

Woodman's Food Market Altoona, WI

ECONOMIC IMPACTS

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EXECUTIVE SUMMARY

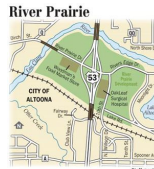
We estimate that total economic impact of the Woodman's Food Market within the River Prairie Development Project of Altoona, Wisconsin to be \$18 Million during its construction phase and \$35 Million annually in the years thereafter. These numbers reflect both the direct and the pass-through impacts. Significant local pass-through economic impacts are expected in the retail and medical sectors as a result of the Woodman's project. Total State and Local tax impact is projected to be \$2.2 Million annually with the majority of additional revenue being generated through property and sales taxes.

BACKGROUND INFORMATION

This study estimates the economic impact of the construction and operation of a Woodman's Food Market within the City of Altoona, Wisconsin. Altoona has an estimated (2013) population of just over 7000, but is located within the Eau Claire, WI Metropolitan Statistical Area (MSA) that has an estimated population (2013) of 165,000.

The Woodman's Food Market is located within the 'River Prairie Development Project' (RPDP), which is a 129-acre area located along US Highway 53 at the Eau Claire River. Included within are a variety of businesses included, but not limited to: hotels, hospitals, banks, a gas station, and a grocery store.

According to Woodman's Food Market's webpage, the chain earns over 1 billion dollars in annual sales. At the time we completed the research, Woodman's estimated this new store would employ roughly 200 people – 40 of whom will be existing store employees and the remaining 160 as new hires from the area. The store itself is planned to cover 150,000 square feet. Our research team has not confirmed that these predicted numbers are correct.



METHOD

This study uses the IMPLAN model to estimate the economic impacts of the project. This model employs regional economic data to determine how local economic changes are likely to impact total regional economic activity. This is done through the use of a Social Accounting Matrix (SAM). The SAM uses industrial data to determine what upstream service providers are available to the firm, what downstream demand is likely and what the local prices of each are to determine the total level of economic activity.

Direct impacts refer to spending that results directly from the specific economic event. *Indirect impacts* refer to those expenditures that derive from the specific economic event. *Induced impacts* refer to the second round economic events resulting from the original event.

The constructed model is based upon the Eau Claire MSA. The model therefore takes all economic activity and the population within the Eau Claire and Chippewa counties to be 'local'. All people and economic activity outside this are considered 'non-local'. Our economic impacts are based upon 'local' impacts only.

For this study, we ran two separate event scenarios – specifically the construction and operations of the Woodman's Food Market. The impacts estimated here are expressed in terms of jobs created, local expenditures, and broader tax implications.

DIRECT IMPACTS

CONSTRUCTION

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	96	4,588,704	5,186,375	12,579,886
Indirect Effect	19	951,145	1,329,156	2,369,239
Induced Effect	37	1,338,716	2,349,614	3,891,920
Total Effect	151	6,888,565	8,865,145	18,841,144

The direct impacts of the construction phase were estimated from the final projected valuation of the building. The *direct impact of construction* was estimated at roughly \$12.57 million and 95 jobs for the duration of the work as seen in the diagram on the left. We further estimate that this would have created roughly \$4.5 million in labor income - most of which would stay in the local area and with virtually all labor income remaining in state. We also estimated that this work created an additional \$5.1 million in value added. *Value added* being the difference in value between the economic inputs pre-construction and the value of those same materials post-construction.

OPERATIONS

Working from expected employment numbers (200) and anticipated wages, we estimate the *direct impact of annual operations* at \$22.9 million. Direct annual local value added is estimated to be roughly \$20.7 million. Annual labor income resulting from operations is expected to be \$12.8 million.

ImpactType	Employment	LaborIncome	TotalValueAdded	Output
Direct Effect	200	12,854,071	20,793,052	22,932,000
Indirect Effect	25	941,389	1,597,149	2,872,164
Induced Effect	87	3,184,500	5,567,161	9,241,960
Total Effect	312	16,979,959	27,957,362	35,046,124

INDIRECT AND INDUCED IMPACTS

CONSTRUCTION

Beyond the direct impacts we estimate an additional \$6.3 Million in indirect and induced impacts during the construction phase as well as roughly 55 jobs. These impacts are expected to occur in the following areas (partial listing):

- Food services and drinking places
- Architectural, engineering, and related services
- Real estate establishments
- Private hospitals
- Wholesale trade
- Offices of physicians, dentists, and other health practitioners
- Retail stores

These pass-through impacts are occurring in two areas: The first are the indirect expenditures that occur during construction. The second area captures the additional expenditures of the people employed during the construction phase.

