 individuals.

## Economic Impact

In this section, we address two categories of economic impact: 1) the direct fiscal impact that the development would have on Powhatan County's tax revenues, and 2) the broader economic consequences that the development would have on the county's economy as a whole.

### Fiscal Impact

#### *Construction Stage*

During the construction stage of the project, Powhatan County tax revenues will be directly impacted in three ways: 1) county fees associated with the project, 2) the sales tax revenue associated with local material purchases, and 3) the property tax revenue associated with equipment purchases made by local firms. Of these three revenue streams, county fees are most certainly the largest and most certain to predict. It is expected that county permitting fees associated with this project will be approximately \$49,000.<sup>1</sup>

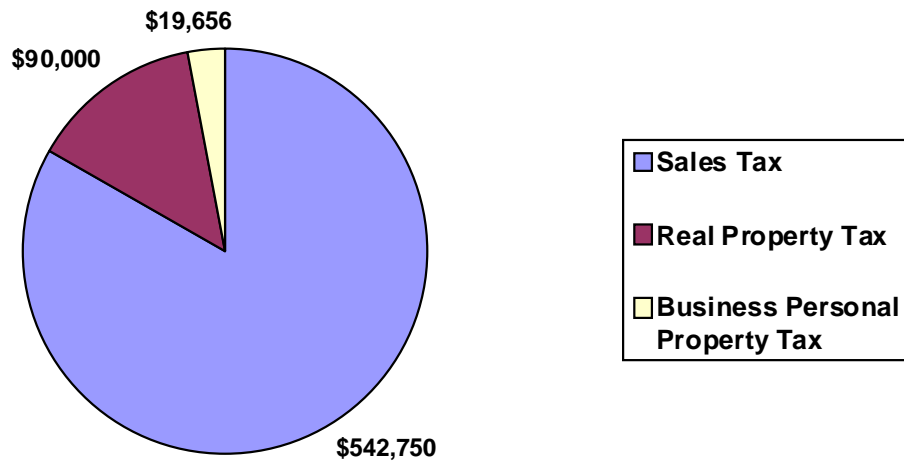
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<sup>1</sup> *Data Source:* Bowman Consulting.

*Operations Stage*

When the proposed Walmart and adjacent retail development become fully operational, Powhatan County will benefit from three revenue sources: 1) sales tax on consumer purchases, 2) tax revenue from the enhanced value of the real property, and 3) business personal property tax revenue levied on equipment and furnishings. As shown in Figure 1, the annual county tax revenue derived from these three revenue streams is estimated to be \$652 thousand.<sup>2</sup>

**Annual Powhatan County Revenue  
\$652 thousand**



**Figure 1: Estimated Annual Powhatan County Revenues from Operations Stage**

Tables 1 through 3 provide a detailed breakdown of the calculations and assumptions used to derive estimates for each of the three revenue streams depicted in Figure 1.

<sup>2</sup> Because these estimates of future tax revenue attempt to foresee circumstances and events that have not yet occurred, it is not possible to provide any assurance that they will be representative of actual financial performance.

**Table 1: Estimated Local Sales Tax – Operations Stage**

	Annual Sales <sup>3</sup>	Sales Tax <sup>4</sup>
Walmart store (general merchandise)	\$30,225,000	\$302,250
Walmart store (grocery)	\$20,150,000	\$201,500
Adjacent Retail	\$3,900,000	\$39,000
<b>TOTAL</b>		<b>\$542,750</b>

**Table 2: Estimated Real Property Tax – Operations Stage**

	Real Property Tax <sup>5</sup>
Walmart store	\$90,000
Adjacent Retail	N.A.
<b>TOTAL</b>	<b>\$90,000</b>

<sup>3</sup> Assumes that: 1) the adjacent retail development will be comprised of a restaurant and other mixed retail, 2) annual sales from the Walmart are equivalent to \$325 per square foot, annual sales from the restaurant are equivalent to \$350 per square foot, and annual sales from the other mixed retail are equivalent to \$300 per square foot (these figures are derived from average retail sales per square foot data obtained from *Bizminer*), 3) the restaurant will be approximately 6,000 square feet and the other mixed retail will be approximately 6,000 square feet (3,000 of the 15,000 square feet of adjacent mixed retail is assumed to be allocated to other uses (*e.g.*, restrooms, walkways, etc.)) and 4) Walmart sales from food are equivalent to 40 percent of total sales and Walmart sales from non-food items are equivalent to 60 percent of total sales (these proportions are based on proprietary data provided by Walmart).

<sup>4</sup> Assumes a one percent county share of the sales and use tax. *Data Source*: “2009-10 Virginia Guide to Local Taxes on Business,” Virginia Economic Development Partnership.

<sup>5</sup> *Data Source*: Walmart. Estimate is based on an average of the property tax paid by the six most comparable Walmart stores within Virginia. Comparable estimates were not available for the planned adjacent retail stores.

**Table 3: Estimated Business Personal Property Tax – Operations Stage**

	<b>Business Personal Property Value<sup>6</sup></b>	<b>Assessment Ratio<sup>7</sup></b>	<b>Assessed Market Value<sup>8</sup></b>	<b>Business Personal Property Tax<sup>9</sup></b>
<b>Walmart store</b>	\$1,550,000	30%	\$465,000	\$16,740
<b>Adjacent Retail</b>	\$270,000	30%	\$81,000	\$2,916
<b>TOTAL</b>				<b>\$19,656</b>

### Economic Impact

In this section, we assess the broader economic impact that the proposed Walmart store and adjacent retail development are likely to have on Powhatan County’s economy. To accomplish this we employ a commonly used regional economic impact model called IMPLAN.<sup>10</sup> The IMPLAN model uses regional and national economic data to construct traditional Keynesian multipliers and uses those multipliers to quantify economic impact.

Keynesian multipliers are named after the British economist John Maynard Keynes. They measure the ripple effects that an expenditure has as it makes its way through the economy. For example, as when the income that construction workers receive from a development project are spent on food, clothing, and other goods and services, thereby becoming income for someone else, which is in turn spent, thereby becoming income for yet someone else, and so on, and so on. Through this process, one dollar in expenditures generates multiple dollars of income. The mathematical relationship between the initial expenditure and the total income generated is the Keynesian multiplier.

