

COMPARATIVE ANALYSIS OF TAXABLE RETAIL SALES AND RETAIL BUSINESS PERMITS IN CALIFORNIA COMMUNITIES

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Comparison of California Communities with
Walmart Supercenters versus those without

Prepared for
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COMPARISON OF CALIFORNIA COMMUNITIES WITH WALMART SUPERCENTERS VERSUS THOSE WITHOUT

EXECUTIVE SUMMARY

We were retained by Wal-Mart Stores, Inc. to perform an objective analysis to determine the economic impact of the presence of a *Walmart Supercenter* in various California communities as compared to similar-sized California communities without *Walmart Supercenters*. We accomplished this by quantifying the *Taxable Retail Sales* in randomly selected California communities of varying populations where *Walmart Supercenters* have opened since 2003 and also analyzed the annual number of *Retail Business Permits* in those same communities. We completed a comparative analysis of *Taxable Retail Sales* and *Retail Business Permits* from the years just prior to and the years just after the opening of the various *Walmart Supercenters*. We also looked at data from subsequent years for those locations that have been opened for more than one year. We then compared those findings with a similar analysis of *Taxable Retail Sales* and *Retail Business Permits* in California communities that did not have *Walmart Supercenters*.

METHODOLOGY

The objective of this study is to accurately document and compare the economic impact of year-over-year changes to *Taxable Retail Sales* and *Retail Business Permits* in various California communities with and without *Walmart Supercenters*. Identification and quantification of *Taxable Retail Sales* and *Retail Business Permits* for specific California cities was accomplished by analyzing detailed data provided by the California Board of Equalization (“BOE”) in quarterly and annual reports. More specifically, the BOE provides detailed reports on each of California’s 58 counties and 272 of the largest cities. Data was available from the BOE for all California cities analyzed in this report. Moreover, we also relied upon the most up-to-date California population statistics as provided by the California Department of Finance’s City/County Population Estimates with Annual Percentage Change for January 1, 2013. All in all, conclusions reached in this report were the result of our analysis of actual aggregated *Taxable Retail*

Sales and Retail Business Permits data provided by those California cities as required to be reported to the BOE.

SUMMARY OF RESULTS

Taxable Retail Sales

- **On average, California communities with *Walmart Supercenters* fared far better in the generation of *Taxable Retail Sales* than those communities without *Walmart Supercenters*.**
- **Total *Taxable Retail Sales* in California communities with *Walmart Supercenters* increased by an average of 20.3% after the opening of those stores.**
- **Total *Taxable Retail Sales* in California communities without *Walmart Supercenters* decreased by an average of 11.7% over the same time period.**

Retail Business Permits

- **On average, California communities with *Walmart Supercenters* experienced stronger gains in the number of *Retail Business Permits* issued.**
- **Total *Retail Business Permits* in California communities with *Walmart Supercenters* increased by an average of 48.5% after the opening of those stores.**
- **Total *Retail Business Permits* in California communities without *Walmart Supercenters* also increased but only by 20.3% over the same time period.**

CONCLUSIONS

Based upon our objective analysis of the available annually reported California *Taxable Retail Sales* and *Retail Business Permits* data, communities with *Walmart Supercenters* have fared far better than those communities without *Walmart Supercenters*. This study reveals that on average California communities with *Walmart Supercenters* experience positive gains in *Taxable Retail Sales*, especially when compared to similar sized California communities without *Walmart Supercenters*. These positive gains in *Taxable Retail Sales* are not the result solely of the added presence of the *Walmart Supercenter*, but also the result of sizable gains in the average annual number of *Retail Business Permits* within the community.

This study also captures an important comparative analysis of similar sized communities in both northern and southern California without *Walmart Supercenters*. In all instances, communities without *Walmart Supercenters* either experienced a decline in annual average *Taxable Retail Sales* and/or fell short of a similar sized community with a *Walmart Supercenter*.

As a result, the presence of a *Walmart Supercenter* within a community provides various positive economic benefits to the local economy. On average, *Taxable Retail Sales* have increased as well as the number of *Retail Business Permits*. These further result in more robust sales tax revenues for cash strapped California communities with the added benefit of more jobs and small businesses. These benefits are even greater in smaller to medium sized California communities that have fewer economic development options.

This study also examines a specific period of time from 2003-2011. This not only reflects the available data, but also the time frame of the establishment of *Walmart Supercenters* across the state. In spite of the negative impacts of the worst economic recession since the Great Depression during much of this period, the presence of *Walmart Supercenters* across California appears to enhance the local community as it relates to increased *Taxable Retail Sales* and increased numbers of *Retail Business Permits*.

