



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

## **FINAL REPORT**

# **LARGE FORMAT IMPACT STUDY BOZEMAN, MT**

Prepared for:

City of Bozeman

Prepared by:

Economic & Planning Systems, Inc.

May 2005

EPS #13878

**DENVER**

730 17<sup>th</sup> Street, Suite 630  
Denver, CO 80202-3511  
[www.epsys.com](http://www.epsys.com)

phone: 303-623-3557  
fax: 303-623-9049



**BERKELEY**

phone: 510-841-9190  
fax: 510-841-9208

**SACRAMENTO**

phone: 916-649-8010  
fax: 916-649-2070

# TABLE OF CONTENTS

---

	<u>PAGE</u>
I. INTRODUCTION .....	1
Problem Statement .....	1
Background .....	2
Project Scope .....	2
Conclusions .....	3
II. MARKET FRAMEWORK.....	9
Demographic Trends and Forecasts .....	9
Retail Definitions .....	12
Regional Trade Area .....	13
Retail Development Patterns .....	21
Future Development .....	24
III. FISCAL IMPACTS .....	27
Fiscal Model .....	27
Operating Revenues and Expenditures .....	28
Capital Revenues .....	33
IV. ECONOMIC AND COMMUNITY IMPACTS.....	34
Existing Business Impacts .....	34
Employment and Wages .....	38
Affordable Housing .....	40
V. POLICY OPTIONS .....	44
Impact Fees and Exactions .....	44

## LIST OF TABLES

---

	<u>PAGE</u>
Table 1	Bozeman Area Population and Housing Trends, 1990-2004 ..... 9
Table 2	Bozeman Area Growth Forecast, 2005-2020 ..... 11
Table 3	Trade Area Growth and Income Forecasts, 2004-2020 ..... 15
Table 4	Regional Net Retail Expenditure Growth, 2004-2020 ..... 17
Table 5	Supportable Regional Retail Space, 2004-2020 ..... 18
Table 6	Community Trade Area Net Retail Expenditure, 2004-2020 ..... 19
Table 7	Supportable Convenience Goods Space, 2004-2020 ..... 20
Table 8	Large Format and Grocery Store Retailers ..... 22
Table 9	Retail Inventory ..... 23
Table 10	Fiscal Impact Forecast Factors ..... 28
Table 11	Estimated Revenues ..... 30
Table 12	Estimated Expenditures ..... 31
Table 13	Net Fiscal Impact ..... 32
Table 14	Estimated Impact Fees ..... 33
Table 15	Supermarket Impacts ..... 37
Table 16	Supermarket Revenues and Profits, 2000-2004 ..... 39
Table 17	Average Wage by Industry, 2003 ..... 41
Table 18	Housing Affordability, 2003 ..... 42

## LIST OF FIGURES

---

	<u>PAGE</u>
Figure 1 Household Income Comparison, 2000.....	10
Figure 2 Regional and Local Trade Area .....	14

# I. INTRODUCTION

---

This report summarizes the analysis and conclusions of Economic & Planning Systems (EPS) concerning the fiscal and economic impacts of large format retail stores (also called “big box” stores) in the City of Bozeman, Montana.

## PROBLEM STATEMENT

Like other growing and progressive communities, Bozeman has become increasingly concerned with the economic and fiscal impacts of major new retail development. Consumers are attracted to big box retail stores because of the availability of greater product selection, lower prices, and opportunities for one-stop shopping. Municipalities have often supported large-format retail projects based on their positive benefits to the community including an expanded regional retail draw, reductions in existing sales leakages, and additional business for existing retailers, most often generating net increases in sales tax revenue.

However in Montana, where sales taxes are not levied, the most tangible potential benefit of large format retail is not forthcoming. Moreover, the Bozeman community is concerned about potential negative impacts of big box store development, including the loss of locally owned traditional stores and the impact on the overall viability of existing retail areas, particularly downtown. The development of Wal-Mart, Target, Kmart, Costco, and more recently Home Depot, has coincided with the reduction in locally owned hardware, drug, apparel, home furnishings, and building supply businesses.

The recent opening of a Super Wal-Mart has raised additional concerns. This type of store creates an even larger store by combining what is essentially a full-line supermarket under the same roof with a discount department store. As a result, the potential impacts on existing retailers now extend to supermarkets and grocery stores, which were largely immune from the impacts of the development of discounters and home improvement centers. The impacts on jobs and wages are identified as specific concerns because super centers typically pay lower wages, have fewer full-time employees, and have less comprehensive health care coverage than provided by largely union-based national grocery chains.

Other potential concerns associated with big box retail development include the following:

- When located on the periphery of the community, large retail projects of various formats can expand the city’s service area for specific services, including police protection, public works, and transportation (both roads and transit service).
- Large national retail corporations tend to use national distribution contracts and not buy locally further impacting local business suppliers and financial institutions.
- Typically, these large-format retailers are not locally owned and offer less support for local charities and community organizations.

- The generation of lower-wage jobs creates greater demands for affordable housing, schools, and social service providers often in excess of the tax revenues to pay for them.

## **BACKGROUND**

The City of Bozeman has been considering the impacts of large format retail stores since Wal-Mart proposed an expansion of its existing store to a Super Wal-Mart in 2000. At that time the City considered an ordinance to limit the size of new retail stores but instead accepted Wal-Mart's offer to conduct an economic impact study of its proposed project that was completed by Bay Area Economics (BAE) in February 2001. In June 2001, City legal staff presented a report to the City Commission on options for limiting or controlling the development of large format stores, which included a range of approaches such as comprehensive plan amendments and zoning caps on the maximum store size allowed.

The City Commission approved the Super Wal-Mart plan application in 2002 with a condition on Wal-Mart to "make efforts reasonably required and necessary to minimize adverse impacts identified in the BAE Economic Impact Study and in public testimony". Wal-Mart subsequently made a voluntary payment of \$500,000 to address any potential impacts to the City.

In March of 2002, the City Commission adopted an ordinance requiring economic impact studies for large format retail development. The ordinance was provisionally adopted pending the outcome of the recommendations of a citizens committee, the Big Box Task Force (BBTF) established at that time. The Commission also passed a temporary ban on large format retail projects.

The BBTF recommendation to the City Commission was to impose urban design and location requirements, and economic development fees to address potential impacts scaled to the size of the project starting at 40,000 up to a maximum building size of 100,000 square feet. Based on concerns expressed by the City Attorney's office, the Commission adopted the urban design recommendations but requested staff to conduct a formal study to establish a legally defensible basis for imposing economic impact mitigation fees or other impact mitigation measures. The Commission also enacted a size cap of 75,000 square feet on retail boxes pending the outcome of the study.

## **PROJECT SCOPE**

The City of Bozeman retained EPS to conduct the requested fiscal and economic impact study to address the following tasks:

- Identify any excess costs related to providing public services including police and fire protection.
- Analyze the impacts on the local employment market including wages and benefits.

- Analyze the related impacts on housing costs and the need for affordable housing.
- Identify impacts on existing retail businesses.

EPS reviewed previous studies and interviewed key stakeholders to identify project issues and objectives. This initial research provided a basis for preparation of the detailed work plan to evaluate the identified issues. The major findings are presented in four sections following this introduction:

- Market Framework – including an analysis of existing retail conditions and forecasts in Bozeman and the Bozeman regional trade area for the 2005 to 2020 time period.
- Fiscal Impacts – quantification of the municipal operating and capital costs and revenues associated with large format retail development compared to a like amount of smaller store space.
- Economic Impacts – an analysis of the impact of large format retailers on existing retail businesses and related employment, wages, and affordable housing needs.
- Policy Options – a review of the City’s policy options for addressing the determined fiscal and economic impacts.

## CONCLUSIONS

### MARKET IMPACTS

1. *Strong population growth will support an estimated 860,000 square feet of additional regional type retail space over the next 15 years.*

The Bozeman trade area is estimated to generate demand for 652,000 square feet of shoppers’ goods space, with approximately 91,000 square feet in department stores of some type and 302,000 square feet of home improvement store space. The total additional 954,000 square feet is a 55 percent increase over the current estimate of 1.74 million square feet of similar space.

2. *Most of the large format stores greater than 75,000 square feet that are likely to be built in Bozeman have already been built.*

There are currently five large format national chain stores in Bozeman (greater than 75,000 square feet) with a total of 550,000 square feet of space. Over the next 15 years, an additional 250,000 square feet of department store space will be supportable, with at least a portion of this space built as conventional department stores. An additional two to three large format stores are estimated to be built based on the current national retail store profile and their location and economic criteria for development.

**3. *The greatest expansion in new retail development is expected to be in "category killer" mass merchandisers with stores in the 20,000 to 40,000 square foot range.***

Bozeman could potentially support 250,000 to 350,000 square feet of this type of space over the next 15 years. Power centers containing four to six of these tenants can be in the 150,000 to 250,000 square foot size each. There is a long list of these of national retail stores not currently present in the market that are candidates to locate in Bozeman over the next 15 years including.

**4. *Bozeman may also be a candidate for a lifestyle center development in the next 15 years.***

A lifestyle center is open-air, upscale shopping center ranging in size from 250,000 to 750,000 square feet and tenanted by national upscale apparel, home furnishings stores, chain restaurants, as well as other entertainment uses. Development of life style centers has been accelerated by the desire of many of the tenants that have typically located in regional malls to expand given the lack of new regional centers being built. Unless the Gallatin Valley Mall expands to accommodate the growth in these types of tenants, a lifestyle center would be a likely development option with no large format stores (except a potential department store anchor). Given the orientation of such centers to entertainment uses (e.g., theaters, eating and drinking places), it will be important to also consider the relationship to and potential impacts upon the Downtown, given its emerging regional function as a specialty retail and entertainment venue.

**5. *Additional supermarkets or expansions of existing supermarkets are likely to be 55,000 to 65,000 square foot range which is only slightly smaller than the current building size cap.***

The retail forecasts indicate an increase of \$64.32 million in supermarket sales in the next 15 years. Based on average sales levels, this would support an additional 125,000 square feet of space. However, the new Super Wal-Mart is expected to take a portion of this demand reducing the increase in supportable space to about 73,000 square feet. Some of these sales could be provided by an expansion of existing supermarkets and/or an additional store being built. In either case, new conventional supermarkets in the market are expected to be somewhat larger than current stores, in the 55,000 to 65,000 square foot range.

## FISCAL IMPACTS

**1. *The fiscal impacts on the City associated with large format stores are estimated to be only marginally greater that those associated with a comparable amount of smaller store space.***

The fiscal analysis estimates that one large format store of 125,000 square feet generates a net fiscal impact of -\$96,000 compared to -\$89,000 for a comparable project containing five 25,000 square foot stores for a net difference of \$6,500 per year. The one area for which large format stores were identified as having higher costs were police and fire call

volumes based on the larger regional draw of these types of stores. Overall, the greater levels of employment associated with the smaller store format generate an additional \$37,000 in annual revenues but these revenues are almost totally offset by an additional \$30,000 in annual operating costs.

