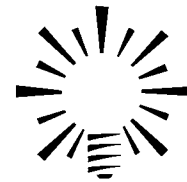


# Wal-Mart at Alameda Square: *A Bad Investment for Denver*

An issue brief prepared by  
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# introduction

The Alameda Square Urban Renewal District was established in 1991 by the Denver Urban Renewal Authority (DURA) to reinvigorate the Alameda Square shopping center. After 12 years of false starts and failed deals, DURA is close to reaching an agreement with Wal-Mart Stores, Inc. to build a 209,261 square foot "supercenter" on the 20-acre site.

In exchange for developing the property, Wal-Mart is asking for 10-12 million dollars in reimbursements, plus an undisclosed amount of interest. This reimbursement is to be funded through Tax Increment Financing (TIF), which comes from property and sales taxes created by new development.

Public subsidies of private development have been and can be a valuable tool for the economic development of Denver. Public investment, however, should yield concrete public returns in the form of quality jobs and other public benefits: The development which DURA and Wal-Mart are asking the people of Denver to subsidize offers no such returns. An investment of \$10 million that yields poor jobs, adverse economic effects for surrounding businesses, and does not substantively increase the revenue stream into the City's general fund should be rejected.

Unfortunately, the citizens and elected leaders of Denver currently have no opportunity to voice their opinions on the proposed project. Since the urban renewal plan for Alameda Square was approved in 1991, DURA is insisting that they need no more authority to carry their plan through. It appears that the only chance that this development will appear before City Council for review is if DURA applies for the power of eminent domain to condemn the properties of current Alameda Square tenants. Otherwise, they plan to approve the development without any input from elected leaders or community members.

A poor return on an investment, guided by a 12-year-old document: Denver can do economic development better than this.

# DURA & WAL-MART: accountable to Denver's leaders?

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The Alameda Square Urban Renewal Area is an odd case: the original Urban Renewal Plan was drafted in 1991, and there have been no changes or amendments to the original language since. The DURA Board of Commissioners has approved an amendment, which DURA may or may not bring in front of City Council for approval.

State law, however, mandates that any "substantial change" to a URP must be approved. There are several reasons to think that the Wal-Mart project constitutes a substantial change from the original Alameda Square Urban Renewal Plan, and thus should be brought in front of the people of Denver for re-approval:

## A New Blight Study is Required

- The blight survey, which is required for any Urban Renewal Area to be established, was conducted prior to the URP's approval in 1991. Though the area may certainly still qualify as "blighted" under the Colorado Revised Statutes, the original survey is now 12 years old. Conditions at the site have changed from the original assessment, and a new blight survey should be conducted prior to any redevelopment.

## Substantial Amendments to the URP are Necessary

- **A New Cooperation Agreement is Necessary:** The 1991 URP contains language on financing, which is better addressed in a cooperation agreement between the City and DURA. As it stands, the financing language in the 1991 URP includes no mention of monthly adjustment factors for pledged revenues, nor how revenues change in the event of a change in the City tax rate, both of which are common in other cooperation agreements. The proposed amendment does include language allowing for the drafting of a cooperation agreement with the City.
- **Condemnation Requires Council Approval:** The proposed amendment grants DURA the power of condemnation (changing Paragraph VI(A))—a substantial enough change that it should be approved by City Council.
- **Conformance with the Comprehensive Plan is Required:** URPs are required by State law to establish their conformance with the planning policies of the affected municipality - the Alameda Square URP would appear to demonstrate conformance with 1991 regulations, but the case can be made that, since redevelopment has been postponed this long, it should be subject to the goals and objectives of the current Denver Comprehensive Plan. Even the proposed amendment to the URP makes no attempt to do this.

### SOURCES:

Denver Urban Renewal Authority, *Alameda Square Urban Renewal Plan*, October 1991.  
Denver Urban Renewal Authority, *Amendment No. 1 to the Alameda Square Urban Renewal Plan*, presented to the DURA Board of Commissioners, September 25<sup>th</sup>, 2003.

# WAL-MART: a bad employer.

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## Bad Wages

- Wal-Mart doesn't disclose wage information, but based on existing employees surveys and U.S. Bureau of Labor Statistics information, non-supervisory employees average from \$7.50 to \$8.50 an hour and works about 32 hours a week - a monthly gross of little more than \$1000.

## Bad Benefits

- Wal-Mart spends 40% less than the US corporate average on health benefits for each of its covered employees. Part-time workers have to wait two years and full-time employees must wait six months to be eligible for health care. Wal-Mart doesn't pay for flu shots, eye exams, child vaccinations, and many other treatments commonly paid for by other companies.
- Wal-Mart claims that it provides employees access to health insurance. "Access", however, means a whole lot less than "affordable": more than two-thirds of Wal-Mart workers can't participate in the company health plan. Most associates can't afford the \$250 a month that Wal-Mart charges for its health plan - 25% of the average associate's gross income.

