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Regional Economic Impact Analysis Associated with Proposed WalMart Expansion in Bennington, Vermont

*Prepared for the Vermont Natural Resources Council and
BLS Bennington LC, December 2007*



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Overview and Background

Report Scope and Purpose

The purpose of this analysis is to evaluate the regional economic impacts associated with the proposed expansion of the existing Wal-Mart store in Bennington, Vermont. It evaluates economic and fiscal issues relevant to current Act 250 proceedings associated with the proposed store expansion, and also extends this analysis to a review of potential sub-Town impacts affecting the Bennington downtown district.

This analysis has been conducted on behalf of two opposing parties participating in the Act 250 process, the Vermont Natural Resources Council and the project applicant, BLS Bennington LC. It has utilized data from a wide variety of sources, including confidential data provided by Wal-Mart, data from the Town of Bennington, survey and other data from the Better Bennington Corporation and anecdotal and other data from area realtors, Town officials, local businesses and site and locale visits.

The proposed expansion would approximately double (from 49,453 square feet to 112,126 square feet) the size of an existing Wal-Mart store located on Northside Drive in Bennington, approximately two miles north of the main downtown intersection of Routes 7 and 9.

Qualifications

This report has been prepared by Thomas E. Kavet and Nicolas O. Rockler, principals with Kavet, Rockler and Associates, hereafter, "KRA." Together, the two KRA principals have more than 50 years of combined regional economic modeling, economic impact analysis, econometric, economic and demographic forecasting, database development, strategic planning and economic information systems expertise. We have extensive experience with REMI, IMPLAN, REDYN, BEA and other regional economic modeling systems and source data used in regional economic and fiscal impact analyses. We

also have knowledge of and economic modeling experience with the geographic region that is the focus of the subject analysis, as well as prior analytic experience with large retail developments in the State of Vermont¹.

As Consulting Economist to the Vermont State Legislature since 1996, Thomas E. Kavet has provided expert testimony on a wide range of economic and public policy issues. He has conducted numerous regional economic impact analyses and provides ongoing economic and revenue forecasting services and specific economic analyses in support of topical issues of relevance to the Legislature. Many of the semi-annual economic and revenue forecasts prepared by Mr. Kavet are currently posted on the JFO website at www.leg.state.vt.us/jfo/outlook.htm. Other legislative special studies in the areas of education financing, grand list growth, tax increment financing, tobacco and cigarette taxation, economic development, minimum wage and livable income analysis, diesel fuel taxation, energy policies, the New England Dairy Compact, related agricultural policies, numerous proposed tax changes, public school enrollments and detailed State demographic analyses are available upon request. Mr. Kavet also manages the Vermont REMI, REDYN and IMPLAN econometric models for the State of Vermont, Legislative Joint Fiscal Office and has worked as a consultant for REMI (Regional Economic Models, Inc. of Amherst, MA) and REDYN (Regional Dynamics, Inc.), the economic model system employed in the analysis herein.

Mr. Kavet has been an independent economic consultant based in Vermont for more than 15 years. Prior to that, he was a Vice President at McGraw-Hill/Data Resources, Inc. (DRI), now Global Insight, Inc., the nation's largest economic consulting and forecasting firm. At DRI, Mr. Kavet created and led the Construction and Real Estate Information Service, with responsibility for economic forecasting, econometric modeling, database and information systems development and management of more than 150 employees.

Nicolas O. Rockler completed his post-doctoral fellowship at the Massachusetts Institute of Technology, where he worked extensively with county and regional economic issues and currently teaches regional economics. Dr. Rockler also has extensive prior experience with regional economic data and forecasting as an independent economic consultant and Director of Economic Products at McGraw-Hill/Data Resources, Inc. (DRI). While at DRI, Dr. Rockler managed macro-economic models and forecasts for many U.S. states and led the development of the first nation-wide metropolitan area forecasting service.

Over the past 25 years, Dr. Rockler and Mr. Kavet have collaborated on a wide range of public and private sector economic projects, including the first comprehensive regional estimates of the stock of U.S. buildings; state, city and county-level macro-economic and demographic models; county-level market demand systems; the largest construction and real estate database in the world, and currently, regional economic impact modeling associated with business development subsidies, housing, major hospital and health care policy issues, port and infrastructure development and environmental issues.

¹ See, for example, reports pertaining to a proposed Wal-Mart store in St. Albans, Vermont and the Rutland Home Depot store, both available at www.kavetrockler.com, Archives, Publications

KRA is familiar with, and utilizes in its work, the latest in econometric modeling software and computer systems and has access to both human and data resources in federal and state government, among professional peers and with private sector contacts in a variety of relevant disciplines.