- 2. Large format stores generate approximately twice the level of fire impact fees but virtually the same level of road impact fees based on the current fee structure.*

The prototypical 125,000 square foot large format store generates \$72,200 in fire impact fees compared to \$36,700 for the five 25,000 square foot stores. The larger store generates \$572,000 in road impact fees compared to \$577,000 for the smaller stores. The large format store generates a total of \$644,000 in total impact fees compared to \$614,000 for the five smaller stores for a net difference of \$30,000 or less than five percent.

## ECONOMIC AND COMMUNITY IMPACTS

- 1. The impacts of large format retail stores on existing retail businesses is part of a continuing evolution of retail development that has been taking place for over 40 years.*

Large format retail stores generally provide greater product selection and lower prices based on both sales and purchasing volume. The result is competition for existing retail stores selling the same product lines. The latest round of big box store development has added two new retail formats to the city, the home improvement center and the super center, creating impacts on existing businesses previously not impacted by the wave of discount store development.

- 2. The impacts on existing retail stores are not limited to large format stores but also include smaller national mass merchandise retailers.*

Large format department stores and “category killer” mass merchandise stores are virtually all national chains that provide a cost savings over local merchants based on both sales and purchasing volume. These merchants sell a larger volume of goods and generally achieve higher sales per square foot. They also use their national store product requirements and distribution network to purchase directly from manufacturers, eliminating the need for local suppliers. The “category killer” mass merchandise stores provide the same breadth of selection within a narrow product range.

- 3. The impacts of large format retailers on local wages appear to be more related to store type and individual store brand.*

Retail stores pay a lower average wage compared to many other industries. However, there is insufficient evidence that large format retailers (as a group) pay lower wages than the average for smaller store retailers. Research from published studies indicates that the introduction of non-unionized super centers have an impact on wages and benefits in

existing supermarkets with union employees. These impacts have been identified primarily with Wal-Mart stores, given their lower wage scale and benefits package compared to national grocer chains.

***4. The disproportionate growth of retail, accommodations, and other low-wage service jobs are expected to increase the housing affordability gap in Bozeman.***

The average retail wage in Gallatin County is \$10.70 per hour with some subsectors even lower. A household with 1.5 retail workers earning the average wage can afford a house of approximately \$137,600 based on current interest rates. By comparison, the average house price in Bozeman is \$182,950 or 25 percent higher than this household could afford (compared to other regional markets, the existing housing affordability gap is not severe). However, because retail and low paying service sector jobs are expected to grow faster than overall employment, the number of households priced out of the housing market is expected to rise, increasing affordable housing need.

## POLICY OPTIONS

The fiscal impact analysis found only a marginal difference between the fiscal impacts of large format stores and the impacts of a comparable amount of smaller store space on municipal operating costs and revenues. These differences are not significant enough to warrant an additional impact fee (beyond what is already charged) to be applied only to large format retail stores. The level of impact fees recommended by the Big Box Task Force would likely not pass the legal tests of rational nexus and rough proportionality. The economic impact analysis did determine that large format retail stores (along with other commercial development) have impacts on affordable housing requirements that would support the introduction of commercial linkage fee.

Based on the fiscal and economic analysis, a number of policy options to address the estimated impacts were identified as follows:

***1. The City could require any additional large format stores to conduct an economic impact report and mitigate any identified impacts.***

Many of the identified economic and community impacts are not related to large format stores in general, but rather specific to store types, to particular chains, and even to particular locations. There are also only a handful of additional large format stores expected in the next 15 years. The economic impact study approach would also allow the City to receive any mitigation payments based on a negotiated agreement and would not be tied up in the City's current impact fee litigation. This approach would make current City practice a requirement and would establish the agreements negotiated with Wal-Mart and Home Depot as a precedent upon which to evaluate future projects.

**2. *The City could establish a linkage fee for all commercial projects generating low-wage jobs to fund an affordable housing program.***

Housing affordability is becoming an increasing concern and the projected growth of low-wage retail and service workers will contribute to the affordability gap. The advantage of this approach is that all commercial businesses, including large format, other mass merchandise retailers, and accommodations businesses, would be assessed a fee based on the generation of employment. However, there may be a related unintended impact on local businesses wanting to expand or create new establishments.

**3. *The City could establish a permanent building size cap at 75,000 square feet.***

The building cap would address some community concerns about the impact of the physical size of the building on community character and urban design. It does not however, address the economic impacts of large retailers on the City as many of the supportable stores have already been developed and many of the identified impacts associated with large format retailers also extend to other smaller national mass merchandisers in the 20,000 to 40,000 square foot range.

**4. *The City could limit the amount of land allocated for regional commercial development in the Comprehensive Plan.***

The City's Comprehensive Plan designates a large swath of land located along North 19th Street for regional and community commercial uses. This area is the site for most of the large format retailers who have located in Bozeman. Significant vacant land remains. A review of this capacity in view of potential market demand and concern for various potential impacts could suggest changes to the designation or the regulations imposed. As a part of subsequent Comprehensive Plan updates or amendments, the City could revisit policies regarding the location and direction of retail uses and establish new policies and programs that direct growth in a manner consistent with broader community objectives.

**5. *The City could provide public investments to strengthen Downtown Bozeman as the region's premier specialty retail, entertainment, and eating and drinking venue.***

The economic impacts of large format stores on downtown have largely been absorbed. The downtown retail mix - although still quite diverse - is trending towards specialty retailing, entertainment, and dining. And although downtown contains many successful businesses, they are predominately independent and locally owned, and lack the marketing and advertising resources of national credit retailers. Their individual and collective success is partially dependent on a downtown organizational structure that provides a collective marketing and management function, as is being provided by Historic Downtown Bozeman. It will also depend on an appropriate level of ongoing infrastructure investments in the public realm, particularly streetscape and centralized parking improvements to maintain an attractive and competitive environment for their continued success.

***6. The City should anticipate the need for and evaluate reinvestment and revitalization options for the Gallatin Valley Mall.***

The existing Gallatin Valley Mall is also an existing business area that will be impacted by the expected future development competition identified in this study. The market analysis indicates the potential for national credit apparel and home furnishings businesses to locate in Bozeman over the next 15 years. Like other older regional malls, the Gallatin Valley Mall will be vulnerable to this new competition unless this space could be accommodated in an expansion or redevelopment of the existing property. The City may want to approach the ownership to discuss future development options for the Mall.

## II. MARKET FRAMEWORK

This section of the report reviews existing retail development conditions in Bozeman and the Bozeman regional trade area. Based on population and household forecasts, the potential growth in retail development is estimated for the 2005 to 2020 time period. The market factors and conditions affecting regional retail development and sales patterns provide the basis for evaluating economic and fiscal impacts. The market framework identifies the regional trade area, population and income growth patterns and forecasts, and retail sales and expenditure patterns.

### DEMOGRAPHIC TRENDS AND FORECASTS

The Bozeman region has been growing at a rapid rate. From 1990 to 2000, the population of Gallatin County grew at a 3.0 percent annual rate to reach 67,831. In the last four years the annual growth rate rose to 4.1 percent, increasing the population to 79,515 in 2004. The City's population grew at a slower rate in the 1990s from 23,500 to 27,500 which equals a 1.6 annual growth rate as shown in **Table 1**. However, in the last four years, the City has increased its annual average growth rate to 5.1 percent, yielding a population of 33,600 (based on the City's estimate). In 2004, Bozeman had an estimated 13,334 households, which is 45 percent of the County total of 29,556 households. The remainder of the surrounding rural region comprised of Madison and Park Counties has been growing at a substantially lower rate as shown.

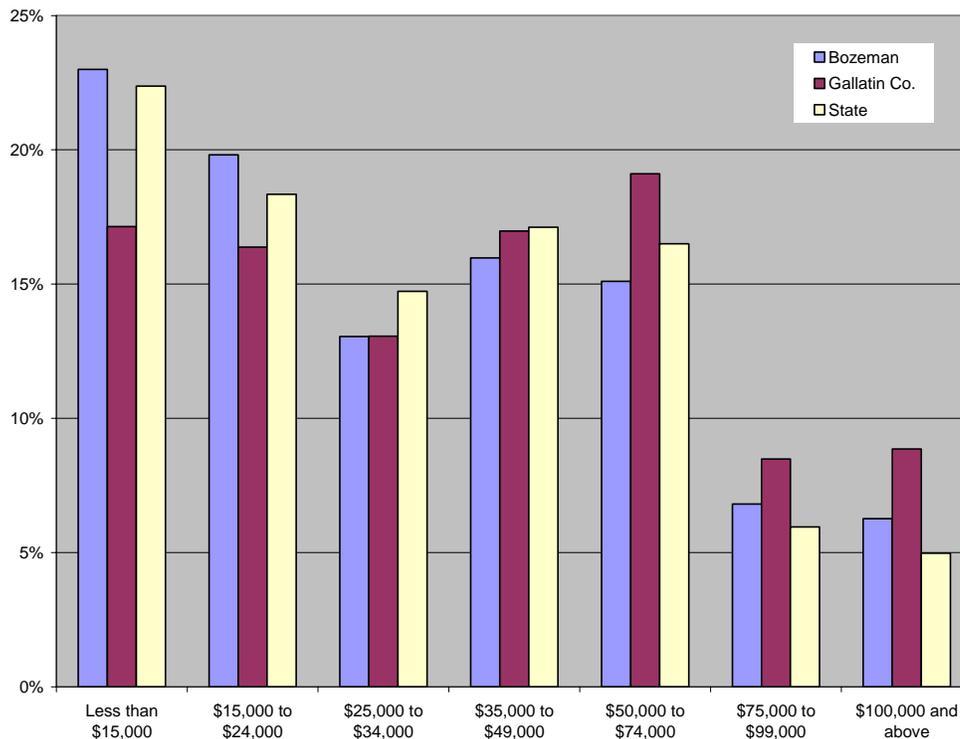
**Table 1**  
**Bozeman Area Population and Housing Trends, 1990-2004**  
**Bozeman Impact Study**

County	1990	2000	2004	Ann. Growth %		
				90-00	00-04	90-04
<b>Population</b>						
Gallatin						
Bozeman	23,499	27,509	33,600	1.6%	5.1%	2.6%
Belgrade	3,449	5,728	6,815	5.2%	4.4%	5.0%
Other Areas	<u>23,543</u>	<u>34,594</u>	<u>39,100</u>	3.9%	3.1%	3.7%
<b>Subtotal</b>	<b>50,491</b>	<b>67,831</b>	<b>79,515</b>	<b>3.0%</b>	<b>4.1%</b>	<b>3.3%</b>
Madison	5,989	6,851	7,175	1.4%	1.2%	1.3%
Park	14,586	15,694	15,971	0.7%	0.4%	0.7%
<b>Households</b>						
Gallatin						
Bozeman	9,076	10,877	13,334	1.8%	5.2%	2.8%
Belgrade	1,225	2,132	2,577	5.7%	4.9%	5.5%
Other Areas	<u>8,727</u>	<u>13,314</u>	<u>15,038</u>	4.3%	3.1%	4.0%
<b>Subtotal</b>	<b>19,028</b>	<b>26,323</b>	<b>29,556</b>	<b>3.3%</b>	<b>2.9%</b>	<b>3.2%</b>
Madison	2,387	2,956	3,155	2.2%	1.6%	2.0%
Park	5,630	6,828	7,165	1.9%	1.2%	1.7%

Source: City of Bozeman, U.S. Census, Claritas, Economic & Planning Systems

The greater Bozeman area and other parts of Gallatin County are growing much faster than the larger region. This influx of new residents also contains a significant number of high income households that area changing the character of the community. Based on 2000 Census data, Gallatin County has 17.4 percent of households with incomes over \$75,000 compared to 11 percent in the state and 13 percent in the City proper as shown on **Figure 1**. These numbers do not include the growth of second homes in the valley that are also contributing to upper income housing growth.