<sup>6</sup> *Data Source:* “Field Appraisers Guide,” Texas Comptroller of Public Accounts, April 2003. Based on published benchmarks, we assume that taxable personal property for the Walmart store equals \$10 per square foot, for the adjacent restaurant \$33 per square foot, and for the adjacent mixed retail \$12 per square foot.

<sup>7</sup> Assumes that, over the life of the operation personal property will be on average four years old, or at the mid-point of its useful life. *Data Source:* “2009-10 Virginia Guide to Local Taxes on Business,” Virginia Economic Development Partnership.

<sup>8</sup> Projected property value times assessment ratio.

<sup>9</sup> Assumes a \$3.60 per \$100 tax on business personal property. *Data Source:* “2009-10 Virginia Guide to Local Taxes on Business,” Virginia Economic Development Partnership.

<sup>10</sup> IMPLAN is produced by Minnesota IMPLAN Group, Inc.

Economic impact is generally referred to in terms of “direct” and “indirect.” Direct economic impact measures the immediate economic effect of an event (*e.g.*, development costs). Indirect economic impact measures the cumulative impact of the ripple effects generated by the direct economic impact (*e.g.*, the chain of economic transactions described above). In the estimates that follow, two forms of direct and indirect economic impact are provided. The first is economic output, or the dollar value of the impact. The second, is the number of jobs that are created in connection to that economic output.

Consistent with our earlier fiscal impact analysis, we assess average annual economic impact for two distinct periods – the construction stage and the on-going operations stage.

### *Construction Stage*

In assessing the likely economic impact attributable to the proposed development during this stage, we employ the following assumptions:

- The model takes into account projected expenditures for site preparation, storm drainage, landscaping, water and sewer, sidewalks, parking lot, roads, and buildings, as well as architectural and engineering services.<sup>11</sup>
- 60 percent of expenditures for site preparation, storm drainage, landscaping, water and sewer, sidewalks, parking lot, roads, and building construction are spent locally.<sup>12</sup>
- zero percent of expenditures for architects, engineers, field engineers and surveyors are spent locally.<sup>13</sup>

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<sup>11</sup> Total project costs for the Walmart store are estimated to be \$19,838,453. Of this total: 1) site preparation, storm drainage, landscaping, water and sewer, sidewalks, parking lot, and road construction account for \$6,628,240, 2) off-site road improvements account for \$1,519,199, 3) building construction accounts for \$9,283,000, 4) outparcel development accounts for \$115,914, 5) engineering and architectural services account for \$1,238,750, and 6) impact and permit fees account for \$1,053,350. Total project costs for the adjacent mixed retail development are estimated to be \$1,715,000. Of this total: 1) site preparation, storm drainage, landscaping, water and sewer, sidewalks, parking lot, and road construction account for \$715,000, and 2) building construction accounts for \$1,000,000. *Data Source:* Bowman Consulting.

<sup>12</sup> This assumption is based on information provided by Walmart and is predicated on their past experience. In addition, there are other supporting data that confirm the likely accuracy of this assumption. Based on 2008 annual employment data, the location quotient for the construction industry in Powhatan County was 3.2 that year. This indicates that the construction industry’s “footprint” in Powhatan County is 3.2 times larger than one would expect based on the statewide norm. *Data Source:* Virginia Employment Commission.

<sup>13</sup> This assumption is based on information provided by Walmart and is predicated on their past experience. For this reason, all expenditures on architectural and engineering services are excluded from the economic impact assessment.

By feeding these assumptions into the IMPLAN model, we obtain the following estimates of the direct and indirect economic impact on Powhatan County associated with the construction stage of the proposed Walmart store and adjacent retail development. As shown in Table 4, with respect to overall economic output, it is estimated that the combined direct and indirect economic impact will be \$21.9 million. In addition, the construction stage of the project will generate an estimated 120 new jobs.

**Table 4: Economic Impact during Construction Stage**

<b>Walmart Store</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$17,546,353	\$2,403,250	\$19,949,603
Employment	90	19	109
<b>Adjacent Retail (restaurant and other mixed retail)</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$1,715,000	\$234,098	\$1,949,098
Employment	9	2	11
<b>TOTAL</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$19,261,353	\$2,637,348	\$21,898,701
Employment	99	21	120

## *Operations Stage*

The following assumptions are employed in this portion of the analysis:

- The model takes into account the estimated retail sales and employment associated with on-going operations at the proposed Walmart store and adjacent retail development.<sup>14</sup>

Based on these assumptions and estimates derived from the IMPLAN model, we project that the combined direct and indirect economic impact on Powhatan County of on-going operations at the proposed Walmart store and adjacent retail development will be \$21.5 million annually, in terms of overall economic output. In addition, on-going operations at these stores will generate an estimated 367 total permanent new jobs within the county. These figures are presented in Table 5.

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<sup>14</sup> Assumes that: 1) the adjacent retail development will be comprised of a restaurant and other mixed retail, 2) annual sales from the Walmart are equivalent to \$325 per square foot, annual sales from the restaurant are equivalent to \$350 per square foot, and annual sales from the other mixed retail are equivalent to \$300 per square foot (these figures are derived from average retail sales per square foot data obtained from *Bizminer*), 3) the restaurant will be approximately 6,000 square feet and the other mixed retail will be approximately 6,000 square feet (3,000 of the 15,000 square feet of adjacent mixed retail is assumed to be allocated to other uses (*e.g.*, restrooms, walkways, etc.)) 4) Walmart sales from food are equivalent to 40 percent of total sales and Walmart sales from non-food items are equivalent to 60 percent of total sales (these proportions are based on proprietary data provided by Walmart), and 5) the gross operating margin for Walmart sales from food is 28.6 percent and for sales from non-food 27.9 percent, while the gross operating margin for other mixed retail is 27.7 percent (these figures are taken from the U.S. Census Bureau's *Annual Retail Trade Survey* for 2007).