## A Bad Record with Women

- Two-thirds of Wal-Mart's hourly employees are women, but they hold only one-third of store management slots, and less than 15% of store manager positions. Wal-Mart's own workforce data shows women in every major job category are paid less than men with the same seniority: full-time women hourly employees working at least 45 weeks at Wal-Mart made about \$1,150 less per year than men in similar jobs, a 6.2% gap. Women store managers made an average of \$89,280 a year, \$16,400 less than men.
- On June 19, 2001, six current and former Wal-Mart and Sam's Club employees filed a class action lawsuit in federal court in San Francisco: *Dukes v. Wal-Mart Stores, Inc.* The plaintiffs charge that Wal-Mart discriminates women in making promotions, job assignments, and pay, and that Wal-Mart also retaliates against women who complain about such practices. The plaintiffs are currently petitioning for class-action status, which could make as many as 1.5 million former and current female Wal-Mart employees party to the suit - the largest class action lawsuit in history.

## A Bad Record on Overtime

- Wal-Mart faces 38 state and federal lawsuits filed by hourly workers in 30 states, all of which accuse the company of systematically forcing workers to work overtime hours without compensation and working without breaks, in violation of the Fair Labor Standards Act. The California Department of Labor Standards Enforcement has also opened an investigation into alleged violations of California's Wage and Hour laws by Wal-Mart and Sam's Club.

- Here in Colorado, Wal-Mart has already settled one suit with 69,000 former and current hourly employees over unpaid, forced overtime. The terms of the settlement were confidential, but Wal-Mart reportedly paid \$50 million to stop the suit.

SOURCES:

Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

UFCW Justice at Wal-Mart Campaign ([www.ufcw.org](http://www.ufcw.org))

Wal-Mart Vs. Women ([www.womenvswalmart.com](http://www.womenvswalmart.com))

Wal-Mart Stores, Inc. SEC 10-Q filing, 9/10/2003

# WAL-MART: a bad business neighbor.

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## Destroying Local Businesses

- A Mississippi State University Extension study from 2001 found that, in Mississippi counties where a supercenter opened:
  - Food stores saw average declines in sales from 10% after the first year to almost 17% after five years.
  - Building materials stores had average sales losses of 8% the first year to 12% the second year.
  - Miscellaneous retail trade saw sales losses from 3% the first year to 9% by the fifth year.
- A similar study in Iowa from 1983 to 1993 found huge shifts in sales to large towns and mass-merchandise stores like Wal-Mart, with the total number of businesses lost in small towns over the decade reaching 7,326. In the 11 store types studied, businesses lost more than \$603 million in sales.
- Wal-Mart's claim to bring jobs to the communities it enters is a partial truth: Wal-Mart brings jobs in, but it chases more out. University of California at Irvine economist Dr. Marlon Boarnet found that for every 100 jobs a Wal-Mart creates, 150 existing jobs in the community are destroyed.

## Under-Cutting Good Employers

- Because of its size and economic clout, Wal-Mart is able to command much lower prices for consumer goods. Retail Forward, an Ohio retail consulting firm, estimates that Wal-Mart food prices are roughly 15% lower than other supermarkets because of "superior sourcing and non-union labor"
- That "non-union labor" has significant and entirely calculable impacts on our local economy:
  - 1) If Wal-Mart workers make an average wage of \$8.00 an hour and works a 32 hour week, and if, as preliminary estimates indicate, Wal-mart will create roughly 500 jobs at Alameda Square, that represents \$6,656,000 in gross wages entering our local economy in one year.
  - 2) The average wage of Denver retail salespeople in 2001 was \$9.27.
  - 3) Since Wal-Mart has shown a pattern of destroying 3 jobs for every 2 created, this would mean 750 people out of work from existing local jobs.
  - 4) At an average of \$9.27 an hour and 32 hours a week (keeping calculations as comparable as possible to Wal-mart employment), these 750 lost jobs represent a loss of \$11,568,960 in gross wages in one year.
  - 5) Wal-Mart would thus create a *net loss* of \$4,912,960 in gross wages entering the Denver economy.

## Wal-Mart's Wandering Feet

- Wal-Mart has nearly 500 empty stores gathering dust around the country - a testament to Wal-Mart's strategy of shutting down one center to open a larger one a couple miles (or sometimes blocks) away. Without a guarantee of residency from Wal-Mart, there is little to keep them in Alameda Square once the TIF subsidy expires - thus leaving the Athmar neighborhood with a *completely* empty shopping center instead of a partially filled one, and leaving the residents of Denver with the costs of yet another redevelopment to shoulder.