**Figure 1**  
**Household Income Comparison, 2000**  
**Bozeman Impact Study**



This influx of new permanent and seasonal residents is generating demand for a greater number of lower income retail and service jobs that are concentrated in the City of Bozeman. The percentage of households with incomes below \$25,000 is 43 compared to 34 percent in the County and to a statewide average of 41 percent.

## POPULATION AND HOUSEHOLD FORECASTS

Based on forecasts produced by Claritas, the City is estimated to grow at a 2.2 percent rate to reach 47,594 residents by 2020 (Note: this growth rate is higher than the 1.7 percent rate included in the City's Comprehensive Plan). Based on the State of Montana's estimates, Gallatin County is forecast to grow at 2.0 percent annual rate, reaching 109,776 residents by 2020 as shown in **Table 2**. Madison and Park Counties are estimated to have a 1.1 percent and 0.5 percent annual population growth rate respectively over the next 15 years as shown.

**Table 2**  
**Bozeman Area Growth Forecast, 2005-2020**  
**Bozeman Impact Study**

County	Ann. Growth	Population & Households			
		2005	2010	2015	2020
<b>Population</b>					
Gallatin					
Bozeman	2.2%	34,339	38,286	42,687	47,594
Belgrade	2.8%	7,008	8,059	9,267	10,656
Other Areas	1.7%	<u>39,766</u>	<u>43,268</u>	<u>47,079</u>	<u>51,225</u>
<b>Subtotal</b>	<b>2.0%</b>	<b>81,134</b>	<b>89,737</b>	<b>99,252</b>	<b>109,776</b>
Madison	1.1%	7,257	7,683	8,134	8,611
Park	0.5%	16,046	16,429	16,821	17,222
<b>Households</b>					
Gallatin					
Bozeman	2.3%	13,640	15,277	17,110	19,163
Belgrade	3.2%	2,660	3,116	3,651	4,278
Other Areas	1.9%	<u>15,319</u>	<u>16,802</u>	<u>18,428</u>	<u>20,211</u>
<b>Subtotal</b>	<b>2.2%</b>	<b>31,625</b>	<b>35,235</b>	<b>39,255</b>	<b>43,735</b>
Madison	1.5%	3,203	3,456	3,729	4,023
Park	0.9%	7,230	7,564	7,913	8,279

Source: Claritas, Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Data\Claritas Data\13878Claritas4-18.xls\Pop-HH 04-20

## SENSITIVITY ANALYSIS

Some concerns have been voiced about the validity of the existing population forecast for Bozeman given the last four years of strong residential and economic growth. These forecasts are expected to be updated in the near future by the City. At this point in time, however, there are no more accurate numbers upon which to base this analysis. Modest increases in the local population growth forecasts will not significantly affect the projected commercial demand development in this study.

At the City's request, EPS conducted a sensitivity analysis to understand the impacts of population growth, should the City sustain its recent 5 percent annual growth rate (based on growth from 2000 to 2004) into the future. The sensitivity analysis forecasts approximately 45,027 new residents in the City by 2010 and 73,345 residents by 2020 as shown in **Appendix A**. These increases are over 50 percent higher than other sources (including Claritas and Woods & Poole, and the City Comprehensive Plan) have estimated for population growth.

After further study and analysis should a significantly higher growth forecast prove to be real, the City will need to address these growth consequences in a more comprehensive way by completing a Comprehensive Plan Update and adjusting its land use and zoning policies to conform to the policy direction on adjusting, controlling, curbing and/or directing this potential growth. It is both infeasible and unwarranted to single out this one policy issue for evaluation under a set of unsubstantiated growth assumptions. The remaining portion of this chapter will discuss the impacts of the moderate growth rates and briefly touch on the implication if the City's population grows at more aggressive rate.

## RETAIL DEFINITIONS

For purposes of analysis retail stores are categorized based on shopping and trade area characteristics listed below. Each is described with examples to clarify the types of retail stores would be included in each of the categories.

- **Convenience Goods** – This category includes supermarkets other grocery stores, convenience stores, as well as liquor, drug, and other specialty food stores. These stores generally sell frequently purchased, low cost items with little product differentiation. The primary locations for convenience goods stores are the supermarket-anchored neighborhood shopping centers and smaller convenience centers, as these products are most often bought close to home.
- **Shoppers goods** – This category includes general merchandise, apparel, furniture, appliance, and specialty goods stores. The product lines of these stores are generally more expensive, less frequently purchased items. In general, people are more likely to comparison shop for shoppers goods, and are often more willing to travel further to buy them. The primary locations for regional shoppers goods are traditional downtown shopping districts, regional shopping centers, free-standing discount department and membership warehouse stores, and power centers dominated by mass merchandise tenants. General merchandise stores include traditional department stores (such as JCPenney) as well as discount department stores (Wal-Mart, Target, and Kmart).
- **Eating and Drinking Establishments** – This category includes restaurants and bars. Businesses in this category exhibit some of the characteristics of convenience stores in that many restaurant expenditures are made at establishments close to home on a frequent basis. However some higher quality restaurants, more unique in the marketplace, can have a wider draw.

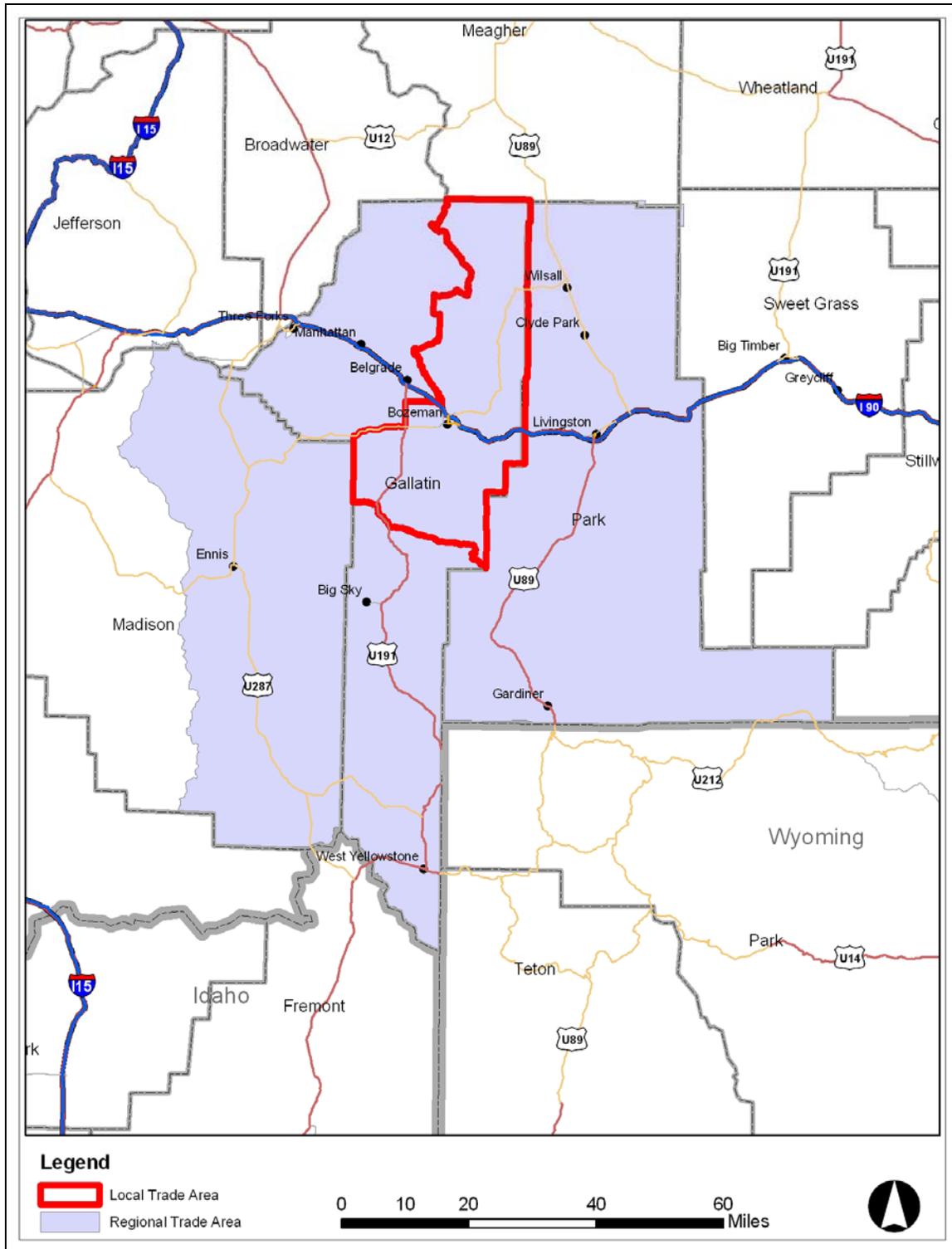
- **Building Materials/Nurseries** – This category is made up of stores selling lumber, paint, glass, hardware, plants and garden supplies, and other retail items related to home improvement. Home improvement centers such as Home Depot and Lowe’s are the generally largest stores in this category.
- **Auto Related** – This category includes all auto-related businesses including new and used car dealers, auto parts stores, and service stations. These businesses are excluded from this analysis.

## **REGIONAL TRADE AREA**

Retail businesses derive their sales from local area residents, residents of the larger region, and visitors including both tourists and business travelers. The retail trade area is the geographic area from which local retailers derive the majority of their business and sales. The actual boundaries of the trade area are somewhat arbitrary and are based on logical jurisdictional and geographic boundaries. All sales are accounted for as either from within the trade area or from outside. Retail sales from within the trade area are defined as local capture and retail sales from outside the trade area are considered retail inflow. Retail expenditures by trade area residents in other locations are considered retail outflow or leakage. The actual boundary of the trade area is a somewhat arbitrary, based on the level of regional influence of the city on the surrounding region compared to other cities in the region.

The City of Bozeman is a regional trade center that provides goods and services to a large, predominately rural, trade area extending to all of Gallatin and Park Counties and portions of Madison County as shown in **Figure 2**. These regional goods and services include not only regional retail stores, but also hospital and other medical services, as well as professional and financial services including legal, accounting, banking, engineering, and design businesses. For more locally-oriented retail goods, there is a smaller community trade area, including the City of Bozeman and the immediate surrounding areas of Gallatin County, that rely on Bozeman supermarkets and other convenience goods stores within the County as shown on **Figure 2**.