OPERATIONS

As with the construction phase, we estimate an additional \$12.1 Million in indirect and induced impacts annually resulting from operations of the grocery store and an additional 112 jobs.

These impacts are expected to occur in the following areas (partial listing):

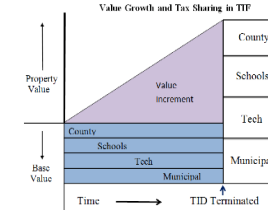
- Food services and drinking places
- Real estate establishments
- Private hospitals
- Offices of physicians, dentists, and other health practitioners
- Nursing and residential care
- Retail stores
- Insurance carriers
- Wholesale Trade

The pass through impacts of the grocery store operations also point to two areas of secondary development. First we see the added expenditures of people on day-to-day consumer items such as food and drink, doctors and dentists, and other retail goods and services. These occur as a result of the increased employment (and incomes) resulting from the grocery store operations. The second area captures the indirect costs of operating the store. These include insurance, buildings maintenance, and wholesale trade.

TAX IMPLICATIONS

The entire RPDP – including the Woodman's grocery – resides in a Tax Increment District (TID) and infrastructure within the district is therefore paid using Tax Increment Financing (TIF). TIF's allow municipalities to capture the tax revenues associated with development within the TID. This process can be described by dividing the lifespan of the TID into three phases as shown in the diagram above.

Sharing the Tax Base



Wisconsin Department of Revenue's TIF Diagram

The Woodman's Food Market, along with its adjacent gasoline station, has a projected valuation of \$15 Million. While this allows for a good starting point, when thinking about tax impacts it does not allow for the tax implications of the various pass-through effects. As such for purposes of this study however we work from the tax projections of our model. Indeed, our projected values are not far off the expected final valuations of the TID. As such we are reasonably confident that these projections are within reason.

We project the total annual State and Local tax impact from Woodman's operations to be roughly \$3.8 Million. (This number includes direct as well as taxes derived from all pass-through events.) The table below breaks this number down.

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Dividends					\$271,154.00
Social Ins Tax- Employee Contribution	\$11,831.00				
Social Ins Tax- Employer Contribution	\$29,638.00				
Indirect Bus Tax- Sales Tax			\$1,637,821.00		
Indirect Bus Tax- Property Tax			\$988,795.00		
Indirect Bus Tax- Motor Vehicle Lic			\$43,041.00		
Indirect Bus Tax- Severance Tax			\$806.00		
Indirect Bus Tax- Other Taxes			\$172,208.00		
Indirect Bus Tax- St. Non-Taxes			\$291,496.00		
Corporate Profits Tax					\$57,872.00
Personal Tax- Income Tax				\$3,16,537.00	
Personal Tax- Non-Taxes- Frates- Fees				\$78,852.00	
Personal Tax- Motor Vehicle License				\$6,922.00	
Personal Tax- Property Taxes				\$4,069.00	
Personal Tax- Other Tax (Fish/Hunt)				\$6,035.00	
Total State and Local Tax	\$41,567.00		\$3,133,806.00	\$332,396.00	\$328,827.00

AREAS FOR FUTURE STUDY

It is worth noting that because of the peculiarities of Wisconsin tax law the municipality will not be able to receive the entirety of the increased tax increment upon the closing of the TID. Wisconsin Law sets limits upon the amount that a municipality may increase its annual tax levy. This goes against the intent of TID districts (which are designed to incentivize development). In a recent legislative session there were two bills circulated that would have significantly increased the amount of the increment that could be received by the municipality (to just over 80% in the case of the Wisconsin assembly bill). Should such a bill pass it would no doubt significantly increase the incentive for municipalities/private developers to take on large-scale development projects. The preliminary work done by the Wisconsin legislative fiscal bureau shows these impacts to be significant. As such, given that other States have likely faced similar dilemmas, additional research in this area is certainly warranted.

REFERENCES

- [1] Food Marketing Institute (FMI) <www.fmi.org> Downloaded 8/14/2015.
- [2] Woodman's Food Market website <<http://www.woodmans-food.com/about>> Downloaded 8/3/2015.
- [3] Wisconsin Department of Revenue on 8/12/2015 <<https://www.revenue.wi.gov/pubs/sif/tif/tif-1-2.pdf>>
- [4] Wisconsin Statute 66.0602 (3) (dm).
- [5] <<http://www.WQOW.com>>

ACKNOWLEDGEMENTS

- Support for this project came from University of Wisconsin – Office of Sponsored Research and Economics Department.
- We thank The City of Altoona, Eau Claire County, and Woodman's Food Market for assisting with our research.