**Table 5: Economic Impact during Operations Stage**

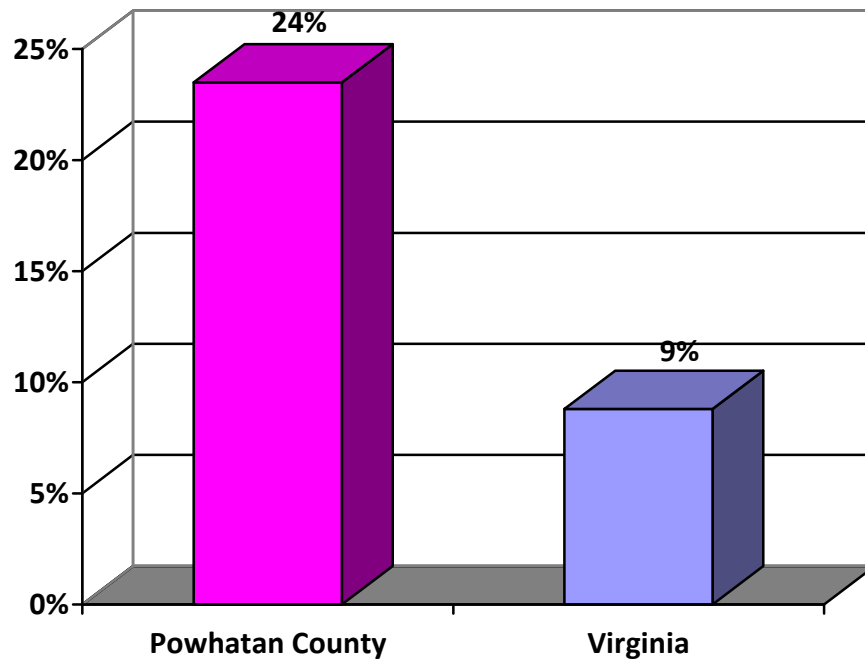
<b>Walmart Store</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$14,195,674	\$3,998,995	\$18,194,669
Employment	278	30	308
<b>Adjacent Retail (restaurant)</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$2,100,000	\$595,655	\$2,695,656
Employment	43	5	48
<b>Adjacent Retail (mixed retail)</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Output	\$479,930	\$134,951	\$614,881
Employment	10	1	11
<b>TOTAL</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
<b>Output</b>	\$16,775,605	\$4,729,601	\$21,505,206
<b>Employment</b>	331	36	367

## Other Economic Implications

In this section, we evaluate some of the other economic implications that construction of the proposed Walmart store and adjacent additional retail development would have for Powhatan County’s economy.

### Recent Population and Employment Trends

In recent years, Powhatan County has experienced significant population growth. As shown in Figure 2, between 2000 and 2008 the county’s total population grew from 22,377 to 27,632, an increase of 23.5 percent. In contrast, over the same period the population of Virginia as a whole increased by only 8.8 percent.



**Figure 2: Population Growth between 2000 and 2008<sup>15</sup>**

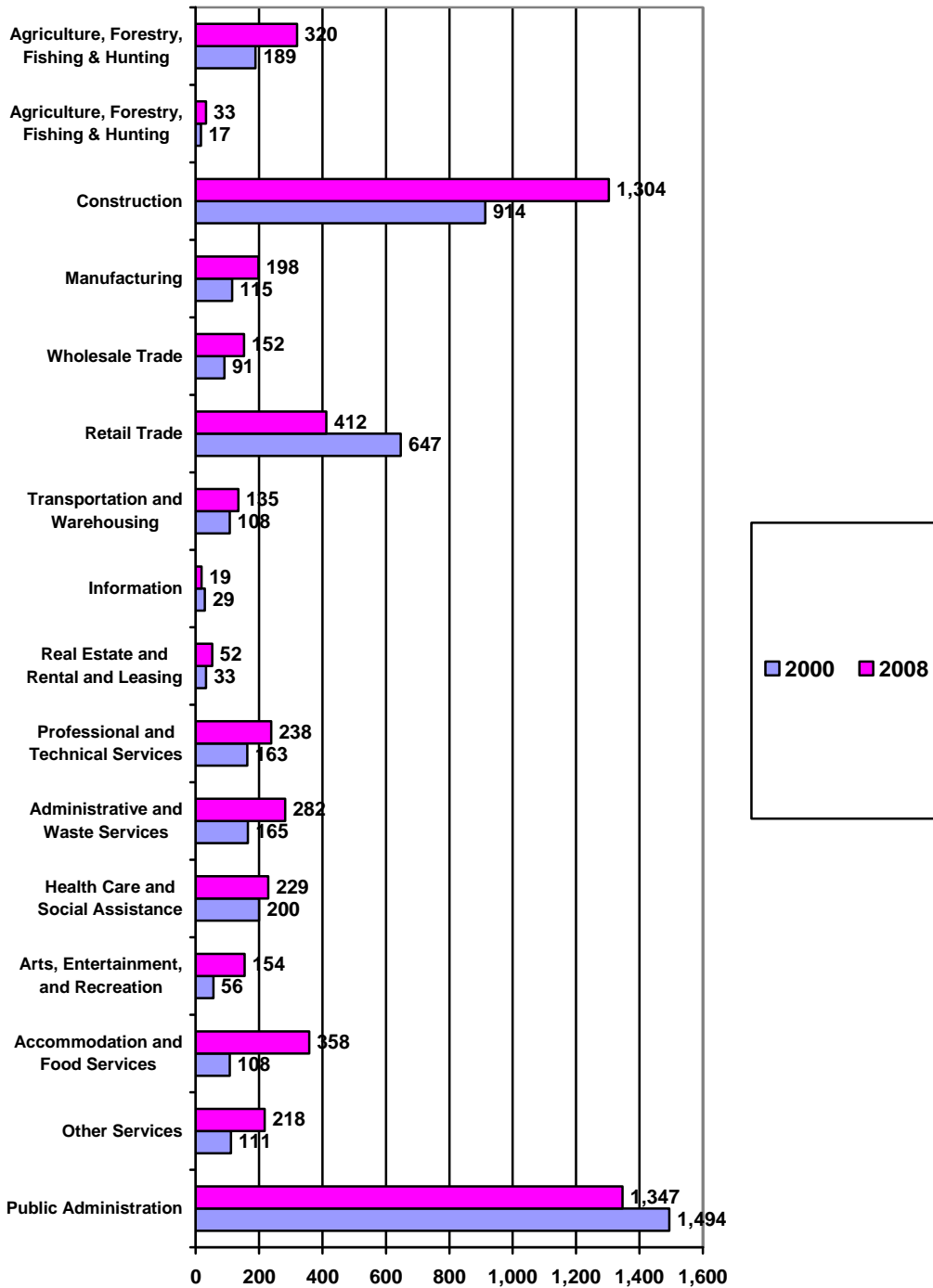
In addition to experiencing significant population growth, the county has also experienced significant employment growth. Between 2000 and 2008, total county employment grew from 5,128 to 6,355, an increase of 23.9 percent. By

<sup>15</sup> *Data Source:* U.S. Census Bureau. Population estimates for 2000 are taken from the 2000 decennial census. Population estimates for 2008 are derived from the Community Survey and are actually for the period 2006 to 2008.

way of comparison, over the same period total statewide employment in Virginia increased by only 7.0 percent.