Economic Impact Model Employed - REDYN

The economic impacts associated with the proposed development were evaluated with the use of a detailed regional economic and demographic model. The core economic model used to perform the regional economic impact analysis herein was developed by Regional Dynamics, Inc. (REDYN).² The REDYN model is a dynamic, multi-regional, nonlinear, endogenous, Input-Output (I/O) economic and demographic model based on the North American Industrial Classification System (NAICS). The model is based on I/O methodology, with detailed make and use tables and social accounting matrix features for all entities, a comprehensive commodity production transformation function, and impedance-based commodity trade flows developed by Oak Ridge National Laboratories.

The model estimates employment, output, wages, occupations, income, gross product, demand, self-supply, trade flows and demographic impacts associated with user-defined economic events, such as the analysis herein. All model inputs associated with this analysis were made by KRA, based on general project and background data from Wal-Mart and the Town of Bennington, and in consultation with the REDYN model architect, Dr. Thomas Tanner. The model specification includes all construction and development expenditures, and estimated ongoing operational sales and employment. Based on these direct inputs, the REDYN model estimates secondary indirect and induced impacts for the region and state, as well as demographic impacts.

The REDYN model constructed for this analysis consists of three regions: Bennington County; a Balance of Vermont region combining the remaining 13 Vermont counties; and a Balance of U.S. region encompassing the remainder of the country.

Relevant Act 250 Criteria

There are four criteria in VSA Title 10, Chapter 151, §6086 that are addressed in part or whole via this analysis – Criteria 6, 7, 9(A) and 9(H). This statute states that, “*Before granting a permit, the district commission shall find that the subdivision or development:*

Criterion 6: *Will not cause an unreasonable burden on the ability of a municipality to provide educational services.*

Criterion 7: *Will not place an unreasonable burden on the ability of the local governments to provide municipal or governmental services.*

Criterion 9: *Is in conformance with a duly adopted capability and development plan, and land use plan when adopted. However, the legislative findings of*

² See www.regionaldynamics.com for additional methodological and background information on the REDYN model

sections 7(a)(1) through 7(a)(19) of this act shall not be used as criteria in the consideration of applications by a district commission.

- A) *Impact of growth. In considering an application, the district commission shall take into consideration the growth in population experienced by the town and region in question and whether or not the proposed development would significantly affect their existing and potential financial capacity to reasonably accommodate both the total growth and the rate of growth otherwise expected for the town and region and the total growth and rate of growth which would result from the development if approved. After considering anticipated costs for education, highway access and maintenance, sewage disposal, water supply, police and fire services and other factors relating to the public health, safety and welfare, the district commission or the board shall impose conditions which prevent undue burden upon the town and region in accommodating growth caused by the proposed development or subdivision. Notwithstanding section 6088 of this title the burden of proof that proposed development will significantly affect existing or potential financial capacity of the town and region to accommodate such growth is upon any party opposing an application, excepting however, where the town has a duly adopted capital improvement program the burden shall be on the applicant.*
- H) *Costs of scattered development. The district commission will grant a permit for a development or subdivision which is not physically contiguous to an existing settlement whenever it is demonstrated that, in addition to all other applicable criteria, the additional costs of public services and facilities caused directly or indirectly by the proposed development or subdivision do not outweigh the tax revenue and other public benefits of the development or subdivision such as increased employment opportunities or the provision of needed and balanced housing accessible to existing or planned employment centers.*

Economic, Demographic and Housing Impacts

Source Data Employed in the Analysis

The data used for model inputs was estimated by KRA, based in part on confidential data provided by Wal-Mart³ for the existing Bennington store and seven “comparable” stores, which also underwent similar expansions, located in Maine, Pennsylvania, New Hampshire and New York. Although Wal-Mart provided some estimates of expected sales and employment, we made independent estimates of both, with projections through 2020, as model inputs.

³ See Appendix A for Confidentiality Agreement with Wal-Mart used to obtain data

We estimate first year employment gains of approximately 75 jobs, with incremental sales growth of more than \$20 million following the planned store expansion in 2009. Compound average annual sales growth should exceed 5% over the forecast period used in the model.