**Figure 2**  
**Regional and Local Trade Area**  
**Bozeman Impact Study**



## TRADE AREA GROWTH

In 2004, the regional trade area has an estimated population of approximately 95,786 contained in 38,550 households as of 2004 as shown in **Table 3**. The more locally oriented community trade area had a 2004 estimated population of 51,865 contained in 20,400 households as shown.

**Table 3**  
**Trade Area Growth and Income Forecasts, 2004–2020**  
**Bozeman Impact Study**

Characteristic	Regional Trade Area			Community Trade Area		
	2004	2010	2020	2004	2010	2020
Population	95,786	107,695	130,985	51,865	59,099	73,466
Households	38,550	43,692	53,847	20,400	23,372	29,319
Average Household Income <sup>1</sup>	\$53,305	\$56,304	\$59,184	\$51,778	\$54,691	\$57,488
<b>Total Personal Income (1,000's)</b>	<b>\$2,054,907</b>	<b>\$2,460,043</b>	<b>\$3,186,844</b>	<b>\$1,056,266</b>	<b>\$1,278,245</b>	<b>\$1,685,470</b>

<sup>1</sup>Assumes a one percent true growth income from 2004-2010 and 0.5 percent from 2010-2020.

Source: Claritas; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls|Demand-Pop-HH

Retail expenditures are a function of population and income. The total personal income (TPI) of the trade area is determined by multiplying total households by average household income. The regional trade area has a 2004 average household income of \$53,305 and a TPI of \$2.05 billion. The community trade area has an average household income of \$51,778 and a TPI of \$1.06 billion as shown above.

Based on an analysis of historic growth trends and growth forecast from Claritas, the regional trade area population is anticipated to grow by 2.1 percent and the numbers of households are anticipated to grow by 2.3 percent annually (Note: these are average rates based on the forecasts produced on **Table 3**). As result the regional trade area population is forecast to reach 107,695 residents in 2010 and 130,985 in 2020. Using the same data source, the community trade area population is anticipated to grow by 2.1 percent and the numbers of households are anticipated to grow by 2.2 percent annually (Note: these are average rates based on the forecasts produced on **Table 3**). As result the community trade area population is forecast to reach 59,099 residents in 2010 and 73,466 residents in 2020.

Assuming a 1 percent real growth rate, the regional trade area TPI is estimated to reach \$2.46 billion in 2010 in constant 2004 dollars. Based on a 0.5 percent annual growth rate between 2010 and 2020, the regional trade area TPI is projected to reach \$3.19 billion by 2020. Using the same growth rates, the community trade area TPI is estimated to reach \$1.28 billion by 2010 and \$1.69 billion by 2020.

## EXPENDITURE POTENTIALS

Retail expenditures are estimated based on the percent of income spent on average by store category as outlined in the steps below:

- Based on the *Census of Retail Trade* for the State of Montana, the percent of TPI spent by store category is determined for the state as a whole. This calculation estimates current area store spending patterns, but at a level of geography large enough to negate the impacts of inflows and outflows.
- The average percent of TPI spent by store category in the state is applied to the 2004 Bozeman trade area TPI to estimate current expenditure potentials by trade area residents regardless of location of purchase (locally, outside the region, or by e-commerce).
- The growth in trade area expenditure potential is estimated by the same calculation applied to the estimated growth in TPI by time period. TPI calculations are made in constant dollars (no inflation) with an allowance for real income growth.
- The amount of retail space demanded by the growth in trade area expenditures is estimated by dividing expenditure potentials by an average annual sales per square foot estimate. This accounts only for the growth in sales from the trade area exclusive of growth in visitor and other inflow sales.

Based on statewide trends, an average of 39.93 percent of TPI is spent in the retail store categories. A total of 11.1 percent is spent on convenience goods dominated by supermarkets and grocery stores with 8.00 percent. Shoppers' goods comprise 16.16 percent of TPI with discount department stores comprising the largest share with 4.27 percent of total income.

For the purpose of this study of large format stores, the regional trade area analysis considers growth of the shoppers goods (includes department, discount department, and membership warehouse stores) and home improvement (includes home improvement centers) categories. The more locally oriented community trade area analysis considers the convenience store category (includes grocery/supermarkets).

## Regional Trade Area

In 2004, the regional trade area is estimated to account for \$469.1 million in total regional level retail purchases by store type as summarized on **Table 4**. Total retail expenditures are estimated grow to \$561.6 million (net increase of \$92.5 million) in 2010 and \$727.5 million (net increase of \$165.9 million) in 2020 based on forecast population and income growth.

The net increase in regional retail expenditures by store type is shown in **Table 4**. Over the next 15 years, trade area growth is expected to generate additional \$386.428 million net-new expenditures by 2020 as shown. The primary regional trade area categories are shoppers goods and home improvement goods. An additional \$273.5 million in shoppers' goods sales growth and \$112.9 million in home improvement goods sales growth are expected.

**Table 4**  
**Regional Net Retail Expenditure Growth, 2004-2020**  
**Bozeman Impact Study**

Category	% of MT TPI	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Total Personal Income (1,000's)</b>					
Regional Trade Area		\$2,054,907	\$405,137	\$726,801	\$1,131,937
<b>Shoppers Goods</b>					
General Merchandise					
Conventional Dept. Stores	0.69%	14,217	2,803	5,028	7,831
Discount/Mass Merchandising	4.27%	87,675	17,286	31,010	48,296
Other	<u>3.21%</u>	<u>66,043</u>	<u>13,021</u>	<u>23,359</u>	<u>36,379</u>
<b>Subtotal</b>	<b>8.17%</b>	<b>\$167,935</b>	<b>\$33,109</b>	<b>\$59,397</b>	<b>\$92,506</b>
Apparel & Accessories	1.78%	36,612	7,218	12,949	20,168
Furniture, Furnishings & Appliances	2.58%	53,023	10,454	18,754	29,207
Miscellaneous <sup>1</sup>	<u>3.62%</u>	<u>74,421</u>	<u>14,672</u>	<u>26,322</u>	<u>40,994</u>
<b>Shoppers Goods Total</b>	<b>16.16%</b>	<b>\$331,990</b>	<b>\$65,454</b>	<b>\$117,422</b>	<b>\$182,876</b>
<b>Home Improvement</b>					
Home Centers	0.54%	11,189	2,206	3,958	6,164
Paint & Wallpaper Stores	0.19%	3,843	758	1,359	2,117
Hardware Stores	0.91%	18,672	3,681	6,604	10,285
Other Building Materials	3.49%	71,626	14,122	25,334	39,455
Lawn & Garden Stores	<u>1.55%</u>	<u>31,752</u>	<u>6,260</u>	<u>11,230</u>	<u>17,490</u>
<b>Home Improvement Total</b>	<b>6.67%</b>	<b>\$137,082</b>	<b>\$27,027</b>	<b>\$48,485</b>	<b>\$75,511</b>
<b>Total Shoppers Goods &amp; Home Improv.</b>	<b>22.83%</b>	<b>\$469,073</b>	<b>\$92,480</b>	<b>\$165,906</b>	<b>\$258,387</b>

<sup>1</sup>Includes sporting goods, hobby, book, music, and other miscellaneous shoppers goods.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls\Demand-Exp Other

The net growth in retail expenditures can be divided by the average sales per square foot level needed to support new commercial space to estimate supportable store space. **Table 5** illustrates the supportable regional retail space base on expenditure estimates. Based on average sales per square foot by store type, an estimated 233,380 square feet of shoppers goods (general merchandise, apparel, furniture and home furnishings, and other shoppers goods) store space is expected to be supportable by 2010 and an additional 418,675 square feet by 2020 in the Bozeman regional trade area. In addition, a net increase in 108,106 square feet of home improvement store space is expected to be supportable by 2010 and an additional increase to 193,939 square feet by 2020 as shown.

**Table 5**  
**Supportable Regional Retail Space, 2004-2020**  
**Bozeman Impact Study**

Category	Sales/ Sq. Ft.	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Shoppers Goods</b>					
General Merchandise					
Conventional Dept. Stores	\$250	56,868	11,212	20,114	31,325
Discount/Mass Merchandising	\$350	250,501	49,388	88,600	137,988
Other	\$300	<u>220,142</u>	<u>43,402</u>	<u>77,862</u>	<u>121,264</u>
<b>Subtotal</b>		<b>527,511</b>	<b>104,002</b>	<b>186,576</b>	<b>290,577</b>
Apparel & Accessories	\$250	146,448	28,873	51,797	80,670
Furniture, Furnishings & Appliances	\$250	212,091	41,815	75,015	116,830
Miscellaneous <sup>1</sup>	\$250	<u>297,682</u>	<u>58,690</u>	<u>105,287</u>	<u>163,977</u>
<b>Shoppers Goods Total</b>		<b>1,183,733</b>	<b>233,380</b>	<b>418,675</b>	<b>652,054</b>
<b>Home Improvement</b>					
Home Centers	\$250	44,758	8,824	15,830	24,655
Paint & Wallpaper Stores	\$250	15,373	3,031	5,437	8,468
Hardware Stores	\$250	74,687	14,725	26,416	41,141
Other Building Materials	\$250	286,505	56,486	101,334	157,820
Lawn & Garden Stores	\$250	<u>127,007</u>	<u>25,040</u>	<u>44,921</u>	<u>69,961</u>
<b>Home Improvement Total</b>		<b>548,329</b>	<b>108,106</b>	<b>193,939</b>	<b>302,045</b>
<b>Total Shoppers Goods &amp; Home Improv.</b>		<b>1,732,062</b>	<b>341,486</b>	<b>612,613</b>	<b>954,099</b>

<sup>1</sup>Includes sporting goods, hobby, book, music, and other miscellaneous items.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls\Demand-SF Other

## Community Trade Area

Bozeman is also the primary store location for convenience goods stores (grocery, drug, liquor) for a small community trade area. The net increase in convenience goods expenditures by store type for the community trade area is shown in **Table 6** below. Over the next 15 years, trade area growth is expected to generate additional \$64.3 million net-new expenditures by 2020 as shown. Growth in supermarkets and grocery store expenditures represents 73 percent of the overall net new growth in convenience goods.

**Table 6**  
**Community Trade Area Net Retail Expenditure, 2004-2020**  
**Bozeman Impact Study**

Category	% of MT TPI	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Total Personal Income (TPI)</b>					
Local Trade Area		\$1,056,266	\$221,979	\$407,225	\$629,204
<b>Convenience Goods</b>					
Supermarket & Grocery Stores <sup>1</sup>	8.00%	84,501	17,758	32,578	50,336
Convenience Stores	0.16%	1,727	363	666	1,029
Specialty Food Stores	0.12%	1,247	262	481	743
Liquor Stores	0.30%	3,132	658	1,208	1,866
Health & Personal Care	<u>1.64%</u>	<u>17,349</u>	<u>3,646</u>	<u>6,689</u>	<u>10,335</u>
<b>Total</b>	<b>10.22%</b>	<b>\$107,957</b>	<b>\$22,688</b>	<b>\$41,621</b>	<b>\$64,309</b>

<sup>1</sup>Reduced figure from 8.87 to 8.00 percent to exclude small non-supermarket stores.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls\Demand-Exp Con Goods

**Table 7** illustrates the supportable community trade area convenience goods space base on expenditure estimates. Based on average sales per square foot by store type, an estimated 63,569 square feet of convenience goods store space is expected to be supportable by 2010 and an additional 116,618 square feet by 2020 in the community trade area.