I. Introduction¹

In this report, we provide a comparative analysis of the economic impacts of year-over-year changes to the *Retail Taxable Sales* and *Retail Business Permits* for twelve California communities – six with *Walmart Supercenters* and six without. To this end, we first provide a general perspective on Walmart's operations in the state of California.

As of October 31, 2013, Walmart has 105 Supercenters, 96 Discount Stores, 42 Neighborhood Markets, 33 Sam's Clubs, and 7 distribution centers in California.² As of October 31, 2013, the total number of Walmart associates (employees) in California is 81,960, with an average hourly wage of \$13.08 for regular full-time hourly associates. In its Fiscal Year 2013 (February 1, 2012 – January 31, 2013), Wal-Mart Stores, Inc. spent \$21.5 billion for merchandise and services with suppliers in the state of California, supporting 153,391 supplier jobs.³ The sales tax collected on behalf of the state of California by Walmart amounts to more than \$887.9 million, and Walmart itself paid more than \$163 million in state and local taxes to the state of California and other various local governments. In addition to creating jobs and generating tax revenues, the Walmart Foundation, stores, and clubs in 2012 also gave \$26.3 million in cash and in-kind donations to the California communities in which they serve.

II. Objective of Report

The objective of this study is to accurately document and compare the economic impact of year-over-year changes to *Taxable Retail Sales* and *Retail Business Permits* in twelve California communities with and without *Walmart Supercenters*. The information generated by this analysis is objective, unbiased, and factual and demonstrates positive measures of the value as well as potential public benefits to stakeholders and municipal leaders of the presence of *Walmart Supercenters* within their communities across California.

¹ This section is based on the California section at <http://corporate.walmart.com/our-story/locations/united-states#/united-states/california>, downloaded December 27, 2013.

² The average size of a Supercenter is 182,000 sq. ft., about 72% larger than the average size of a Discount Store. A Neighborhood Market is approximately 38,000 sq. ft., <http://corporate.walmart.com/our-story/our-business/walmart-us>.

³ Supplier figures are provided by Dun & Bradstreet.

III. Major Findings

Taxable Retail Sales

- **California communities with Walmart Supercenters on average fared far better in the generation of Taxable Retail Sales than those without.** As the following analysis indicates, the average increase in *Taxable Retail Sales* did not occur solely from the presence of the *Walmart Supercenter*, but was also the added result of additional businesses being opened within the community.
- **Total Taxable Retail Sales in California communities with Walmart Supercenters increased by an average of 20.3% after the opening of those stores.** This average increase occurred during the period from 2004-2011 despite the impacts of the deepest economic recession since World War II.
- **Total Taxable Retail Sales in California communities without Walmart Supercenters decreased by an average of 11.7% over the same time period.** Communities without *Walmart Supercenters* experienced the full negative impact of the economic downturn as they experienced sharp average declines in *Taxable Retail Sales*.

Retail Business Permits

- **California communities with Walmart Supercenters experienced stronger gains in the number of Retail Business Permits issued than those without Walmart Supercenters.** More retail businesses of all sizes also opened in communities after the opening of *Walmart Supercenters*, adding significantly to the local retail base and revenue generation.
- **Total Retail Business Permits in California communities with Walmart Supercenters increased by an average of 48.5% after the opening of those stores.** The

average growth in the number of new retail businesses was substantial after the opening of *Walmart Supercenters* within a community.

- **Total Retail Business Permits in California communities without Walmart Supercenters also increased but only by 20.3% over the same time period.**

Although more retail businesses were also added in communities without *Walmart Supercenters*, the average gain was notably less and these new retailers added little, if anything, to the total taxable retail sales within these communities.

IV. Methodology

A. Design

Identification and quantification of *Taxable Retail Sales* and *Retail Business Permits* for specific California cities was accomplished by analyzing detailed data provided by the California Board of Equalization (“BOE”) in quarterly and annual reports. More specifically, the BOE provides detailed reports on each of California’s 58 counties and 272 of the largest cities. The BOE also provides summary coverage on 210 smaller cities across the state. Data was available for all California cities analyzed in this report. Moreover, we also relied upon the most up-to-date California population statistics as provided by the California Department of Finance’s City/County Population Estimates with Annual Percentage Change for January 1, 2013.