The proposed Wal-Mart construction and development expenditure is expected to total more than \$16 million in 2008 U.S. dollars, with ongoing employment at the store of approximately 225 Associates. For modeling purposes, the assumed development and construction period is in 2008, with the expanded store in full operation in 2009. The square footage of the store will increase by 62,673 square feet, a 127% increase from its current size of 49,453 square feet. In the first year of sales following the expansion, sales are expected to more than double, to about \$48 million, in 2009 dollars.

Retail Development and Economic Model Specification

Unlike manufacturing or other export-oriented economic development, retail store development rarely generates substantial net economic growth at the state or regional levels.⁴ Although some regions can develop as retailing centers that “export” sales beyond their boundaries, these rarely extend far beyond the immediate vicinity of the region, unless populated with specialty stores that are otherwise unavailable to consumers outside the region. With the advent of Internet-based shopping and relatively inexpensive delivery options, the local focus of “sticks and bricks” stores has become even more pronounced. Thus, most retail development serves the immediate population of a region and any growth beyond that region’s internal growth in consumption comes with concomitant losses among other retailers.

This is consistent with the stated market “trade area” to be served by both the existing and expanded Wal-Mart store in Bennington⁵. With larger or equivalent retail centers in the Albany, NY area to the west, North Adams, MA and, especially, Pittsfield, MA to the south, Brattleboro, VT/Keene, NH to the east, and Rutland, VT to the north, very little expansion in the served market can be expected via the presence of a larger Wal-Mart store in Bennington. Most of the expanded store’s growth will come at the expense of existing stores in the served market area.

The economic effects of competitive loss can be further accentuated with large retailers such as Wal-Mart, whose labor efficiency and centralized operations reduce local economic multipliers as they supplant smaller local retail establishments. Because Wal-Mart and other national chains tend to internalize and centralize administrative and support functions that would otherwise be purchased externally and locally by smaller retailers, the net employment and other economic effects are often negative when these smaller, less efficient, retailers are replaced by larger, national chain stores. For example, the multiplier effect of smaller local retail business expenditures on accounting, distribution, wholesaling and legal expenses are virtually all captured within the State, if not the immediate town or region, whereas these same expenditures for Wal-Mart are virtually all out-of-region and out-of-State. Proprietor income and profits are also largely

⁴ It is for this reason, for example, that the Vermont Economic Progress Council excludes retail development from State business subsidies, since net economic benefits as measured by its Cost-Benefit Model are close to nil

⁵ As reported by Candace Taylor, Real Estate Manager for Wal-Mart Stores, Inc.

captured in-State and in-region for smaller local retailers, while most of this is exported out-of-State in the case of Wal-Mart and other national chain stores. Charitable giving and related charitable leadership activities by local business owners may also be affected by out-of-region ownership.

Model adjustments that reflect these substitution and other economic effects are often required when the size and character of the retailer are known (such as in this case), in order to estimate regional economic impacts. In the case of Wal-Mart developments, there have been extensive analyses of some of the unique characteristics that may be used in informing economic impact model specification.

Although a preponderance of the literature on job, wage and other economic impacts associated with Wal-Mart developments have been prepared by advocates for one side or the other of a Wal-Mart development and suffer from methodological flaws, biased assumptions and/or poor quality or unavailable source data, there are valid studies that can be used to inform and adjust model inputs.⁶ The findings of many of these studies call into question the use of critical default model “averages,” and were considered in preparing model inputs for this analysis.

The most credible independent study on local employment impacts was released by the highly respected National Bureau of Economic Research (NBER)⁷ in November of 2005, and later updated in December of 2006, entitled, *“The Effects of Wal-Mart on Local Labor Markets.”* This study, by Neumark, Zhang and Ciccarella,⁸ is probably the most extensive unbiased analysis of the economic and employment impacts associated with the introduction of Wal-Mart stores in the U.S. performed to date.

The study focuses primarily on county-level employment and earnings impacts associated with Wal-Mart developments throughout the U.S. It uses an extraordinarily rich dataset, provided in large part by Wal-Mart, and views impacts over a long time horizon. The study found that:

“The findings in this paper rather strongly belie claims, as well as recent research findings, suggesting that Wal-Mart store openings lead to increased retail employment. On average, Wal-Mart store openings reduce retail employment by about 2.7%, implying that each Wal-Mart employee replaces about 1.4 employees in the rest of the retail sector. Driven in part by the employment declines, retail earnings at the county level also decline as a result of Wal-Mart entry, by about 1.3 percent.”