Figure 3 provides additional detail on the total change in employment in Powhatan County between 2000 and 2008 by breaking that aggregate number down according to major industry sector. As this graph shows, the largest absolute change in employment during the period occurred in the *Construction* sector, which grew by 390 jobs or 42.7 percent. The second largest absolute change in employment occurred in the *Accommodation and Food Services* sector, which grew by 250 jobs or 231.5 percent (the vast majority of this increase (248 jobs) was attributable to *Food Services and Drinking Places* (e.g., restaurants)). Importantly, the third largest absolute change in employment depicted in Figure 3 occurred in the *Retail Trade* sector, which contracted by 235 jobs or 36.3 percent between 2000 and 2008.

Taken in combination, these data paint a picture of a county that is experiencing rapid growth in terms of overall population and employment, but nonetheless, has also experienced a significant decline in its *Retail Trade* sector. These diverging trends have obvious implications regarding potential unmet local demand within the county's *Retail Trade* sector.



**Figure 3: Powhatan County Employment by Major Industry Category – 2000 and 2008<sup>16</sup>**

<sup>16</sup> Data Source: Virginia Employment Commission.

## Impact on Retail Trade Sector

One of the problems associated with estimating the true economic impact of a proposed retail development is knowing the extent to which the new economic activity generated by the development will come at the expense of existing retail enterprises. If the new development simply displaces existing retail trade, then its net economic impact on the community could be close to zero. In this portion of the analysis, we address two aspects of this question: 1) the effect that a new Walmart is likely to have on aggregate retail sales, and 2) the effect that a new Walmart is likely to have on other current and future businesses within the county.

### *Aggregate Impact on Retail Trade Sector*

Beginning with Kenneth Stone's study of the impact of Walmart on rural communities in Iowa in 1989, many economists have sought to empirically evaluate the impact that a new Walmart has on the economy of its host locality.<sup>17</sup> One of the most consistent findings from these studies is that the opening of a new Walmart has a significant and positive net impact on the size of the host community's retail trade sector.

For example, in Stone's early work on Iowa communities, he found that a new Walmart store was associated with a sharp increase in retail trade.<sup>18</sup> A 1995 study of communities in the upper mid-west by McGee and Gresham found that a new Walmart store generated increased retail trade in the host community and declines in surrounding communities.<sup>19</sup> A 1999 analysis by Artz and McCannon of Maine communities, and a 2002 analysis of Stone, Artz, and Myles of Mississippi communities, showed that a new Walmart produced very large increases in general merchandise retail sales within the host community.<sup>20</sup> Later, more sophisticated econometric analyses by Hicks and Wilburn (2001) of West Virginia communities and Basker (2005) of U.S. counties, showed similar results.<sup>21</sup> Both studies found

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<sup>17</sup> See: K. E. Stone, "The Impact of Wal-Mart Store on Other Businesses in Iowa," Iowa State University, 1989; K. E. Stone, "The Impact of Wal-Mart Stores on Iowa Communities: 1983-93," *Economic Development Review*, Spring 1995; and K. E. Stone, "Impact of Wal-Mart Phenomena on Rural Communities," Iowa State University, 1997.

<sup>18</sup> K. E. Stone, "The Impact of Wal-Mart Store on Other Businesses in Iowa," Iowa State University, 1989.

<sup>19</sup> J. E. McGee and G. G. Gresham, "When Wal-Mart Comes to Town: A Look at the Retail Giant's Impact on Rural Communities," Babson Foundation, 1995.

<sup>20</sup> G. M. Artz and J. C. McCannon, "The Impact of Wal-Mart on Host Towns and Surrounding Communities in Maine," mimeo, 2001; and K. E. Stone, G. Artz, and A. Myles, "The Economic Impact of Wal-Mart Supercenters on Existing Businesses in Mississippi," mimeo, 2002.

<sup>21</sup> M. J. Hicks and K. Wilburn, "The Regional Impact of Wal-Mart Entrance: A Panel Study of the Retail Trade Sector in West Virginia," *Review of Regional Studies*, vol.31, no.3, 2001; and E. Basker, "Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion," *Review of Economics and Statistics*, vol.87, no.1, 2005.

that the entrance of a new Walmart was associated with increased employment within the host locality's retail trade sector.

Importantly, this general finding that a new Walmart is typically associated with net positive growth in the size of the host community's retail trade sector is also borne out by Virginia's own experience. Using local sales tax revenue data from the Virginia Auditor of Public of Accounts as a proxy for retail sales, we compared average local sales tax revenue for the two years prior to the opening of a new Walmart, to average local sales tax revenue for the two years after the opening of a new Walmart, for six Virginia localities that are generally comparable to Powhatan County.<sup>22</sup> The results of that analysis are displayed in Table 6.

What these data show is that, on average these six localities experienced a 28.7 percent increase in local sales tax revenue after the new Walmart store was opened. Even after controlling for statewide trends in the growth of local sales tax revenue over the same period, the average increase in local sales tax revenue within these six localities (and therefore the average increase in local retail sales) was 14.3 percent. Put another way, after the opening of a new Walmart store, the retail trade sector within these localities experienced a rate of growth that was twice as large as the statewide norm.

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<sup>22</sup> These six localities were selected because of their general comparability to Powhatan County.