### SOURCES:

Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov))

Stone, Kenneth. *The Economic Impact of Wal-Mart Supercenters on Existing Businesses in Mississippi*, Mississippi State University Extension, 2001.

Stone, Kenneth. *Competing With the Discount Mass Merchandisers*, Iowa State University, 1995

*The Wal-Mart Empire: A Simple Formula and Unstoppable Growth*, The Wharton School, University of Pennsylvania, 2003.

# WAL-MART: a bad investment.

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Wal-Mart is asking for 10-12 million dollars in tax increment financing (TIF) monies *plus interest* to build their store at Alameda Square. TIF financing works like this: DURA (the Denver Urban Renewal Authority), with the approval of City Council, designates a specific area an Urban Renewal District (URD). A baseline property and sales tax amount for that URD is then set by assessing all revenues before development happens. After development, all sales and property taxes collected over that baseline amount go to either 1) repay a bond issued to pay for development, or 2) reimburse the developer for TIF-eligible development costs. DURA and Wal-Mart are attempting to negotiate the latter - a reimbursement of Wal-Mart.

There are multiple reasons to question Denver's investment in the Wal-Mart redevelopment, including:

## Revenue Production

### **Property Tax:**

- 1) Assume that future redevelopment property tax will be a function of current property tax. The total taxable value for the property in 2002 was \$3,246,870, so total taxes collected in 2002 should be in the area of \$194,341. Assume that total assessed value increases 100% after redevelopment, to \$6,493,740. Future property taxes (assessed value times the mill levy of 59.855) would then be \$388,682 a year.

### **Sales Tax:**

- 2) DURA estimates that taxable sales will be 66% of \$66 million (which is actually high - average Wal-Mart sales per store are \$55.6 million), or \$43,560,000. At 3.5% Denver sales tax, this would be roughly \$1.524 million a year in sales tax for the Wal-Mart development.

### **Total Revenue Minus TIF Base:**

- 3) **Property Tax:** The base TIF property value in Alameda Square is \$2,530,309. Subtracting this from the projected improved value of \$6,493,740 gives us a taxable TIF increment value of \$3,963,431. At the current mill levy of 59.855, this means a TIF property tax revenue of \$237,231 a year.
- 4) **Sales Tax:** No figures have been made available for the sales tax TIF baseline in Alameda Square. We do know, however, that DURA expects the Alameda Square redevelopment will produce \$12.2 million in revenue by 2016, or a little over a million a year. If Wal-Mart can be expected to generate \$1.524 million a year in sales tax (as shown above), but DURA expects only a million a year in TIF increment, this would imply that the baseline sales tax revenue for the Alameda Square project is somewhere in the area of \$500,000. From the estimated Wal-Mart sales revenue per year, this would leave the TIF sales tax increment revenue roughly around \$1 million a year.
- 5) Hence, the total TIF increment revenue (sales plus property tax) would be in the area of \$1.3 million a year.

## What Do We Gain?

- 6) On paper, Denver stands to gain 1.3 million dollars in new tax revenue, that is, \$1.3 million over the revenue baseline from the establishment of the district. In practice, however, since this is a TIF district, the \$1.3 million a year is diverted to DURA until the expiration of the TIF district in 2016.
- 7) Wal-Mart wants to charge interest on the \$10 million in reimbursed costs it is asking from DURA - the interest rate it is asking, however, has not been made public.
- 8) Assuming that the interest rate is enough to postpone pay-off of the reimbursement until 2016, we could assume that the total revenue diverted back to Wal-Mart would be somewhere in the neighborhood of \$14.3 million (11 years of \$1.3 million dollars in reimbursed revenue) - and this figure doesn't factor in any growth in sales at Wal-Mart. *In sum, Denver taxpayers can expect to see no return on their investment until 2016.*

## Keeping our Tax Dollars in Town

- The more than 20 shop owners currently in Alameda Square contributed \$3,246,870 in value to Denver's economy. Living here, they kept their profits local. Every dollar of profit that Wal-Mart generates will not go into the Denver's economy—it will be sent directly back to Bentonville, Arkansas, Wal-Mart's headquarters.
- Relocation of the existing businesses not only adds more expenses for the residents of Denver to shoulder, it breaks up a block of businesses that shared a constituency of consumers. By separating these businesses, they will lose the cross-business customer base, and Denver will lose sales tax revenue.

## They Don't Need A Subsidy:

- Wal-Mart is the world's largest retailer: in the four-week period ending August 29<sup>th</sup>, 2003, Wal-Mart's net sales were 19.5 billion dollars, 13.7% more than they made in the same period last year. In 2003, Wal-Mart Stores, Inc. is anticipating \$245 billion in net sales and an operating profit of \$13.644 billion. If the store is going to be as economically viable as Wal-Mart claims, surely they can afford the capital investment to develop the property without public subsidies.
- Further, Wal-Mart is already in the process of developing a Supercenter in Centennial (at Briarwood and Havana) without the benefit of public subsidies. If Wal-Mart can afford to build a new store elsewhere without subsidies, the argument that they would be unable to develop the Alameda Square property without public investment would seem to be hollow at best.