⁶ See, for examples, Emek Basker, 2003, *Job Creation or Destruction? Labor-Market Effects of Wal-Mart Expansion*, University of Missouri; Stephan Goetz and Hema Swaminathan, 2004, *Wal-Mart and County-Wide Poverty*, Department of Agricultural Economics and Rural Sociology, Pennsylvania State University; and Kenneth Stone, 1995, *Impact of Wal-Mart Stores on Iowa Communities, 1983-93*, (and subsequent update in 1997), *Economic Development Review*, 13(2), 60-9.

⁷ The NBER, founded in 1920, is a private, nonprofit, nonpartisan research organization “dedicated to promoting a greater understanding of how the economy works.” As evidence of its status as the nation’s leading nonprofit economic research organization, 16 of the past 31 American Nobel Prize winners in economics and six of the past Chairmen of the President’s Council of Economic Advisors have been researchers at the NBER.

⁸ David Neumark is a Senior Fellow at the Public Policy Institute of California (PPIC) and Professor of Economics at the University of California, a Research Associate at the NBER. Junfu Zhang is a Research Fellow at PPIC. Stephen Ciccarella is a Research Associate at PPIC.

Net regional employment declines are consistent with Wal-Mart developments because Wal-Mart is a much more efficient retailer than smaller local retailers. This is one of the reasons Wal-Mart prices are lower than most competitors and one of the reasons Wal-Mart routinely drives other, less competitive, local retailers out of business. As local retailers are displaced by Wal-Mart, sales per employee in the region will tend to rise. Because of this, even when regional retail sales expand due to the presence of a Wal-Mart, total employment and retail employment, in particular, can decline.

Consistent with the NBER findings, the model inputs used in this analysis consisted of a net employment change of +75 retail jobs in the first year of expansion (2009), with declining incremental growth over an eight year period, culminating in a net employment loss in the retail sector of approximately -30 jobs (in 2016 and beyond) relative to baseline levels. Despite the small employment losses, retail sales are expected to grow through the end of the forecast period in 2020, implying continued efficiency gains through the presence of Wal-Mart. The construction and development impacts are concentrated in 2008, with a total investment of \$16.48 million.

Model Output

During the construction and development phase in 2008, this project will generate total employment gains in the State of approximately 65 jobs, with most of these accruing to the construction industry in Bennington County (48 jobs). Because the construction work is short-term in nature, very little population response in the County may be expected as a result of this economic activity (about +11 persons in 2010, declining to zero by 2014). In 2009, operation of the expanded store will generate a total employment impact in the County of about 78 jobs, mostly in the retail trade sector. Total County employment impacts over the longer term, however, shrink to zero by 2013 and ultimately decline by about 35 jobs, relative to baseline projections.

Table 1, below, summarizes some of the key economic and demographic variables of significance in addressing Act 250 criteria.

TABLE 1

Bennington County - Selected Economic and Demographic Impacts

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Baseline Employment Level	29,295	29,817	30,351	30,897	31,456	32,028	32,597	33,163	33,726	34,285	34,839
Employment Change	57	78	46	24	8	(2)	(13)	(24)	(35)	(35)	(35)
Employment Change, % of Baseline	0.19%	0.26%	0.15%	0.08%	0.03%	-0.01%	-0.04%	-0.07%	-0.10%	-0.10%	-0.10%
Baseline Retail Employment Level	4,401	4,462	4,523	4,585	4,647	4,711	4,774	4,836	4,898	4,959	5,019
Retail Employment Change	2	64	34	13	(2)	(13)	(23)	(33)	(44)	(44)	(44)
Retail Employment Change as % of Baseline	0.04%	1.44%	0.75%	0.29%	-0.05%	-0.27%	-0.48%	-0.69%	-0.89%	-0.88%	-0.87%
Baseline Population Level	37,998	38,410	38,795	39,168	39,530	39,830	40,185	40,534	40,887	41,243	41,556
Population Change	4	9	11	9	5	2	(0)	(2)	(4)	(5)	(6)
Population Change, % of Baseline	0.01%	0.02%	0.03%	0.02%	0.01%	0.01%	0.00%	-0.01%	-0.01%	-0.01%	-0.01%
Baseline School Age Population	6,199	6,126	6,058	6,004	5,962	5,934	5,973	6,020	6,080	6,145	6,210
School Age Population Change	1	1	2	1	1	0	(0)	(0)	(1)	(1)	(1)
School Age Population Change, % of Baseline	0.01%	0.02%	0.03%	0.02%	0.01%	0.01%	0.00%	0.00%	-0.01%	-0.01%	-0.01%