**Table 7**  
**Supportable Convenience Goods Space, 2004-2020**  
**Bozeman Impact Study**

Category	Sales/ Sq. Ft.	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Convenience Goods</b>					
Supermarket & Grocery Stores	\$400	211,253	44,396	81,445	125,841
Convenience Stores	\$400	4,318	907	1,665	2,572
Specialty Food Stores	\$250	4,990	1,049	1,924	2,972
Liquor Stores	\$250	12,529	2,633	4,830	7,463
Health & Personal Care	\$250	<u>69,396</u>	<u>14,584</u>	<u>26,754</u>	<u>41,338</u>
<b>Total</b>		<b>302,485</b>	<b>63,569</b>	<b>116,618</b>	<b>180,187</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls\Demand-SF Con Goods

An estimated 125,841 square feet of grocery store space is shown as supportable. However, the Super Wal-Mart added 53,000 square feet not accounted for in the numbers. Therefore, a net increase of approximately 72,841 square feet of space is estimated to be supportable over the next 15 years.

## **RETAIL DEVELOPMENT PATTERNS**

Where and how much retail store growth will occur over the next 15 years will be based on a number of factors including the changes in the existing Bozeman and larger trade area retail store inventory (both additions and subtractions), changes in retail performance and sales capture, and changes in locational development patterns. Growth of store development outside of Bozeman in the larger trade area will also impact retail growth within the local trade area. It will also be affected by more evolutionary changes in future retail store development, which are largely unknown at this time.

### **EXISTING DEVELOPMENT**

The recent level of activity in large format store development in Bozeman is not new, but rather part of an ongoing pattern of development dating back to at least 1980 when the Gallatin Valley Mall was built. At that time, many of the downtown general merchandise and department stores (including Woolworth and JCPenney) moved from downtown to the Mall. Even earlier, Kmart and other suburban style retail stores were being built on North 7<sup>th</sup> Avenue. By the standard of the day, the department store anchors at the mall and the new generation of discount stores (in the 30,000 to 50,000 square foot range) were more than double the size of the stores they replaced.

Over the last 25 years, the retail commercial mix of stores in Downtown Bozeman has evolved to replace these businesses lost to suburban competition, and to take advantage of the growth in regional tourism. There has been an overall growth in commercial space that is occupied by a greater number of smaller stores as well as an increase in offices and services. The store mix contains more specialty stores, which are generally smaller and carry a more narrow line of merchandise than the previous generation of stores. Downtown Bozeman however is quite diverse and still has a number of traditional apparel, shoe, drug, and hardware/building businesses that have been in downtown for 50 years or more. However, these businesses are no longer in the majority and are declining in number. Nationally, the decline in the number of hardware stores and drug stores is particularly dramatic with less than half as many existing as 15 years ago.

Recent specialty store growth includes bike, mountaineering, and fishing sporting goods; books and music; art galleries, home furnishings, and gifts; specialty apparel and jewelry; as well as a larger number of restaurants and bars. Tourism and discretionary shopping by residents, rather than essential goods and services, has become the focus of the majority of these businesses. The growth in tourism and second home development has also spurred a number of realty firms oriented to this market to locate in first level retail space in downtown.

Bozeman has seen a recent surge in the development of large format stores in the last five years, as shown on **Table 8**. Since 1997, Costco, Target, and Home Depot have been built and Kmart and Wal-Mart have had major expansions. These five stores now comprise a total of 641,000 square feet of space. There has also been a recent increase in both the size and product mix of these new stores. The Super Wal-Mart is 201,000 square feet and includes about 53,000 square feet of grocery store space which is larger than any of the existing supermarkets in the City.

**Table 8**  
**Large Format and Grocery Store Retailers**  
**Bozeman Impact Study**

Name	Store Type	Location	Bldg. Size (SF)	Year Built/ Remodeled
<b>General Merchandise</b>				
The Bon	Department	2825 W. Main St.	51,448	1979/2000
JC Penney	Department	2825 W. Main St.	34,400	1979/2000
K-Mart	Discount	1126 N. 7th Ave.	100,000	1960/1999
Target	Discount	2550 Catron Rd.	122,846	1999
Super Wal-Mart <sup>1</sup>	Discount	1500 N. 7th Ave.	201,006	1993/2003
Costco	Wholesale	2505 Catron Rd.	<u>124,163</u>	1997
	<b>Total</b>		<b>633,863</b>	
<b>Home Improvement</b>				
Home Depot	Home Improve	1771 N. 19th Ave.	93,218	2002
<b>Grocery</b>				
Albertson's	National	200 S. 23rd Ave.	54,579	1980/2003
Safeway	National	901 W. Main St.	40,142	1968/2000
Smith's Food and Drug	National	1400 N. 18th Ave.	53,972	2000
Van's County Market	Local	912 N. 7th	<u>48,670</u>	1972/1997
	<b>Total</b>		<b>197,363</b>	

<sup>1</sup>Includes outdoor garden center and 53,000 SF of grocery store space.

Source: Gallatin County; Bozeman Chamber of Commerce; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT8-15.xls\Supply-BB

The total retail store space inventory, based on business license data, is summarized in **Table 9**. The license data tracks store size based on the net amount of space open to the public. Based on spot checks of individual stores, the square feet voluntarily reported by individual businesses is substantially less than total gross leaseable area (GLA) which is the normal measure of space. EPS has adjusted the estimated space for the major stores tabulated in **Table 9** below, however, the overall inventory is still believed to be as much as 25 percent below actual GLA.

**Table 9**  
**Retail Inventory**  
**Bozeman Impact Study**

Type	No. of Stores	Estimated Sq. Ft. <sup>1</sup>	Avg. Store
<b>Convenience Goods</b>			
Food & Beverage Stores			
Grocery Store	5	211,363	42,273
Other Food Store	19	37,210	1,958
Liquor Store	3	3,276	1,092
Health & Personal Care	<u>42</u>	<u>47,812</u>	1,138
<b>Total Convenience Goods</b>	<b>69</b>	<b>299,661</b>	---
<b>Shoppers Goods</b>			
General Merchandise Stores			
Department Store	2	85,848	42,924
Discount	3	423,852	141,284
Wholesale/Other	1	124,163	124,163
Apparel & Accessories	49	157,994	3,224
Furniture & Furnishings	35	160,174	4,576
Electronics & Appliances	22	48,206	2,191
Sporting Goods, Hobby, Books, & Music	42	114,230	2,720
Miscellaneous Retail	119	292,570	2,459
Automotive	<u>49</u>	<u>134,345</u>	2,742
<b>Total Shoppers Goods</b>	<b>322</b>	<b>1,541,382</b>	---
<b>Eating and Drinking</b>	<b>95</b>	<b>203,172</b>	<b>2,139</b>
<b>Building Materials &amp; Nurseries</b>	<b>19</b>	<b>171,106</b>	<b>9,006</b>
<b>Total</b>	<b>505</b>	<b>2,215,321</b>	

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

The store data nevertheless provides a reasonable overall picture of development and the significance of the large format stores to the total inventory. Under shoppers goods, the six general merchandise stores (including the major discount stores) account for 29 percent of total store space and 40 percent of the shoppers goods category. Similarly, for convenience goods stores, the five major grocery stores account for 10 percent of total store space but 71 percent of the convenience goods category.

## **FUTURE DEVELOPMENT**

Existing development trends, both locally, nationally, and in comparable cities – together with projected population and income growth in the trade area – have been considered to estimate the amount and type of retail development that can be expected in Bozeman over the next 15 years.

### **POTENTIAL DEVELOPMENT TRENDS**

As shown previously, trade area growth from 2005 to 2020 is expected to generate demand for approximately 590,000 square feet of net shoppers' goods space with 260,000 or approximately half that space in department stores of some type. In addition, about 270,000 square feet of net home improvement stores space is estimated to be supportable. In the convenience goods category, the community trade area is expected to support an additional 118,000 square feet of supermarket space.

These order of magnitude numbers are not a precise forecast of future development potential. The existing retail stores can and will absorb a portion of this additional business. Also, some stores may go out of business. There may be some store development elsewhere in the trade area that cuts into the City of Bozeman's regional capture. It is difficult to make an accurate assessment of future store opportunities without the availability of the sales performance of existing stores. However, based on these estimates of regional retail sales growth, an assessment of future development trends and potentials is addressed by major store grouping below.

#### **Department Stores**

The immediate discount store market appears to be largely saturated. Bozeman already has the three major discount department stores operating nationally including Target, Wal-Mart, and Kmart. Wal-Mart recently expanded its existing store by 53,000 square feet to a super-store. Additional store growth is expected to be five or more years into the future barring changes in the existing store inventory.

The one uncertainty is Kmart. The national retail chain has been in bankruptcy and has recently merged with Sears on a national level. There is speculation that the combined chain will close some lower performing stores and also sell off sites where the real estate is considered to be more valuable than the current store. If the Bozeman site were to be sold off, it could spur expansions by existing retailers or potentially open the market for another regional retailer. For example, Target could expand its store to a Great Land format or to a Super Target, which would include grocery store space similar to the Super Wal-Mart.

The only major national large format department store not present is Sam's Club, a Wal-Mart owned wholesale membership warehouse store that competes directly with Costco. Typically, Sam's locates in metropolitan areas with a minimum population of 150,000 to 200,000 in the trade area. It is therefore unlikely a store would be developed

in the near future. However, as with many of the competitive retail chains, with development opportunities in larger markets are diminishing, stores are looking to smaller and smaller markets for growth opportunities.

### **Home Improvement**

Home Depot opened in Bozeman in 2002. Another large format home improvement retailer has also looked at the Bozeman market and is likely to develop a store in the near future. The only other major stores that might be possible are Great Indoors, an upscale home furnishing and interior design store owned by Sear's, and Expo Design Center, a competitive store owned by Home Depot. These stores are relatively new formats and are only found in major metropolitan areas to date.

### **Other Mass Merchandisers**

Based on the current store profile in Bozeman, the greatest store growth is expected to be in smaller national credit mass merchandisers that locate in power centers and other strip shopping centers at regional shopping locations. In Bozeman, this would be on North 19<sup>th</sup> in the vicinity of the big discount stores and/or on Huffine Lane in the vicinity of the Gallatin Valley Mall.

Recent examples of these so-called "category killer" include Barnes and Noble Booksellers added at the Mall, and PetsMart, Borders Books, and Ross Dress for Less stores contained in the Gallatin Center. They are all mid-box size stores in the 20,000 to 40,000 square foot range for each store. These larger home furnishings, office, electronics, apparel, and sporting goods stores could be the primary anchors for an additional power centers containing four to six of these stores or as additions to existing shopping centers.