## Public Return on Public Investment

- Estimates on job creation vary, but many reports estimate roughly 500 jobs, 250 of which will be full-time, or roughly 375 full-time equivalent (FTE) jobs. The average Wal-Mart worker receives \$8.00 an hour and works 32 hours a week. Working 50 weeks a year, they would gross \$12,800 a year. At \$12 million in public investment, the public will be paying \$32,000 per FTE - \$19,200 more than the average Wal-Mart worker earns in a year.
- Moreover, Wal-Mart's benefit package is notoriously poor (40% below industry standard), and poor benefits coupled with poor pay may explain why half of Wal-Mart associates qualify for food stamps, and why even more Wal-Mart employees have to find a second or third job to make ends meet. Such poorly paying jobs put huge burdens on public assistance and indigent care programs, such as Denver Health - which already had to cut \$15.7 million from its budget this year.

### SOURCES:

*Centennial Courts Wal-Mart*, Rocky Mountain News, 10/3/03

DURA internal documents obtained through CORA requests

Jacques, Peter, et al. *Teaching Case Study: Wal-Mart or World Mart*, Flagstaff Activist Network, 2000.

Norman, Al. *Slam-Dunking Wal-Mart*; Sprawl Busters, 1999.

*Wal-Mart August 2003 Sales Release*, 9/4/03

*Wal-Mart Stores Inc. 2003 Annual Report*

## Questions that need answers:

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- **When Will Denver See New Revenue from the Project?:** Wal-Mart is insisting on a minimum of \$10 million in reimbursements for its initial investment in Alameda Square. DURA estimates that roughly \$12 million can be generated from project in that time. Does that mean that Denver will see *no* additional revenue from the project until 2016?
- **What Interest is Wal-Mart Charging City Tax-Payers?:** In addition to the \$10 million in reimbursements, Wal-Mart is insisting that it be paid interest on this amount over the remaining twelve-year life of the TIF district. What is the interest rate to which DURA and Wal-Mart are agreeing, and how much total interest will be paid by Denver tax-payers to Wal-Mart?
- **Does Wal-Mart *Need* a Subsidy?** Wal-Mart is the world's largest retailer, with \$13.6 billion in anticipated 2003 operating profits. Clearly Wal-Mart is able to finance the Alameda Square project independently, and is apparently doing so at another Supercenter project in Centennial. If sales projections for the Alameda Square location are so robust, why does Wal-Mart need a \$10 million subsidy to be economically viable?
- **Has the TIF District Inflated Land Values?:** Wal-Mart's expectation of \$10 million in TIF financing from DURA is no secret, particularly to the current property-owners at Alameda Square. According to public documents, the asking price for most of the properties at Alameda Square is roughly \$15 per square foot, or roughly 50% more than their assessed value from 2002, and one property owner is asking for over \$70 per square foot. Has the very existence of TIF financing inflated land values at Alameda Square? Is public money being used to make a difficult project possible, or is it simply subsidizing a windfall for current property owners?
- **Does This Project Pass the "But For" Test?:** Tax-increment financing is meant to make possible redevelopment projects that market realities have otherwise rendered unviable. This is commonly referred to as the "but for" test: that is, "but for" tax-increment financing, this redevelopment would not happen. Given the unparalleled wealth of the prospective developer, and the possibility that land prices have been inflated by the TIF itself, does this project pass the "but for" test?
- **Will Wal-Mart Leave After the TIF has Expired?:** Over the next twelve years, the sales and property tax revenue from the project will be paid back to Wal-Mart. After the expiration of the TIF district in 2016, however, all tax revenue from the project will begin reverting back to the City's general fund. Yet as a private entity, Wal-Mart is free to close its doors and move on whenever it sees fit. Currently, as many as 500 empty Wal-Mart stores across the country testify to the likelihood of this outcome. Has Wal-Mart made any commitment to remain at Alameda Square after the expiration of the TIF district, at least long enough for Denver tax-payers to recoup their investment?
- **What Will Wal-Mart's Impact Be on Other Subsidized Projects?:** Wal-Mart's negative impact on surrounding businesses is well-documented. Such, however, is the functioning of the market, and should Wal-Mart become a tax-funded investment, then the city would have an interest in its success. Yet Wal-Mart would not be the city's only investment in a retail-focused project. What impact will Wal-Mart at Alameda Square have on the likely success of Denver's other subsidized redevelopment projects, particularly the nearby Morrison Road redevelopment efforts?