Source: Regional Dynamics, Inc.; Bennington Wal-Mart Economic Impact Analysis, KRA

Primary Findings

The primary findings reached in this analysis are as follows:

Finding 1: *The net employment and population impacts associated with the proposed project for Bennington County and the Town of Bennington, as whole entities, will be insignificant. Net impacts, including secondary growth, will be slightly positive in the first few years, during construction and initial store staffing, and slightly negative beyond about the fifth year of store operation, as competitive effects and increased productivity ultimately reduce regional retail employment.*

As shown in Table 1 on the preceding page, the net impacts at the County level - most of which will be confined to the Town of Bennington - represent relatively small changes as a percent of total population, employment and output. This is due to the fact that there are largely offsetting competitive losses associated with the economic expansion resulting from the proposed project, which will be concentrated in Bennington County and the Town of Bennington. It should be noted that these impacts include secondary growth associated with the proposed development, since the county level impacts measured in the NBER study used to specify model inputs herein included total net county impacts following the opening or expansion of a Wal-Mart store.

Finding 2: *The impacts on various sub-Town regions (and individual retailers) may be more pronounced than Town and County impacts, however, the incremental negative impacts on the Bennington downtown area will be tempered by several factors: First, there has been extensive preceding retail development outside of the downtown area for an extended period of time; Second, there has been significant structural adjustment in the downtown area in response to this development pattern over the past 40 years, resulting in a concentration of downtown building occupants that are no longer competitive with the outlying retail establishments, and; Third, there are substantial downtown economic "anchors," such as the Southwestern Vermont Medical Center (and related medical enterprises), public offices, educational facilities, banking, publishing and other professional service businesses that will be unaffected by further outlying retail development.*

Although the proposed development will not be a positive economic event for the Bennington downtown area, and is likely to further cement the exodus of general retail activity from the downtown area and related consumer traffic, much of the shift in the economic focus of the downtown area has already occurred. As one Town official put it, "you can no longer buy a pair of shoes or a roll of toilet paper downtown, but you can buy an original bronze sculpture or a Patagonia parka." There has also been substantial

recent private investment in some of the older downtown structures.⁹ This is the kind of alternative market development that will allow the downtown area to survive despite extensive outlying retail development.

There are still downtown businesses that are likely to be adversely affected by the proposed Wal-Mart expansion, possibly as many as 10%-15% of the existing businesses,¹⁰ mostly selling clothing, beauty and hair products, sporting goods, electronics, floral products, home and hardware goods and eye wear. There are also many vacant storefronts in the downtown area that will be even harder to fill in the absence of retail property uses and related demand from retail traffic. As a result of this, commercial property price and rent differentials with outlying areas will be further exacerbated.

The most severe competitive impacts from the proposed development, however, are more likely to take place not in the downtown area, but among existing retailers in the immediate vicinity of the proposed expansion. These include large retailers such as K-Mart and Penny's, located in the strip mall on Kocher Drive, and numerous competitive businesses on or near Northside Drive.

The site on which the current Wal-Mart store rests had been the location of a Grant's department store in the late 1960's and later a Woolworth's store before Wal-Mart began business there in late 1995. Although the impact of a major chain store cannot be underestimated in attracting additional related growth, it would be hard to attribute all subsequent growth in the area to the presence of Wal-Mart. The extensive retail development of Kocher Drive, Northside Drive and North Bennington Road all served to move the retail center of the Town north and outside of the traditional downtown area. This development has been further fueled by the completion of the Western Segment of the Bennington Bypass.

This trend is likely to continue with the completion of the Northern Segment of the Bypass, creating additional challenges to the downtown area and further reducing downtown traffic flows. Given a public investment of more than \$4 million in the downtown area over the past 12 years,¹¹ the Town may wish to consider broad-based local impact fees and other local policies that could facilitate a further transition in the downtown area so as to maintain and enhance its relevance.

Finding 3: *The net fiscal impacts on the Town of Bennington will be relatively minor, since both positive and negative impacts will be largely concentrated within the same municipality, largely offsetting one another.*

⁹ http://www.benningtonbanner.com/search/cj_3958133?IADID=Search-www.benningtonbanner.com-www.benningtonbanner.com, and related articles describe some of this investment.

¹⁰ This estimate was based on a review of current downtown business occupancy, site visits and interviews with local businesses and Town officials. A very limited survey of downtown businesses by the Better Bennington Corporation in 2004 found that about 50% of the respondents expected development of a hypothetical "Big Box" store north of the downtown area would negatively impact their businesses and the downtown area in general. Only about 10% of the downtown businesses, however, responded to the survey.