In order to best utilize the available data from the BOE, we determined that a comparative analysis of historical data was warranted for randomly selected communities with *Walmart Supercenters* and randomly selected communities without *Walmart Supercenters*. For purposes of this analysis, we identified a city from Northern California and a city from Southern California with a *Walmart Supercenter* and then identified a city from Northern California and a city from Southern California without a *Walmart Supercenter* in the following three categories: 1.) Population over 100,000; 2.) Population between 50,000-100,000; and 3.) Population less than 50,000. Next, we identified the opening dates for each of the six *Walmart Supercenters* analyzed in this report. Continuing, as a basis for comparison, we reviewed and compiled the *Taxable Retail Sales* and *Retail Business Permits* data from the one year prior to the opening of each *Walmart Supercenter*. Additionally, we reviewed and compiled the *Taxable Retail*

Sales and Retail Business Permits data from the year(s) after the opening of the *Walmart Supercenter*. Finally, we compared and analyzed this year-over-year data to come up with our results to determine the impacts upon each community and the average impacts across those communities.

Moreover, we performed this same analysis on the corresponding Northern and Southern California communities without *Walmart Supercenters* to provide a basis for comparison and contrast.

B. Scope of Analysis

The scope of this comparative *Taxable Retail Sales and Retail Business Permits* analysis included California communities of varying sizes from both Northern and Southern California. This was determined to provide the best range of possible economic impacts upon the various California communities examined as well as an appropriate geographic representation. Therefore, the comparative analysis includes six communities in California where Walmart has opened Supercenters since 2004. These include the following cities:

- Population over 100,000 – **Modesto (north) and Lancaster (south)**
- Population between 50,000-100,000 – **Yuba City (north) and Rosemead (south)**
- Population less than 50,000 – **Dixon (north) and La Quinta (south)**.

For the purposes of this comparative analysis and review, we also identified six California communities where Walmart Supercenters do not exist. These include the following cities:

- Population over 100,000 – **Vallejo (north) and El Monte (south)**
- Population between 50,000-100,000 – **Alameda (north) and Whittier (south)**
- Population less than 50,000 – **Hollister (north) and Lawndale (south)**.

For additional detailed analysis, we compared cities of like sizes and geographic locations with *Walmart Supercenters* versus cities without *Walmart Supercenters* as follows:

- ❖ Population over 100,000 – **Modesto vs. Vallejo (north) and Lancaster vs. El Monte (south)**

- ❖ Population between 50,000-100,000 – **Yuba City vs. Alameda (north) and Rosemead vs. Whittier (south)**
- ❖ Population less than 50,000 – **Dixon vs. Hollister (north) and La Quinta vs. Lawndale (south)**

V. Results of Analysis

A. The Change in *Taxable Retail Sales* Varied Greatly Depending Upon the Size and Geographic Location of the Community

The results of our analysis of the changes in *Taxable Retail Sales* in communities with *Walmart Supercenters* and communities without *Walmart Supercenters* is presented in attached **Appendix 1 (Total Taxable Retail Sales and Percentage Change)**.

In every comparison –North vs. South and Population (over 100,000, between 50,000-100,000, and less than 50,000) – communities with *Walmart Supercenters* on average fared far better with changes in *Taxable Retail Sales* than those communities without *Walmart Supercenters*.

1. Cities with less than 50,000 residents experienced the most significant gains in *Taxable Retail Sales*

Dixon (North) saw its *Taxable Retail Sales* grow by an annual average of 26.1% after the opening of its *Walmart Supercenter*. La Quinta (South) had an even larger annual average gain of 66.4% after the opening of its *Walmart Supercenter*. In contrast, similar sized cities without *Walmart Supercenters* fared far worse. Hollister (North) experienced an average annual decline of *Taxable Retail Sales* of -10.7%, and Lawndale (South) saw a much less robust 13.3% annual average increase as compared to those cities with *Walmart Supercenters*.

2. Cities with populations greater than 100,000 experienced declines in *Taxable Retail Sales*

Modesto (North) and Lancaster (South) experienced annual average declines in *Taxable Retail Sales* of -17.0% and -27.6% respectively. However, similar sized non-*Walmart Supercenter*

cities experienced even larger declines in annual average *Taxable Retail Sales* of -20.5% (Vallejo (North)) and -38.3% (El Monte (South)).

B. The Change in *Retail Business Permits* Also Varied Depending Upon the Size and Geographic Location of the Community

The results of our analysis of the changes in *Retail Business Permits* in communities with Walmart Supercenters and communities without Walmart Supercenters is presented in attached **Appendix 2 (Total Retail Business Permits and Percentage Change)**.