There is a long list of national retail stores not currently present in the market that are candidates to locate in Bozeman over the next 15 years such as Bed Bath & Beyond, Linens 'n Things, Best Buy, Circuit City, Office Max, TJ Maxx, Galyan's, EMS, REI, and the like. Based on the comprehensive plan, there appears to be ample land available for additional regional retail development in the North 7<sup>th</sup> and 19<sup>th</sup> Avenue corridors.

### **Lifestyle Center**

A lifestyle center is a loose definition for a relatively new shopping center model. These open-air, upscale shopping centers are tenanted by national upscale apparel stores (Gap, Ann Taylor, Banana Republic, The Limited), home furnishings stores (Williams Sonoma, Pottery Barn, Restoration Hardware), and upscale chain restaurants (PF Chang, California Pizza Kitchen, Montana Steak House). They are often anchored by a theater complex, or by mid box retailers like Border's, Barnes and Noble, or Bed Bath & Beyond. These centers range from 250,000 to 750,000 square feet and are found in a number of physical formats including strip commercial centers as well as mixed use town centers in more urban areas. Their development has been accelerated by the desire of many of the tenants that have typically located in regional malls to expand given the lack of new regional centers being built.

Bozeman may also be prime for the development of a lifestyle center in the next 15 years. To the extent that these stores are not already located in the Gallatin Valley Mall, and the Mall lacks the ability to accommodate them, there may be an opportunity for a new lifestyle center to enter the market. As noted, these centers start at about 250,000 square feet and there are a number of potential store groupings that would be supportable in the Bozeman regional market. The only store greater than 75,000 square feet would be a potential department store anchor.

### **Supermarkets**

Growth in the community trade area is expected to support the development of a net increase of 73,000 square feet of supermarket space, which equates to approximately one net new store over the next 15 years. The four existing supermarkets ranging in size from 40,000 to 55,000 have all been built or expanded since 1997. Additional stores are expected to be built in the 55,000 to 65,000 square feet in the future. This additional growth could take place in the expansion of existing stores, a new grocery store, or an additional super center.

## **MARKET IMPACTS**

Although it is difficult to accurately predict the future large format store line-up in Bozeman, the evaluation on existing store development patterns and expected growth, along with consideration of national retail development trends provide some insights into future development impacts.

- Bozeman already has most of the large format stores greater than 75,000 square feet that are likely to be built over the next 15 years. There are currently five stores in this size category (Target, Super Wal-Mart, Kmart, Costco and Home Depot) with an additional store proposed (Lowe's at 165,000 square feet). There is likely to be one or two expansions of existing stores and one or two additional stores based on the current store line-up.
- At least a portion of the future department store growth is expected to be in conventional department stores rather than large format discounters. The existing JCPenney and Bon Marche department stores at the Gallatin Valley Mall are undersized at 34,000 and 51,000 square feet respectively. New department store space could include new or expanded department stores at the existing Mall, or at a new lifestyle regional center development project.
- The potential expansion of an existing supermarket and/or the addition of a new supermarket in the local market could be in the 55,000 to 65,000 square foot range which is only slightly smaller than the current proposed building size cap.
- The greatest expansion in new retail development is expected to be in mid-box mass merchandisers with stores in the 20,000 to 40,000 square foot range. Bozeman could potentially see 150,000 to 300,000 square feet of this type of space over the next 20 years. Power centers containing four six of these tenants can be in the 120,000 to 250,000 square foot size each.

### III. FISCAL IMPACTS

---

A fiscal analysis provides local jurisdictions insight about the financial implications of land use decisions and policies. As a part of the analysis, a fiscal model is developed to estimate project costs and revenues related to a specific project or future development scenario. The focus of this fiscal impact analysis is on isolating the net incremental impacts associated with larger format retail stores compared to a comparable amount of smaller store space. This section estimates the net fiscal impacts of large format retailers on the City of Bozeman.

#### FISCAL MODEL

A fiscal impact model was designed to evaluate the fiscal impacts of large format retailers by comparing a prototypical large format 125,000 square foot store with a comparable amount of smaller store space, assumed for purposes of analysis, as a power center containing five 25,000 square foot stores. The model also shows all revenues and expenditures in constant 2004 dollars.

The first step in the fiscal analysis is the evaluation of the revenues and expenditures associated with providing services. EPS evaluated the existing City of Bozeman budget and conducted interviews with representatives from major City departments. Based on the data collected and insight gained, a fiscal impact model was developed. The model analyzed annual general fund and special revenue funds revenues and expenditures. The analysis excluded City enterprise funds, such as water and solid waste, as revenues for these types of funds are assumed to cover expenditures.

The *City of Bozeman Approved Budget, Fiscal Year 2003-2004* (actual 2003 revenues) was the basis for quantifying current revenues and costs by item using one of the following estimating methodologies: case study, per capita cost, or cost recovery as defined below.

- **Case Study** - This refers to a specific calculation of the marginal revenues or expenditures derived from the project based on detailed data. Case studies were developed for revenue and expenditure sources when refined calculation methods were available (i.e., property taxes based on market value multiplied by the exemption and tax rate and then multiplied by the applicable mill rate).
- **Per Capita** - This is an average revenue or expenditure measure based on existing levels of revenues or expenditures. This estimating technique is used when more detailed data is not available. The City budget is divided by the population to derive an average per capita multiplier.
- **Per Person Served** - This is an average revenue or expenditure measure based on the daytime population of a jurisdiction, accounting for the entire residential population, 50 percent of the non-resident employees working in the jurisdiction, and overnight tourists. The assumption is that a portion of the non-resident employment base and

the overnight tourist base add to the daytime population, impacting some services such as public safety. This estimating technique is used when more detailed data is not available. The City budget is divided by the population and serves to derive an average persons served multiplier.

Details for each revenue and expenditure item estimated by a case study can be found in **Appendices B and C**.

## OPERATING REVENUES AND EXPENDITURES

The development assumptions, cost factors, and estimating methodologies used in the fiscal impact comparison of the two commercial development prototypes are shown in **Table 10**. Based on the County Assessor's records, small format stores had an average market value of \$27 per square foot, and large format stores had an average market value of \$42 per square foot. Based on the *Employment Density Study* completed for the Southern California Association of Governments, the analysis used an average of 350 square feet per employee for small format retailers and average of 850 square feet per employee for large format retailers. The analysis assumed that 50 percent of all employees would live in Bozeman (Note: these employees who lived in Bozeman were only counted once in the person served calculation).

**Table 10**  
**Fiscal Impact Forecast Factors**  
**Bozeman Impact Study**

Item	Factor	Unit	Five Small Format Stores	One Large Format Store
Square Feet of Space	---	SF	125,000	125,000
Market Value	\$27/\$42	\$/SF	\$3,375,000	\$5,300,000
Employment	350/850	Person/SF <sup>1</sup>	357	147
Population			179	74
Persons Served <sup>2</sup>			268	110

<sup>1</sup> Based on the Employment Density Study 2001, completed for Southern California Association of Governments.

<sup>2</sup> To avoid double counting people, employees who live in Bozeman were excluded.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878fiscal12-07.xls\New Pop-Emp ALL

## REVENUES

The estimated City revenues generated by each scenario are summarized in **Table 11** and detailed in **Table 4** of **Appendices B and C**. The large format store is estimated to generate more real and personal property taxes than five small format stores with an equivalent amount of total space. Based on the existing fee structure, which does not have a graduated fee scale based on size, building permit fees would be roughly the same for both scenarios. The remaining revenues were calculated based on a per capita or per person served factor and result in the five small format stores generating more revenues (because they generate more resident and persons served). In total, the five small format stores generate approximately \$36,700 more in annual revenues than a single large format store.

## EXPENDITURES

The annual expenditures generated by each scenario are summarized in **Table 12** with additional detail provided in **Tables 10 to 13** of **Appendices B and C**. Based on interviews with the public safety staff, EPS found that typically large format retailer had more calls for assistance than a small format store. Staff associated the higher call volume with size and regional drawl of a retailer. EPS developed an estimating methodology that related the call volumes (of offenses related to retail establishments) to the sales volume of a store as shown in detail in **Tables 11 and 12** of **Appendices B and C**. A large format store would generate approximately 250 calls for police service and 130 calls for fire/MET service, compared to five small format stores, which would generate a total of approximately 180 calls for police service and 100 calls for fire/MET service. This differential resulted in the large format store generating approximately \$30,100 more in annual expenditures for the operational elements of the police and fire department.

The remaining expenditures were based on a per capita or per person served factor and result in the five small format stores generating more expenditures (because they generate more residents and persons served). In total, the five small format stores generate approximately \$30,100 more in expenditures than a single large format store as shown.

**Table 11**  
**Estimated Revenues**  
**Bozeman Impact Study**

Source	Five Small Format Stores	One Large Format Store
<b>Taxes</b>		
Real Property Tax	3,303	5,187
Personal Property Tax	<u>1,270</u>	<u>1,995</u>
<b>Subtotal</b>	<b>\$4,574</b>	<b>\$7,182</b>
<b>Licenses &amp; Permits</b>		
Building Permits	29,063	29,063
Business Licenses <sup>1</sup>	1,250	250
Other	<u>669</u>	<u>275</u>
<b>Subtotal</b>	<b>\$30,982</b>	<b>\$29,588</b>
<b>Intergovernmental</b>		
State Share	22,591	9,302
County Share	3,983	1,640
Grants	357	147
Other	<u>4,281</u>	<u>1,763</u>
<b>Subtotal</b>	<b>\$31,212</b>	<b>\$12,852</b>
<b>Charges for Services</b>		
Public Service	10,234	4,214
General Government	7,848	3,231
Public Safety	2,973	1,224
Public Welfare	<u>3,059</u>	<u>1,260</u>
<b>Subtotal</b>	<b>\$24,114</b>	<b>\$9,929</b>
<b>Fines &amp; Forfeits</b>		
Police Court Fines	7,608	3,133
Parking Fines	975	401
Library Fines	205	85
Other	<u>366</u>	<u>151</u>
<b>Subtotal</b>	<b>\$9,154</b>	<b>\$3,769</b>
<b>Miscellaneous</b>		<b>N/A</b>
<b>Total Revenues</b>	<b>\$100,035</b>	<b>\$63,321</b>

<sup>1</sup>Estimated based on \$250 per business over 10,000 square feet.