¹¹ This total excludes substantial highway and sewer investment, and was provided by the Town of Bennington

Most of the positive and negative economic impacts associated with this development are likely to occur largely within the same municipal jurisdiction, the Town of Bennington. This means that net fiscal impacts are likely to be very small, despite disparities within the municipality that may result with respect to property appreciation growth, related municipal tax revenues, and the demand for municipal services.

Finding 4: *There are no economic, demographic or fiscal impacts that present impediments to Act 250 approval associated with Criteria 6, 7 or 9A.*

Regarding Criteria 6, Table 1 illustrates the miniscule school-aged population impacts associated with the proposed project. It is evident that enrollment changes of less than 0.03% will not result in an *“unreasonable burden on the ability of a municipality to provide educational services.”*

Regarding Criteria 7, and per Finding 3, even if property tax gains from the new development are ultimately offset by losses in valuations of competitive businesses, these effects will mainly occur within the Town of Bennington, with miniscule net population impacts, thus leaving municipal revenues close to current levels and expenditures close to current levels. Although some additional local public services (police, fire, planning) may be required to support the expanded store, prior analysis shows these to be relatively minor.¹² Thus, the project will *“not place an unreasonable burden on the ability of the local governments to provide municipal or governmental services.”*

Regarding Criteria 9(A), this analysis does not address issues of public highway, sewer or water development directly associated with this project, however it does detail population impacts, per Table 1, which, even if entirely occurring within the Town of Bennington, would not rise to a level at which *“the proposed development would significantly affect [local government’s] existing and potential financial capacity to reasonably accommodate both the total growth and the rate of growth otherwise expected for the town and region and the total growth and rate of growth which would result from the development if approved.”*

Finding 5: *Although there have been relevant prior findings by the District Environmental Commission that the Monument Plaza area in which the proposed expansion would be sited does not represent “scattered development” as defined by Criterion 9(H) - in which case consideration of other public costs and benefits is not applicable - there are conflicting legal opinions regarding this determination for the proposed project. Without making any legal judgment with respect to this Criterion, the economic analysis herein shows that if the project is considered “scattered development” that local fiscal costs and benefits are likely to be very closely aligned. Other significant public costs identified with the project could require mitigation, since there are likely to be minimal net fiscal and economic benefits against which to offset such costs. Depending upon exactly what other costs and benefits are considered, further analysis may be necessary to quantify these.*

¹² See municipal impact letters from the Town Police Chief, Fire Department and correspondence from Town officials regarding sewer and water allocations and related impact opinions

The definition of “scattered development” in Criteria 9(H) of Act 250 has been variously defined and applied over the years, subject primarily to legal, not economic, analysis. Accordingly, this analysis reviews potential economic and fiscal implications associated with both possible legal determinations of this issue.

Economic Implications Associated with a Determination that the Proposed Development *is not* “Scattered Development”

If the project is found not to be “scattered development” under Criterion 9(H), no further consideration of public costs and benefits is applicable. Of note, there have been two findings of fact on this issue by the District 8 Environmental Commission for projects in the immediate vicinity of the proposed development, the Price Chopper store and Wendy’s restaurant, both of which were found not to be “scattered development”.

In the case of the Price Chopper store, located in the same shopping center as the proposed Wal-Mart expansion, in 1999 the District Commission found this project to be *“located within a community center which is compact in size and contains a mix of uses, including commercial and industrial, and, importantly, a significant residential component.”* The Commission concluded *“that the project is contiguous to an existing settlement”* and thus is not “scattered development.”¹³

In the more recent 2003 case of the adjacent Wendy’s restaurant, also located in the same shopping center as the proposed development, the Commission found, *“that the project is contiguous to an existing settlement,”* and thus was not considered “scattered development.”¹⁴

In addition to the above Price Chopper and Wendy’s cases in Bennington, project proponents also cite findings reached in the 2001 Rutland Home Depot case in which the proposed Home Depot store in Rutland Town was found to be in an existing settlement. In assessing this project, which also involved the redevelopment of an existing shopping center, the Commission stated: *“In the instant case, there is no undeveloped land between the Project site and the existing settlement which radiates from downtown Rutland. In addition, there is pedestrian access to within 800 feet of the Project site and Permittees will extend the sidewalk as part of the Project. Furthermore, the Project is not only contiguous to the existing settlement, it is a renovation of and part of the existing settlement itself. Since the Board has determined that the Project site is contiguous to an existing settlement, the Board does not need to determine whether the tax revenues and other public benefits outweigh the additional costs of public services and facilities.”*¹⁵

Economic Implications Associated with a Determination that the Proposed Development *is* “Scattered Development”

¹³ See District Environmental Commission #8, Application #8B0079-5, Findings of Fact and Conclusions of Law, Finding 56, page 13, October 1999.