**Table 6: Pre-Walmart and Post-Walmart Changes in Local Sales Tax Revenue<sup>23</sup>**

Locality	Year Walmart opened	Selected Locality			All Localities			Difference between locality and statewide average
		Average sales tax revenue for two years prior to opening	Average sales tax revenue for two years after opening	Percentage change	Average sales tax revenue for two years prior to opening	Average sales tax revenue for two years after opening	Percentage change	
Amherst County	1995	\$1,206,501	\$1,307,203	8.3%	\$448,022,978	\$468,150,390	4.5%	3.9%
City of Ashland	1991	\$306,288	\$388,229	26.8%	\$778,427,852	\$910,918,521	17.0%	9.7%
Culpeper County	2002	\$1,807,647	\$2,542,865	40.7%	\$501,455,507	\$598,075,127	19.3%	21.4%
Franklin County	1996	\$1,786,832	\$2,257,655	26.3%	\$541,375,572	\$631,096,577	16.6%	9.8%
Gloucester County	1995	\$2,279,667	\$2,979,242	30.7%	\$761,849,505	\$838,412,415	10.0%	20.6%
City of Staunton	2003	\$2,124,352	\$2,961,320	39.4%	\$501,455,507	\$598,075,127	19.3%	20.1%
<b>Average</b>				<b>28.7%</b>			<b>14.4%</b>	<b>14.3%</b>

<sup>23</sup> Data Source: Virginia Auditor of Public Accounts.

“Pull factors” are an important metric that economists use to evaluate the impact of a new Walmart on a host community’s retail trade sector and were first employed by Stone in 1989. The pull factor is the ratio of local retail sales to local population, divided by the ratio of statewide retail sales to statewide population. If the pull factor is greater than one, the locality exhibits a higher level of retail sales relative to its population than one would expect based on the statewide average. If the pull factor is below one, the reverse is true – the locality exhibits a lower level of retail sales relative to its population than one would expect based on the statewide average.

According to data from the Virginia Auditor of Public Accounts (and using sales tax revenue as a proxy for retail sales), Powhatan County’s pull factor was 0.54 in fiscal year 2008.<sup>24</sup> That means that Powhatan County’s retail trade sector was only about half the size that one would expect, based on the county’s population, and indicates that county residents are likely traveling outside of the county to make a significant portion of their retail purchases.<sup>25</sup> This finding has two important implications regarding the proposed Walmart store and adjacent additional, retail development.

The first is that much of the proposed Walmart’s and adjacent additional retail development’s sales are likely to come from this locally unmet demand, rather than at the expense of existing county retail businesses. The second is that, since all sales tax revenue generated by the retail purchases that county residents make outside of Powhatan County are lost to the county, the proposed project will enable Powhatan County to capture a larger proportion of those lost tax revenues.

### *Impact on Other Businesses*

Although the empirical literature is fairly clear on the net positive impact that a new Walmart has on the overall size of a host community’s retail trade sector, the findings with regard to its impact on other current and future businesses tend to be more mixed. Some studies, such as Hicks and Wilburn’s 2001 analysis of West Virginia communities, find that the entrance of a new Walmart actually increases the number of other retail establishments, while others, such as Basker’s 2005 analysis of U.S. counties, find that it is associated with a modest decrease in the number of other retail establishments.

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<sup>24</sup> *Data Source:* Virginia Auditor of Public Accounts.

<sup>25</sup> For purposes of this analysis, we have restricted the data to counties only. The reason for this was to make the calculation as relevant to Powhatan County’s existing and potential sales tax revenue stream as possible.

The likely reason for these mixed results is that the entrance of a Walmart into a community drives two separate and countervailing effects. The first is generally referred to as a *spillover effect*. As the studies and analysis presented in the previous section demonstrate, a new Walmart increases aggregate retail sales in its host community. In doing so, it also increases the number of retail shoppers. Retail and other businesses that are not in direct competition with Walmart (*e.g.*, restaurants, gas stations, specialty stores, and others) tend to reap a spillover benefit from these additional retail shoppers in terms of increased sales, employment, and number of establishments.

The second effect could be called a *direct competition effect*. This effect applies to local businesses that are selling the same products as the Walmart to the same clientele (*e.g.*, other discount stores, some grocery stores, and pharmacies). Without some differentiation of product or service, these businesses may experience a loss in sales as some customers choose to avail themselves of the lower prices that the larger discount store can offer.

What is fairly clear, however, is that contrary to the claims made by some Walmart opponents, the entrance of a new Walmart does not simply lay waste to a host community's existing retail sector. This is because, in reality, most existing retail businesses within the host community are following a different business model and offer consumers a basket of products, services, and amenities that are different from those offered by Walmart. For example, in a recent, and very comprehensive, analysis of big box retail in the city of Austin, Texas, the authors concluded that,

*There appears to be relatively little direct competition between big boxes and local retailers; where competition does exist, prices tend to be comparable. In general, locally owned retailers employ a different business model to succeed.*<sup>26</sup>

And closer to home, an article that appeared in the Richmond Times Dispatch this past August that evaluated the town of Ashland's experience with Walmart concluded that,

*Six years after the Wal-Mart came to town, Ashland is still Ashland. There's still a quaint downtown with railroad tracks running down the middle of the main street, and there's still a bustling business corridor just off Interstate 95. Mom-and-pop stores and local restaurants still flank the tracks of the historic district, offering*

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<sup>26</sup> Texas Perspectives, Inc., "Big Box Retail and Austin," June 1, 2004.

*locals, college kids and passers-by ample opportunity to soak in the small town charm.*<sup>27</sup>

### *Summary of Impact on Retail Trade Sector*

In sum, with respect to:

1. the effect that a new Walmart is likely to have on aggregate retail sales in Powhatan County, the findings from previous empirical studies and Virginia's own experience in other localities are clear – it will likely have a positive and significant impact on the size of Powhatan County's retail trade sector,
2. the effect that a new Walmart is likely to have on other current and future businesses within Powhatan County, the findings from previous empirical studies indicate a mixed result – a) businesses that are not in direct competition with Walmart (*e.g.*, restaurants, gas stations, and specialty stores) will likely reap a spillover benefit in terms of additional retail shoppers and sales, while b) businesses that are selling the same products to the same clientele as Walmart (*e.g.*, other discount stores, some groceries and pharmacies) may experience a loss in sales.