<sup>2</sup>Water and Sewer not included because they are included as part of the enterprise funds, which by definition are fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Table 12**  
**Estimated Expenditures**  
**Bozeman Impact Study**

Source	Five Small Format Stores	One Large Format Store
<b>General Government</b>		
City Commission	815	336
City Manager	2,070	852
Municipal Court	1,068	440
City Attorney	2,070	852
Finance	3,033	1,249
Planning	2,624	1,081
Building Maintenance	<u>2,136</u>	<u>880</u>
<b>Subtotal</b>	<b>\$13,816</b>	<b>\$5,689</b>
<b>Public Safety</b>		
Police		
Administration	2,429	1,000
Operational	46,218	64,706
Fire Department		
Administration	5,688	2,342
Operational	40,872	52,453
Building Inspection	4,336	1,785
Parking	1,045	430
Joint Dispatch Services	<u>3,120</u>	<u>1,285</u>
<b>Subtotal</b>	<b>\$103,708</b>	<b>\$124,001</b>
<b>Public Service</b>		
Public Service Admin.	1,607	662
Streets	22,915	9,436
Vehicle Maintenance	<u>2,676</u>	<u>1,102</u>
<b>Subtotal</b>	<b>\$27,198</b>	<b>\$11,199</b>
<b>Public Welfare</b>		
Cemetery	1,951	803
Parks	5,664	2,332
Forestry	1,469	605
Library	6,157	2,535
Recreation	4,576	1,884
Community Development	<u>4,421</u>	<u>1,820</u>
<b>Subtotal</b>	<b>\$24,239</b>	<b>\$9,981</b>
<b>Non Departmental</b>	<b>\$20,455</b>	<b>\$8,422</b>
<b>Total Expenditures</b>	<b>\$189,416</b>	<b>\$159,292</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

## NET FISCAL IMPACT

The fiscal impact comparison estimates only nominal differences between a single large format store and five small format stores. The large format store is estimated to have a negative fiscal impact of \$96,000 per year compared to \$89,000 per year for the five smaller stores for a net difference of \$7,000 as shown in **Table 13**. This result would indicate that the amount of development is more influential on fiscal impacts than the store format (e.g., large format versus small format)

**Table 13**  
**Net Fiscal Impact**  
**Bozeman Impact Study**

Item	Five Small Format Stores	One Large Format Store
<b>Net Fiscal Impact</b>		
Revenues	100,035	63,321
Expenditures	<u>189,416</u>	<u>159,292</u>
<b>Impact</b>	<b>-\$89,381</b>	<b>-\$95,971</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

## CAPITAL REVENUES

While designated for capital expenditures, impact fees for streets and fire services were calculated to illustrate the capital revenues generated by each scenario. The existing street impact fees are based on vehicle miles traveled (VMT), which considers the number of total trips and primary trips generated and length of each trip for different land uses. Based on the traffic engineering models used, retail uses with 50,000 square feet or less of space generate are estimated to generate more vehicle miles traveled (45.83 VMT) than larger retail uses with 100,000 to 199,000 square feet (40.83 VMT). As a result, the five small format stores generate approximately \$5,300 more of road impact fees as shown on **Table 14**.

**Table 14**  
**Estimated Impact Fees**  
**Bozeman Impact Study**

Item	Five Small Format Stores	One Large Format Store
<b>Impact Fees<sup>1</sup></b>		
Street Impact Fees	577,129	571,880
Fire Impact Fees	36,626	72,164
<b>Total</b>	<b>\$613,755</b>	<b>\$644,044</b>

<sup>1</sup>Water and Sewer not included because they are included as part of the enterprise funds, which by definition are fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

The existing fire impact fees are based on fire demand units, which considers the required fire flow for water (gallons per minute necessary to extinguish a fire), response cost factor (equipment necessary to respond to a fire), and incidence factor (based on building use). Based on the established schedule, a commercial building between 10,000 to 25,000 square feet would generate 1.49 fire demand units, while a commercial building of 100,000+ square feet would generate 2.94 fire demand units. As a result, the single large format store generates approximately \$35,500 more of fire impact fees than five small format stores as shown on **Table 14**.

## IV. ECONOMIC AND COMMUNITY IMPACTS

---

This section evaluates the impact of large format retailers on existing retail businesses and on local employment and wages. Based on these impacts, the related impacts on the affordability and demand for housing are also considered.

### EXISTING BUSINESS IMPACTS

The recent expansion and influx in large format stores will have impacts on existing retail businesses. In fact, any major increment of new retail space – even if it expands the trade area and generates new sales – will derive the majority of its sales from existing retailers already present, at least in the short run. In some cases these impacts will be temporary as overall trade area population and income growth will increase retail sales levels over time. However in some cases, the reduction in existing store sales may be a contributing factor to a business deciding to close.

The impact of new competition on existing retailers is of course not a new phenomena. The retail sector is especially volatile with numerous new businesses opening and closing each year. The issue to be addressed in this study is whether the levels of impacts associated with large format stores are extraordinary or out-of-scale with community benefits.

The level of this impact on existing retailers is related to a number of factors including: store size, the number and range of goods carried, relative price differences on comparable goods, and proximity of the competitive stores. Many of these impacts are, however, varied based on the type of store (e.g., discount stores as distinguished from super centers or home improvement centers) and are separately addressed below.

### STORE SIZE

The general increase in retail store sizes is a trend that has been going on for at least 40 years, both nationally and locally. When the discount department stores were first built in Bozeman in the 1960s to 1970s, they were in the 40,000 to 80,000 square foot range, several times larger than the variety stores they replaced. When the national supermarkets first entered the local market in the 1968 to 1972 time period, they built larger stores than the established independent grocers. When the general merchandise stores moved from downtown to the Mall in 1980, they generally doubled or tripled their store sizes. And each of these store types – discount department, supermarket, and conventional department stores – has continued to grow in size over the years.

In the case of supermarkets and discount department stores, larger store sizes are directly related to the number and type of products carried. Today's supermarket has literally placed under one roof nearly all the businesses formerly found in a neighborhood shopping center, including the meat and fish market, florist, pharmacy,

card shop, bank, and video store. Similarly, the discount department store has apparel, home furnishings, hardware, electronics, toys, auto, health and beauty, film processing, optical services, and more. Discount stores have therefore contributed to the demise of variety stores (e.g. Gibson's) and other smaller general merchandise chains. Together with the growing supermarket, they have replaced the community shopping center category of development.

The super center has taken these trends another order of magnitude further by incorporating a full service supermarket under the same roof with a discount store. The 201,000 square foot Wal-Mart Super Store, which opened in 2004, replaced an existing 125,000 square foot Wal-Mart discount store, including 53,000 square feet of space dedicated to grocery store items. This amount of grocery space is equivalent in size to the existing Albertson and Smith supermarkets in the City.

By virtue of their store sizes, all of these large format stores also offer a wider range of brands and types of goods. This trend, however, is not limited to stores meeting the large format definition. The "category killer" mass merchandise stores provide the same breadth of selection within their more narrow product inventory. For example, a Toys "R" Us can offer a huge variety, depth, and volume of merchandise in 30,000 square feet compared to The Great Rocky Mountain Toy Company, or a 30,000 square foot Border's or Barnes and Noble have much greater title selection and inventory than an independent bookstore like the Country Bookshelf.

## PRICE

The large format department stores and the "category killer" mass merchandise stores are virtually all national chains that provide a cost savings over local merchants based on both sales and purchasing volume. These merchants sell a larger volume of goods and generally achieve higher sales per square foot. They also use their national store product requirements and distribution network to purchase directly from manufacturers eliminating local suppliers.

Every study reviewed, addressing the impact of national retail development on local independent stores, has indicated it is virtually impossible to compete directly on price. To be successful, independent merchants need to capitalize on the advantages they have as small businesses, including some of all of the following:

- Develop or adjust product lines to complement rather than compete with national competition.
- Feature service, repair, and/or training functions the discounter is not equipped to provide.
- Locate in a shopping district that has a critical mass of smaller store merchants with similar or complementary merchandise allowing for combined marketing and advertising.

## LOCATION

The impact of location is hard to generalize. The suburbanization of regional level retail in Bozeman, first to North 7<sup>th</sup> Avenue, and then to the Gallatin Mall, has directly impacted the evolution of the store mix in the downtown business district and the vitality of individual businesses. The downtown area has now largely evolved to a different market niche.

The impacts of more recent large format retail development are expected to affect older suburban retail locations, including North 7<sup>th</sup> Avenue and the Gallatin Valley Mall, to a greater degree than the historic downtown area. The North 7<sup>th</sup> area has lost a number of major tenants since development on North 19<sup>th</sup> has occurred. The Gallatin Valley Mall also appears to be vulnerable based on observations in other markets impacted by a rapid influx of national development. The Mall will either need to continue to invest and redevelop to capture new national credit chain tenant growth or be vulnerable to additional competitive development, most likely in the form of a lifestyle center.

The downtown area, although it will be vulnerable to specialty store development at existing or future mall locations, is largely a location for independent merchants and a well established retail and entertainment district unique in the marketplace. It will nevertheless need to continue to invest in building renovations to accommodate new tenants, and urban design and infrastructure improvements to maintain and improve the shopping environment.

## STORE TYPE

Many of the recent concerns raised about the impact of large format stores on existing retailers are related to the fact that two new retail formats, the super center and the home improvement center, have been introduced to the local market in the last two years. The discount department store and at least a first wave of “category killer” stores have been built for some time and absorbed into the local competitive market with existing retailers adjusting to the associated impacts accordingly.

The large format home improvement center was introduced with the development of Home Depot in 2002. Although this store will likely capture some of its sales from local hardware stores, much of the impact on this store type has already been felt from the discounters, specifically Wal-Mart and Target. Therefore, Home Depot is likely to derive much of its hardware sales from the other national discounters rather than local independent merchants. Based on studies done in comparable communities, the greatest impacts on independent merchants is expected to be felt by store categories not covered by the discounters, including lumber, appliances, carpet and flooring, paint and wallpaper, and window coverings. Home improvement centers also derive a portion of their sales (as high as 25 percent in some markets) from contractors which will also contribute to impacts on these store categories.

The super center was introduced to the Bozeman market when Wal-Mart expanded its existing to include 53,000 square feet of grocery store space plus an additional 27,000 square feet of general merchandise space. This expansion added the effective equivalent of another supermarket to the existing store inventory and increased the total square footage of grocery store space by 27 percent from 197,400 to 250,400.

Prior to Wal-Mart expanding, average sales per square foot of a grocery store were estimated to be approximately \$428 as shown on **Table 15**. If Wal-Mart is successful in achieving the industry average in sales per square foot, the existing stores can be expected to lose approximately 20 percent of their current sales overall. The projected growth in grocery store sales due to population growth would absorb the additional grocery space added by Super Wal-Mart by approximately 2010 based on the forecast shown previously on **Table 7**.

**Table 15**  
**Supermarket Impacts**  
**Bozeman Impact Study**

Description	Amount
<b>Before Wal-Mart Super Store</b>	
Square Feet of Space	197,363
Expenditures	\$84,501,263
Sales per Square Feet	\$428
<b>After Wal-Mart Super Store</b>	
Square Feet of Space	250,363
Expenditures	\$84,501,263
Sales per Square Feet	\$338
<b>Rebalanced Sales</b>	
Square Feet of Space	250,363
Expenditures	\$100,145,200
Sales per Square Feet	\$400
<b>Additional Expenditures</b>	<b>\$15,643,937</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18.xls\WalmartImpact

The impact on individual stores is likely to be greatest on the national chain supermarkets, including Van's, Smith's, Safeway, and Albertson's. Impacts on the smaller independent markets such as Heeb's, Joe's Parkway, and the Community Co-op are expected to be less severe as these stores have already has to adjust to the impacts of the national chain supermarkets.