¹⁴ See District Environmental Commission #8, Application #8B0079-7, Findings of Fact and Conclusions of Law, page 9, 2003.

¹⁵ See: The Home Depot USA, Inc., and Ann Juster and Homer and Ruth Sweet, Land Use Permit #1R0048-12-EB, Findings of Fact, Conclusions of Law, and Order, pages 53-55, August 2001.

The Vermont Natural Resources Council, however, considers the proposed development to be “scattered development,” based on the findings of the Vermont Environmental Board in its December 23, 1994 decision regarding a proposed Wal-Mart store in St. Albans, which stated: *“Based on the plain meaning of the words, the intent of the Legislature, and prior cases construing Criterion 9(H), the Board concludes that the phrase ‘existing settlement’ as used in that criterion means an extant community center similar to the traditional Vermont center in that it is compact in size and contains a mix of uses, including commercial and industrial uses, and, importantly, a significant residential component. It is a place in which people may live and work and in which the uses largely are within walking distance of each other. The term specifically excludes areas of commercial, highway-oriented uses commonly referred to as ‘strip development’. The Board further concludes that, to be contiguous to an existing settlement, a proposed project must be within or immediately next to such a settlement and must be compatible with the settlement buildings in terms of size and use.”*¹⁶ Based on a lengthy evaluation, the Board concluded, *“that the proposed project will not be physically contiguous to an existing settlement within the meaning of Criterion 9(H). Accordingly, the proposed project constitutes scattered development.”*

If the proposed project is found to be “scattered development” under Criterion 9(H), “costs and benefits” must then be estimated. Per Finding 3, net fiscal costs and benefits are likely to be fairly closely balanced, since both are aggregated within one municipal budget. As detailed in Finding 4, assuming public highway and road expenditures are not excessive, incremental infrastructure and public support functions associated with the project will be fairly minor and property valuation impacts will also be largely offsetting or slightly positive.

Other “costs and benefits,” however, may be harder to measure and could include items such as changes in the “character” of the town (downtown and otherwise), aesthetic considerations, the value of consumer savings due to generally lower Wal-Mart pricing, expanded shopping convenience offered by larger stores, the public return on funds invested in maintaining and revitalizing the downtown district, potential impacts on charitable giving in the region and potential State public assistance costs associated with lower wage jobs.

In the case of assigning a monetary value to preservation and enhancement of the downtown area, it is difficult to quantify all costs and benefits. While changes in relative downtown property valuations - and related tax impacts - can be measured and quantified, these may only represent a small part of the potential economic loss that could be attributed to the demise of one or more historic downtown areas.

The primary economic value of historic downtowns and villages in Vermont has less to do with Grand List growth than the preservation of a unique State character that is an important component in supporting more than a billion dollars in annual tourism expenditures and widespread second home ownership in the State. The tourism industry in Vermont, depending upon how it is defined, accounts for at least 5%-10% of

¹⁶ See: Vermont Environmental Board, December 23, 1994 decision, Re: St. Albans Group and Wal-Mart Stores, Inc. Application #6F0471-EB - Findings of Fact, Conclusions of Law, and Order, Page 39

the total economic output of the State, and more than 10% of all jobs.¹⁷ Vacation and seasonal homes constitute nearly 15% of all housing in Vermont, the second highest share in the nation¹⁸, adding a substantial investment component to the ongoing tourism expenditure flows for goods and services and more than \$100 million in annual State and local property tax revenues.

The Vermont Department of Tourism and Marketing¹⁹ highlights this value by acknowledging that, “the attractiveness of [Vermont’s] downtowns and villages is widely recognized as a key part of the state’s allure to our visitors from around the globe.” The tourism value of vibrant, well-preserved downtown areas was emphasized last year by the London-based World Travel & Tourism Council (WTTC), which chose Vermont’s downtowns, and the Vermont Downtown Program, as one of only three finalists in its 2007 Destination Award category. It is this recognition of public value that supports the expenditure of millions of dollars in State tax credits every year and other public expenditures allocated to preserving the State’s downtown and village centers.