### Fiscal Considerations

In this portion of the analysis, we place the likely fiscal contribution that the proposed Walmart and adjacent retail development would make to Powhatan County's budget in the context of the county's recent fiscal trends. Figure 4 details the changes that took place in the county's expenditures between 2000 and 2008. Over this period, total expenditures went from \$31.8 million to \$62.3 million, an increase of \$30.5 million or 95.7 percent. As Figure 4 clearly shows, increased expenditures on education accounted for the bulk of this increase. Consistent with the county's rapid population growth, expenditures on education services went from \$22.6 million in 2000 to \$43.9 million in 2008, an increase of \$21.3 million or 94.1 percent.

Figure 5 provides similar data for the local revenue side of the budget. Overall between 2000 and 2008, Powhatan County's local revenue<sup>28</sup> went from \$17.8 million to \$39.4 million, an increase of \$21.6 million or 120.8 percent. The

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<sup>27</sup> Zachary Reid, "Ashland a symbol that small towns, Wal-Mart can co-exist," Richmond Times Dispatch, August 31, 2009.

<sup>28</sup> Excludes revenue from state and federal governments.

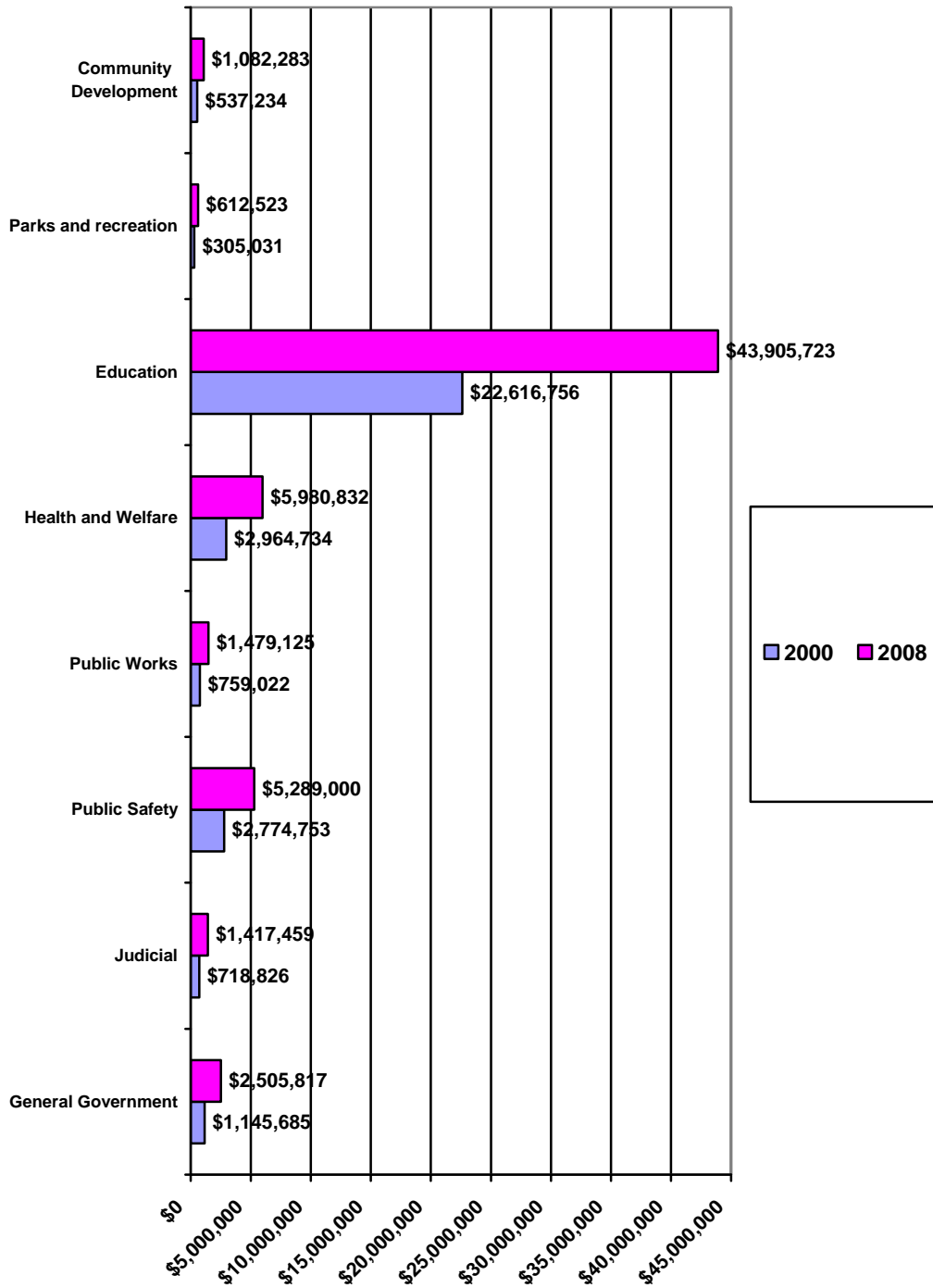
largest proportion of this increase came from general property taxes which went from \$12.5 million in 2000 to \$29.9 million in 2008, an increase of \$17.4 million or 138.6 percent. Other local tax revenue, which includes local sales tax, increased from \$2.6 million in 2000 to \$5.0 million in 2008, a rise of \$2.4 million or 92.6 percent.

Figures 6 and 7 provide an additional perspective on county revenues. These figures contrast the proportion of total county revenues comprised of local revenue, revenue from the state government, and revenue from the federal government in 2000 to the comparable proportions for 2008. What these figures show is that over this period the county became more dependent on local revenue to meet its budget needs. Between 2000 and 2008, the proportion of total county revenues derived from local revenue increased from 51.6 percent to 54.7 percent. This is a significant trend, and one that will likely continue as mounting state and federal deficits further constrain the ability of those governments to provide aid to localities.

