

Press Release  
June 29, 2004

## **IS THE BOX HALF EMPTY OR HALF FULL?**

### ***Group Cites Omissions, Errors in Recent Big Box Study; Calls for Independent Review of Findings***

Full Circle, a new advocacy group focusing on corporate responsibility, announced today that it will seek an independent review of the city's recently-released study on the economic impacts of big-box development in Austin. Citing substantive omissions and possible errors in data, the group also called the study incomplete, noting that it failed to address at least two of the seven key tasks in the study's original scope of work.

"This really doesn't move us any closer to a true understanding of the costs vs. benefits to the city," said Jack Kirfman, a Full Circle board member, "We realize this is a complex subject, but we were frankly surprised by the lack of usable information in the study, especially when so much research is readily available."

The group noted four chief concerns about the study, including:

- \* Questionable methods and analysis that may not support findings about big-box market share, competition with local businesses, or Austin's share of MSA tax revenues.**
- \* No information on crime or traffic counts, one of the key tasks in the study's scope.**
- \* No information about "best practices" on land use policies related to retail, another key study task.**
- \* Lack of substantive discussion of wage and labor practices and the potential effects on Austin's workers.**

The study was commissioned by City Council in November 2003 at a cost of \$45,000, with an approved scope of work containing seven key tasks (a summary of the approved scope of work is attached at the end of this

document). Originally expected to be completed in February, the final report was presented to City Council on July 1, 2004.

### ***Group Details Four Top Concerns About Study***

Full Circle members detailed their concerns about the study as follows:

#### **1. Questionable methods and analysis may not support findings on big-box market share, competition with local businesses, and Austin's share of MSA tax revenues.**

A preliminary review indicates that at least two of the study's findings, already widely quoted in the local media, may be the result of flawed methodology. Finding #2, that there is "little direct competition between big boxes and local retailers," runs counter to the well-documented experience of thousands of small retailers nationwide.

"While we certainly appreciate the report's emphasis on the value of local businesses and maintaining a healthy balance with national chains, the idea that the big boxes don't directly compete with local retailers defies common sense and experience," said Steve Bercu, co-owner of Bookpeople and president of the Austin Independent Business Alliance. "For instance, Wal-Mart is the largest seller of toys in the world and if someone buys their toys at Wal-Mart, they're not going to be buying them at a local retailer."

Likewise, the finding that big boxes control only 21 percent of the market share appears flawed. Preliminary calculations indicate that the market share for Home Depot and Lowe's may, in fact, be closer to 50 percent.

Table 6, which appears on page 22 of the study, also contains a significant error, as noted by the study's author during his presentation to City Council. Austin's share of the MSA sales tax allocations is, in fact, closer to 67 percent, not 53.9 percent as presented on the chart. Since Austin accounts for only 50 percent of the metropolitan area population, the corrected figure shows the city is still running almost 20 percent ahead of its population in terms of sales tax revenue.

#### **2. No information on crime or traffic counts related to big boxes, a key task in the original scope of work.**

The original scope of work stated: "Assess crime data and traffic counts to determine relative impacts on public safety and the environment."

This research was to be collected by city staff, but was clearly listed as part of the study to be included in any final report - yet no such data appears. This omission particularly troubling because other studies have found that increased crime and traffic counts are the two biggest city revenue drains associated with big-box development.

### **3. No information about "best practices," a key task in the original scope of work.**

Other cities have already begun efforts to address the more negative aspects of big-box development through such tools as size caps, economic impact statements, or re-use provisions to prevent abandoned boxes. City Council's original scope of work called for the study to "[i]ntegrate...findings with available information on 'best practices' regarding public policy on land use related to retail to make policy recommendations." This information was not included in the study.

### **4. No substantive discussion of wage and labor practices and the potential affects on Austin workers.**

The report gives only cursory treatment to the issue of poverty-level wages, despite the fact that this is the top point of contention in current big-box battles around the country, notably Los Angeles and Chicago. Nor does the study address the well-documented labor violations associated with certain big-box retailers, including forced work off-the-clock, gender discrimination, child labor violations and regular use of illegal workers (though it does note an increase in "productivity" for the retailer best known for such practices).

As the number of big-boxes grow, wage and benefit issues will have increased significance to Austin workers and a potential ripple effect throughout our economy. Though the city may be limited in its ability to address these issues, that does not obviate the need for honest public discussion about them. At the very least, we need a clear understanding the potential costs to the city as the number of impoverished workers rises.

### ***Local and National Experts to Head Independent Review Team***

Full Circle advocates say the seriousness of their concerns has prompted them to seek independent analysis of the study. To that end, they are enlisting a team of national and local experts to review the findings and discuss the policy implications of this project. The team will be led by

Michael Oden, an economist and assistant professor of Community and Regional Planning in the UT School of Architecture; Bill Spelman, professor at UT's LBJ School of Public Affairs and former Austin City Council member; and Dan Houston, an Austin-based partner in Civic Economics. The team's findings are expected within a few weeks and will be made publicly available at that time.

**Full Circle is an all-volunteer coalition of business, labor, environmental and neighborhood leaders who are focusing on corporate responsibility and the economic impacts of increased big-box development. For more information, please visit our website at [austinfullcircle.org](http://austinfullcircle.org).**

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### ***Original Scope of Work***

The following seven key tasks were approved by City Council, on November 20, 2003, as a scope of work "to determine the role and impact of big-boxes in the retail trade sector of the Austin economy."

- 1. Outline recent trends in retailing nationwide.**
- 2. Provide an overview of the status and history of retail trade in Austin and the greater Austin area.**
- 3. Review the academic and trade literature related to the impact of big-boxes and national brand retailers on local economies.**
- 4. Survey the Austin market to determine relative prices for certain goods from national brand retailers, regional providers, and small, locally-owned businesses.**
- 5. Survey (either through a formal survey or carefully constructed focus groups) national brand retailers, regional providers, and small, locally-owned businesses to determine the range and scope of both labor compensation and local procurement.**
- 6. Assess crime data and traffic counts to determine relative impacts on public safety and the environment (to be done by COA staff).**

**7. Integrate the above findings with available information on "best practices" regarding public policy on land use related to retail to make policy recommendations.**