While difficult to quantify the precise economic value of vibrant, historic downtowns in the State, or the incremental value of any single downtown area in the State, it is important to recognize that it is an essential part of Vermont’s unique character and attractiveness as a tourist destination and place to live, supporting multi-billion dollar annual expenditures associated with both tourism and second home ownership and hundreds of millions of dollars in State and local tax revenues. Damage to this public asset could represent a significant cost.

Summary and Observations

There is no question that “big box” retail development, such as Wal-Mart, in suburban and outlying areas can significantly impact the economic and social life of existing downtown and village communities. Entire regional retailing centers can be created around one or more large big box development, especially in towns where there has been little or no such previous development. These can have dramatic competitive impacts on downtown property values, associated municipal tax revenues, and regional development patterns.

This is not descriptive, however, of the current situation in the Town of Bennington. Since the late 1960’s, Bennington has experienced ever-increasing retail growth in areas outside of its downtown, especially to the north where the proposed Wal-Mart expansion is planned, and the downtown area has radically changed in response to this development. For the most part, the area no longer competes with the discount and

¹⁷ Sources: Economy.com and “The Travel and Tourism Industry in Vermont, A Benchmark Study of the Economic Impact of Visitor Expenditures on the Vermont Economy – 2005,” published by the Vermont Department of Tourism and Marketing. These estimates exclude spending by second home owners on durable goods or the initial purchase/construction of second homes.

¹⁸ According to the 2000 Census, per: <http://www.census.gov/hhes/www/housing/census/historic/vacation.html>

¹⁹ See: http://www.vermontvacation.com/arts/story_downtown.asp

other stores that dominate retail activity on Northside Drive, North Bennington Road and Kocher Drive. The downtown has adjusted by becoming much less dependent upon retailing in general, and shifted its retail focus to more affluent and tourism-related markets or specialized local service to nearby residents and businesses.

This transition has not been without economic pain and cost to the downtown area. Anecdotal and other evidence²⁰ suggests substantial property appreciation, price and rent differentials between the retail growth areas north of town and the downtown area over the past 20 years. The downtown area has lost many of its retail businesses and there are still a distressing number of vacant storefronts in the downtown area. Without the solid economic anchor of the Southwestern Vermont Medical Center, the County's largest employer, and other non-retail businesses that have located in the downtown area, this dislocation would likely have been much more severe. Current property price differentials, however, have recently led to substantial new commercial investment in the downtown area that may contribute to its continued survival, if not eventual revival.

If there is public value in maintaining vibrant downtown areas (and the State of Vermont and Town of Bennington have indicated such values), State and local public policy can ease and encourage such revival in targeted areas. Such policies may include statutory limitations on development, taxes and other charges on developments outside of the downtown area and/or subsidies, infrastructure enhancement and other inducements to occupancy in the downtown area. Various impact fees may also be considered, as a funding source that is scaled to competitive development pressures – generating more revenue when development activity is heightened and less when it is reduced. Such fees may be based on one-time development or acquisition charges or structured as ongoing fees associated with sales volumes, property valuations or both.

Act 250, however, has very limited mechanisms for identifying or funding such public values, unless the project is considered “scattered development” or the downtown area and proposed development happen to lie in separate political jurisdictions (such as Rutland City and Rutland Town, St. Albans City and St. Albans Town, etc.). In such cases, fiscal losses can be concentrated in one municipality and lead to “unreasonable fiscal burdens” or other public “costs,” with benefits accruing to an adjacent municipality. With a consolidated municipal jurisdiction encompassing both the downtown and proposed development areas, such as is the case with Bennington, Act 250 economic and fiscal criteria provide little basis for any such control or mitigation in support of downtown preservation.

With more than \$4 million in public investments in its downtown area over the past 12 years, the Town of Bennington may choose to explore approaches outside of Act 250 that shape its regional development in ways that maintain the vibrancy of its downtown area and still allow the full range of retail shopping options desired by its citizens.²¹

²⁰ Based on interviews with area realtors who have been in business more than 15 years and preliminary Town Grand List data on selected property transactions and Grand List growth. Town data on relevant property transactions were assembled and reviewed in hard copy form, but had not been fully digitized for analytic purposes at the time of this report. It should be noted that Town officials were exceptionally helpful in providing local tax and other data in support of this analysis.

²¹ In April of 2005, Bennington voters rejected a Town by-law that would have placed a 75,000 square foot per store cap on new retail development. The vote was 2,189 against the store size limitation versus 1,724 in favor.