Perhaps the most salient points to be gleaned from these data are that:

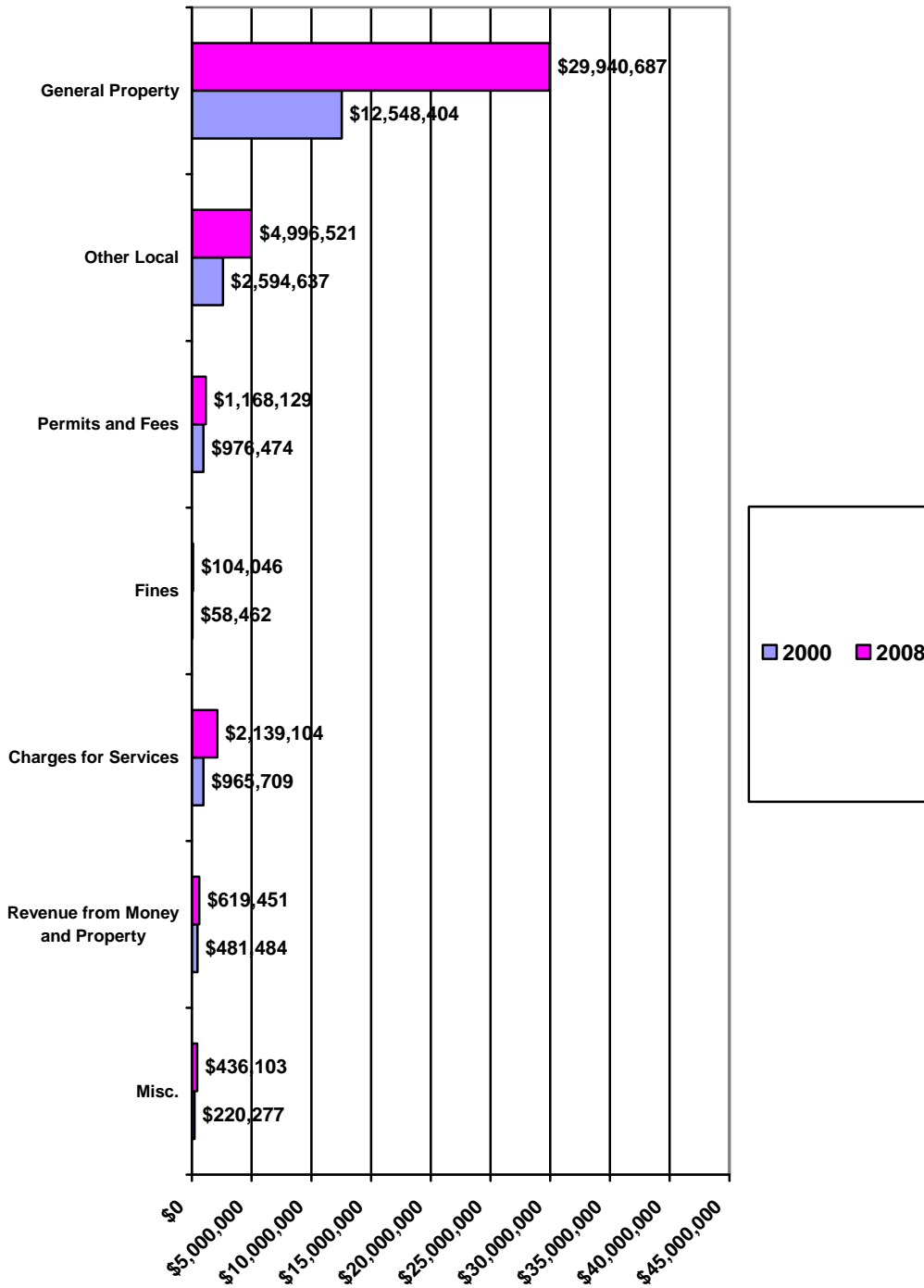
1. the county's significant population growth appears to be driving an equally significant increase in its education budget,
2. the revenue gained from increased residential development (a \$17.4 million increase in general property taxes) appears to lag behind the impact that increased development has on county expenditures (a \$21.3 million increase in education expenditures), and
3. the county is becoming more dependent on its own tax base to meet its current and future budgetary needs (3.1 percent increase in the proportion of the county's budget that is dependent on local revenue).

Taken together, these points clearly illuminate the need for strengthening and diversifying the county's revenue portfolio in a period of increasing residentially-driven budget demands and declining external assistance from the state and federal governments.



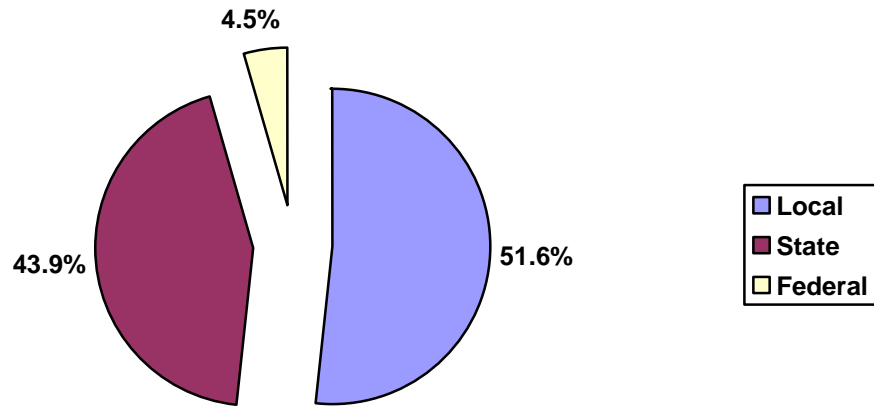
**Figure 4: Powhatan County Expenditures – 2000 and 2008<sup>29</sup>**

<sup>29</sup> Data Source: Virginia Auditor of Public Accounts.

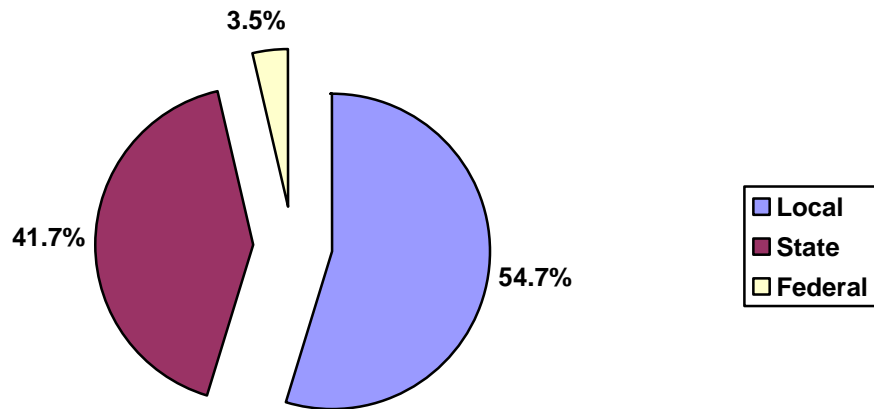


**Figure 5: Powhatan County Local Revenues – 2000 and 2008<sup>30</sup>**

<sup>30</sup> Data Source: Virginia Auditor of Public Accounts.