On average, communities with *Walmart Supercenters* experienced significant gains in *Retail Business Permits* after the opening of the *Walmart Supercenter*. Therefore, changes to total Taxable Retail Sales was not merely the result of the opening of the Walmart Supercenter, but also the added contribution of other new retail businesses of all sizes within the specific community.

1. Once again, Cities with less than 50,000 residents experienced the most significant growth in the number of Retail Business Permits issued annually

Dixon (North) saw the number of *Retail Business Permits* grow by an annual average of 25.6% after the opening of its *Walmart Supercenter*. La Quinta (South) had an even more astounding annual average growth of 128.5%. This compares in contrast to less significant annual average growth in non-*Walmart Supercenter* cities of Hollister (North) of 15.6% and Lawndale (South) of only 18.1%.

2. Larger cities also experienced significant growth in Retail Business Permits

Cities with *Walmart Supercenters*, Modesto (North)—11.1% and Lancaster (South) – 15.1%; and Yuba City (North) – 13.0% and Rosemead (South) – 7.0%, all experienced positive average annual growth in the issuance of *Retail Sales Permits* after the opening of their respective *Walmart Supercenters*.

VI. Summary of Analysis

Based upon our objective analysis of the available annually reported California *Taxable Retail Sales* and *Retail Business Permits* data, communities with *Walmart Supercenters* have fared far better than those communities without *Walmart Supercenters*. This study reveals that on average California communities with *Walmart Supercenters* experience positive gains in *Taxable Retail Sales*, especially when compared to similar sized California communities without *Walmart Supercenters*. These positive gains in *Taxable Retail Sales* are not the result solely of the added presence of the *Walmart Supercenter*, but also the result of sizable gains in the average annual number of *Retail Business Permits* within the community.

This study also captures an important comparative analysis of similar sized communities in both northern and southern California without *Walmart Supercenters*. In all instances, communities without *Walmart Supercenters* either experienced a decline in annual average *Taxable Retail Sales* and/or fell short of a similar sized community with a *Walmart Supercenter*.

As a result, the presence of a *Walmart Supercenter* within a community provides various positive economic benefits to the local economy. On average, *Taxable Retail Sales* have increased as well as the number of *Retail Business Permits*. These further result in more robust sales tax revenues for cash strapped California communities with the added benefit of more jobs and small businesses. These benefits are even greater in smaller to medium sized California communities that have fewer economic development options. Cities with population less than 50,000 have experienced the greatest growth in *Taxable Retail Sales*.

This study also examines a specific period of time from 2003-2011. This not only reflects the available data, but also the time frame of the establishment of *Walmart Supercenters* across the state. In spite of the negative impacts of the worst economic recession since the Great Depression during much of this period, the presence of *Walmart Supercenters* across California appears to enhance the local community as it relates to increased *Taxable Retail Sales* and increased numbers of *Retail Business Permits*.

**APPENDIX 1
TOTAL TAXABLE RETAIL SALES and
PERCENTAGE CHANGE**

Taxable Sales Data: <http://boe.ca.gov/news/salescont.htm>

Population Data: http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/documents/E-1_2013_Press_Release.pdf

Year prior to opening

Year after opening

Walmart Supercenter Communities

City	County	Current Population Estimates (1/1/2013)	Opening or Expansion Date	2003* Taxable Retail Sales (\$000)	2004* Taxable Retail Sales (\$000)	2005* Taxable Retail Sales (\$000)	2006* Taxable Retail Sales (\$000)	2007* Taxable Retail Sales (\$000)	2008* Taxable Retail Sales (\$000)	2009** Taxable Retail Sales (\$000)	2010** Taxable Retail Sales (\$000)	2011** Taxable Retail Sales (\$000)	% Change from year prior to year after*	% Change from year prior to 2 years after*	% Change from year prior to 3 years after*	% Change from year prior to 4 years after*	% Change from year prior to 5 years after*	% Change from year prior to 6 years after*	% Change from year prior to 7 years after*
Dixon	Solano	18,449	11/2/2005		159,319	175,615	187,097	202,783	204,657	192,048	195,141	223,655	17.5	27.3	28.4	20.5	22.5	40.4	
La Quinta	Riverside	38,401	3/3/2004	376,866	510,913	603,110	667,010	735,647	641,113	552,468	563,623	609,077	60.0	77.0	100.0	70.1	46.6	49.6	61.6
Lancaster	Los Angeles	158,630	7/18/2007				1,471,202	1,369,416	1,149,823	976,089	998,547	1,136,017	(21.8)	(33.6)	(32.1)	(22.8)			
Modesto	Stanislaus	205,987	11/12/2008					2,150,803	1,935,011	1,711,777	1,742,796	1,848,808	(20.4)	(19.0)	(14.0)				
Rosemead	Los Angeles	57,756	9/13/2006			266,458	256,135	313,134	328,432	306,567	307,565	324,335	17.5	23.3	15.0	15.4	21.7		
Yuba City	Sutter	65,841	1/31/2006			827,961	849,516	843,670	761,094	693,281	724,869	762,301	1.9	(8.0)	(16.3)	(12.5)	(7.9)		

Non-Walmart Supercenter Communities

Alameda	Alameda	75,126				449,667	439,132	458,600	447,507	359,079	374,483	406,824	2.0	(0.5)	(20.1)	(16.7)	(9.5)		
El Monte	Los Angeles	114,436					1,570,120	1,482,076	1,123,166	888,950	888,269	973,418	(28.5)	(43.4)	(43.4)	(38.0)			
Hollister	San Benito	36,108			259,106	256,034	263,063	258,829	236,165	199,961	207,213	223,561	1.5	(0.1)	(8.8)	(22.8)	(20.0)	(13.7)	
Lawndale	Los Angeles	33,058		175,045	193,074	208,224	222,940	214,547	206,805	165,462	177,823	192,724	19.0	27.4	22.6	18.2	(5.5)	1.6	10.0
Vallejo	Solano	117,112						1,014,470	889,146	758,476	796,794	865,372	(25.2)	(21.5)	(14.7)				
Whittier	Los Angeles	86,093				681,893	740,590	723,723	645,881	545,691	550,664	581,740	6.1	(5.3)	(20.0)	(19.3)	(14.7)		

Average increase in Retail Taxable Sales

*These figures include all Taxable Retail Sales.

**APPENDIX 2
TOTAL RETAIL BUSINESS PERMITS and
PERCENTAGE CHANGE**

Taxable Sales Data: <http://boe.ca.gov/news/salescont.htm>

Population Data: http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/documents/E-1_2013_Press_Release.pdf

Year prior to opening
Year after opening

Walmart Supercenter Communities

City	County	Estimated Current Population (1/1/2013)	Expansion Date	Retail Permit 2003*	Retail Permit 2004*	Retail Permit 2005*	Retail Permit 2006*	Retail Permit 2007*	Retail Permit 2008*	Retail Permit 2009**	Retail Permit 2010**	Retail Permit 2011**	% Change from year prior to one year after*	% Change from year prior to 2 years after*	% Change from year prior to 3 years after*	% Change from year prior to 4 years after*	% Change from year prior to 5 years after*	% Change from year prior to 6 years after*	% Change from year prior to 7 years after*
Dixon	Solano	17,605	11/2/2005		189	181	196	211	210	263	267	277	3.7	11.6	11.1	39.2	41.3	46.6	
La Quinta	Riverside	44,421	3/3/2004	277	336	403	448	507	561	789	831	891	45.5	61.7	83.0	102.5	184.8	200.0	221.7
Lancaster	Los Angeles	145,875	6/20/2007				1,401	1,475	1,455	1,592	1,714	1,691	3.9	13.6	22.3	20.7			
Modesto	Stanislaus	211,536	11/12/2008					2,337	2,426	2,544	2,639	2,594	9.3	12.9	11.0				
Rosemead	Los Angeles	57,756	9/13/2006			576	558	557	590	635	650	651	(3.3)	2.4	10.2	12.8	13.0		
Yuba City	Sutter	65,372	1/31/2006			775	778	796	833	908	934	908	2.7	7.5	17.2	20.5	17.2		

Non-Walmart Supercenter Communities

Alameda	Alameda	75,126				1,105	1,052	1,010	1,027	1,350	1,399	1,365	(8.6)	(7.1)	22.2	26.6	23.5		
El Monte	Los Angeles	114,436					1,188	1,217	1,257	1,244	1,367	1,344	5.8	4.7	15.1	13.1			
Hollister	San Benito	36,108			339	330	333	334	339	449	458	439	(1.8)	(1.5)	0.0	32.4	35.1	29.5	
Lawndale	Los Angeles	33,058		315	354	359	363	369	367	390	385	372	14.0	15.2	17.1	16.5	23.8	22.2	18.1
Vallejo	Solano	117,112						1,096	1,084	1,335	1,364	1,365	21.8	24.5	24.5				
Whittier	Los Angeles	86,093				1,248	1,305	1,311	1,283	1,673	1,753	1,734	5.0	2.8	34.0	40.5	38.9		

Average increase in Retail Business Permits

*These figures include all Retail Business Permits for Retail and Food Services.