**Figure 6: 2000 Powhatan County Total Revenue by Source<sup>31</sup>**



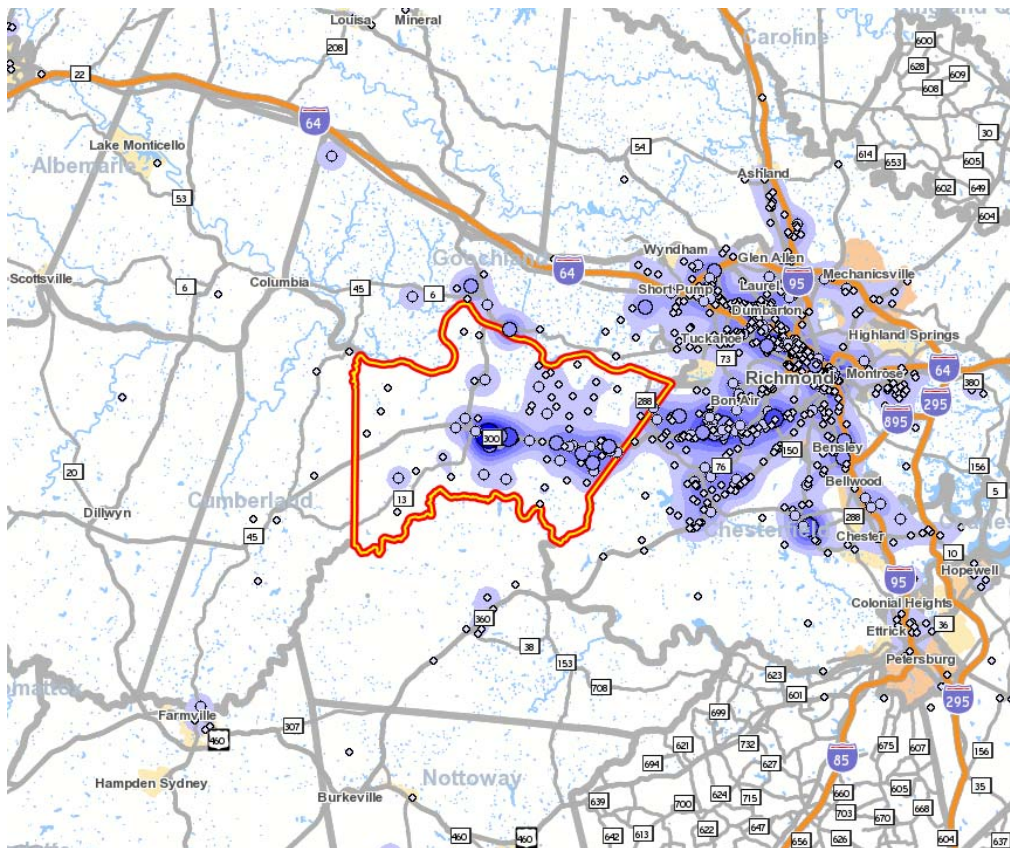
**Figure 7: 2008 Powhatan County Total Revenue by Source<sup>32</sup>**

<sup>31</sup> Data Source: Virginia Auditor of Public Accounts.

<sup>32</sup> Data Source: Virginia Auditor of Public Accounts.

## Providing Local Job Opportunities

According to data from the U.S. Census Bureau, in 2008 only 16.4 percent of the working individuals who lived in Powhatan County were actually employed in Powhatan County. Figure 8 provides a representation of Powhatan County’s “out-commute shed” – where the working individuals who live in the county commute to work. As this map demonstrates, the largest proportion of individuals who commute out of Powhatan County to work, work in Chesterfield County (23.3 percent). Henrico County ranks second at 16.6 percent, and the City of Richmond ranks third at 15.7 percent. The proposed Walmart and associated other retail development would aid in altering this dynamic by providing additional employment opportunities within Powhatan County.



**Figure 8: Where Workers Who Live in Powhatan County are Employed – 2008<sup>33</sup>**

<sup>33</sup> *Data Source:* U.S. Census Bureau, Longitudinal Employer-Household Dynamics Program.

## Conclusion

In this report, we have assessed the likely fiscal and economic consequences associated with the proposed construction of a new Walmart store and adjacent additional retail development in Powhatan County. What our analysis has shown is that the proposed project will likely provide several significant benefits to the county.

Our analysis indicates that the proposed project will have a large positive economic impact on Powhatan County. From a purely fiscal perspective, we have shown that during its operations stage, the proposed project would generate approximately \$652 thousand in annual county tax revenue. In terms of the project's larger overall economic effect on Powhatan County, our analysis indicates that the one-time direct and indirect economic impact associated with project construction would be approximately \$21.9 million in economic output and 120 additional jobs. Further, the ongoing economic activity attributable to the proposed Walmart store and adjacent additional retail development is estimated to have an annual direct and indirect economic impact on the county of \$21.5 million in economic output, and 367 new jobs.

Finally, our analysis has shown that the proposed new Walmart store and adjacent additional retail development would enable Powhatan County to: 1) capture the substantial sales tax revenue that is currently lost when county residents leave the county to make their retail purchases, 2) further diversify the county's revenue profile to provide additional support for the rapidly rising educational expenditures that the county has experienced as a result of sharply increased residential growth, and 3) provide job opportunities that would enable county residents to find employment in the community in which they live.

*The estimates provided in this report are based on the best information available and all reasonable care has been taken in assessing that information. However, because these estimates attempt to foresee circumstances that have not yet occurred, it is not possible to provide any assurance that they will be representative of actual events. These estimates are intended to provide a general indication of likely future outcomes and should not be construed to represent a precise measure of those outcomes.*