## EMPLOYMENT AND WAGES

Some of the recent concerns expressed regarding the influx of large format stores, both locally and nationally, is related to the direct and indirect impacts on local employment and wages and secondary impacts on affordable housing. The direct impacts address the number of jobs created and lost and the resultant impact on wages and benefits. The indirect impacts address the flows of business revenue in and out of the local communities and the related secondary jobs and wages created by this business activity.

### DIRECT EFFECTS

Large format stores, because of their size and sales volume, almost always generate a larger number of jobs than they displace. The Bozeman Super Wal-Mart was estimated in the BAE Impact Study to create an additional 240 jobs and result in the loss of 120 jobs for a net increase of 120 jobs.

There is some evidence that the Super Wal-Mart in Bozeman will have a negative impact on wages. The BAE Study stated there were only minor differences in pay and benefits between Wal-Mart and existing Bozeman area grocers. However, numerous recent studies in other states have documented a more substantial impact of Wal-Mart's lower wage scale and benefit package compared to national grocery store chains. An extensive California study (*The Impact of Big Box Grocers in Southern California: Jobs, Wages, and Municipal Finances, September 1999*) found that the introduction of non-unionized super centers has placed cost pressures on supermarket chains. As a result, there is expected to be greater pressure for lower wage and benefit packages in union negotiations.

This prediction is starting to happen. In Colorado, Safeway, Kroger, and Albertson are in negotiation with the grocery store labor unions on a new contract. The grocery chains are looking for wage and benefit concessions from the unions (as well as the right to establish lower pay and benefit scales for new workers) in light of income losses over the last three years as shown in **Table 16**. By comparison, Wal-Mart has maintained a healthy profit margin.

**Table 16**  
**Supermarket Revenues and Profits, 2000-2004**  
**Bozeman Impact Study**

Description	(Millions)				
	2000	2001	2002	2003	2004
<b>Wal-Mart Stores, Inc.</b>					
Revenues	\$165,013	\$191,329	\$204,011	\$229,616	\$256,329
Net Income	\$5,377	\$6,295	\$6,592	\$7,955	\$9,054
Profit	3.3%	3.3%	3.2%	3.5%	3.5%
<b>Albertson, Inc.</b>					
Revenues	\$37,478	\$36,762	\$36,605	\$35,626	\$35,436
Net Income	\$404	\$765	\$501	\$485	\$556
Profit	1.1%	2.1%	1.4%	1.4%	1.6%
<b>Kroger Co.</b>					
Revenues	\$45,352	\$49,000	\$50,098	\$51,760	\$53,791
Net Income	\$613	\$877	\$1,043	\$1,205	\$315
Profit	1.4%	1.8%	2.1%	2.3%	0.6%
<b>Safeway, Inc.</b>					
Revenues	\$31,977	\$31,797	\$34,768	\$35,553	N/A
Net Income	\$1,092	\$1,254	-\$828	-\$170	N/A
Profit	3.4%	3.9%	-2.4%	-0.5%	N/A

Source: Bloomberg Reports, Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT12-10.xls\Grocery Profits

While super centers as a store class are creating greater competition and lower profits for traditional supermarket chains, some of the specific wage and benefit issues are specific to Wal-Mart and its strong anti-union stand. It is, therefore, difficult to attribute wages and benefit impacts to large format stores in general or to specific store types or classes. For example, Target and Home Depot are known to have superior pay and benefit packages compared to Wal-Mart. Costco has a reputation of having one of the best wage and benefit packages in retail, paying employees at least \$10 an hour and paying 92 percent of employee health premiums.

Retailing is, in general, a low paying industry whether the stores are locally or nationally owned and run. It is likely that at least some of the national stores compensate employees better than most local independent merchants. It is therefore difficult to isolate wage related impacts for large format stores as a class of development.

## SECONDARY EFFECTS

The secondary effects are the result of the multiplier effect of retail store income and wages recycled in the local economy. This includes retail store supplier purchases and business profits reinvested in the community. The limited research on this subject shows that independent merchants spend a higher percent of total gross revenues in the local community.

*The Economic Impact of Locally Owned Businesses vs. Chains, Case Study in Midcoast Maine, Institute of Local Self Reliance, September 2003* documented that a sample of local businesses spent 44.6 percent of their revenues in the immediate two-county area and another 8.7 percent in the State of Maine for a total of 53.3 percent. This in-state spending included wages and benefits to employees (28.1 percent of total revenue); inventory, supplies, and services from other local businesses (16.9 percent); profits to local owners (5.4 percent); taxes to state and local government (2.4 percent); and contributions to local charities (0.4 percent). The study did a less reliable job of estimating local spending by materials for large format stores. It estimated local wages at 14.1 percent of revenue and charitable donations at half of the local average based on corporate averages for Target and Wal-Mart. The study did not quantify local spending on inventory, supplies, and services by national chains, but it points out that most do minimal local buying (because of national supplier contracts) and most do only minimal local banking (because their corporate offices are elsewhere).

Another site specific study, *The Anderson Study of Retail Economics, June 2004, Chicago, Illinois*, compared the spending patterns of 10 local firms (retailers, restaurants, and service providers) with their leading national chain competitors. The study found that for every \$100 in consumer spending with local firms, \$68 was recirculated in the Chicago area economy compared to \$43 for the chains.

The primary point is that the differential impacts in this area are not based on store size but based on national versus local ownership. A more detailed quantification of any impacts in Bozeman would require a survey based study of a representative sample of local businesses and national chains.

## AFFORDABLE HOUSING

Affordable housing has started to become a concern in Bozeman due to rapid housing price appreciation and dramatically smaller increases in wages. This disparity is exacerbated by the greater growth of lower paying retail and service jobs compared to total jobs.

## WAGE AND SALARIES

The average wage by industry in Gallatin County is shown in **Table 17**. The average hourly wage the retail sector was \$10.70 in 2003 with many retail subgroups even lower

including \$5.79 for sporting goods, hobby, books, and music; \$7.67 for clothing and apparel; and \$9.28 for food and beverage stores. (The average wage by industry is based on jobs and is therefore a blended rate of part-time and full-time employment.)

**Table 17**  
**Average Wage by Industry, 2003**  
**Bozeman Impact Study**

Industry	Employment	Wage	
		Annual	Hourly
Agriculture	394	\$22,140	\$10.64
Mining	24	\$31,631	\$15.21
Utilities	66	\$63,255	\$30.41
Construction	3,825	\$31,819	\$15.30
Manufacturing	2,211	\$31,186	\$14.99
Wholesale Trade	1,058	\$32,625	\$15.69
<b>Retail Trade</b>	<b>5,900</b>	<b>\$22,250</b>	<b>\$10.70</b>
Motor vehicle and parts dealer	690	\$36,363	\$17.48
Furniture and home furnishings	267	\$26,037	\$12.52
Electronics and appliance	161	\$29,677	\$14.27
Building materials and garden supply	810	\$26,493	\$12.74
Food and beverage	864	\$19,312	\$9.28
Health and personal care	130	\$19,942	\$9.59
Gasoline stations	310	\$14,856	\$7.14
Clothing and clothing accessories	395	\$15,956	\$7.67
Sporting good, hobby, book, music	558	\$12,043	\$5.79
General merchandise	1,110	\$21,450	\$10.31
Miscellaneous retailers	538	\$16,502	\$7.93
Nonstore retailers	67	\$28,372	\$13.64
Transportation & Warehousing	732	\$27,288	\$13.12
Information	466	\$30,881	\$14.85
Finance & Insurance	956	\$41,478	\$19.94
Real Estate & Rental Leasing	812	\$21,071	\$10.13
Professional, Scientific, and Technical Svcs.	2,009	\$43,123	\$20.73
Management of Companies & Enterprises	23	\$38,230	\$18.38
Admin. & Support of Waste Mngmt. & Remed. Svcs.	918	\$19,309	\$9.28
Educational Services	321	\$15,166	\$7.29
Health Care and Social Assistance	2,870	\$27,673	\$13.30
Arts, Entertainment, & Recreation	1,111	\$21,860	\$10.51
Accommodation & Food Svcs.(100%)	5,653	\$12,153	\$5.84
Other Svcs. (except Pub. Admin.)	1,337	\$20,891	\$10.04
Public Administration	6,707	\$33,533	\$16.12
<b>Total/Average</b>	<b>43,293</b>	<b>\$26,612</b>	<b>\$12.79</b>

Source: State of Montana-Research & Analysis Dept; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT12-10.xls|Employ-MT Labor

The low-wage sectors are not confined to the retail sector. Accommodations and food services (hotels and restaurants) are also at the low end of the range with an average wage of \$5.84 per job. Also, other services; arts, entertainment and recreation; and educational services are below the overall average wage in Bozeman of \$12.79 per hour.

## HOUSING COSTS

According to the Montana State University Center for Applied Economic Research, the median price of a house in Bozeman (new and existing) was \$182,950 in 2003 up by 18 percent from \$154,500 in 2001. Based on a six percent, 30 year loan with a five percent down payment and 30 percent of income dedicated to housing payments, a household would need an annual income of \$41,800 to afford the median home as shown in **Table 18**.

**Table 18**  
**Housing Affordability, 2003**  
**Bozeman Impact Study**

Annual Income	Housing Payments (monthly)	Maximum Mortgage <sup>2</sup>	5% Down Payment	Purchase Price
<b>\$41,786</b>	\$1,045	\$174,238	\$8,712	<b>\$182,950</b>

<sup>1</sup> Assumes housing cost at 30 percent of annual income.

<sup>2</sup> Based on 6.0 percent, 30 year fixed mortgage.

Source: MSU Center for Applied Economic Research, Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT12-10.xls\Housing Costs

By contrast, the average retail worker makes \$10.57 per hour. A family with 1.5 jobs in the retail sector would earn approximately \$33,000 and could afford a house with approximately \$137,600 (or 75 percent of the median) using the same assumptions. Obviously, a family with only one full-time worker, or with employment below the average retail sector wage rate could afford less housing. However, using this calculation as a benchmark, by comparison with other communities, the existing affordability gap is not extreme. However, the affordability gap is expected to increase due to higher housing price appreciation and lower wage growth, and particularly the increase in lower paying retail and service sector jobs.

There is a strong nexus between big box retail development and affordable housing needs. The recent \$450,000 and \$500,000 community contributions by Home Depot and Wal-Mart respectively, were for a range of community impacts, including housing. The voluntary payments were roughly equivalent to \$5 per square foot of building area. They are also roughly equivalent to the existing Road and Fire (combined) impact fees which work out to about \$5 per square foot (See **Table 14**).

There is sufficient evidence that a commercial linkage fee for affordable housing could be established. This fee would be calculated based on impacts and applied much like the existing Road and Fire impact fees. However, similar to the existing fees, this additional fee would apply to all commercial development, not just to large format stores. The applicable fees would be related to impacts by type and class of development. For example, based on employee generation per square foot and average wages retail commercial development would pay more or less than hotels or office development. Within the retail sector, there may be higher fees for national retailers

compared to local retailers if greater affordable housing needs are established. If Bozeman decides it is most appropriate to use a “model” to be applied to future big box development, the commercial linkage fee is the most viable approach. Alternatively, if the community wishes to isolate big box stores and address them separately, a continuation of the individual negotiated development agreement is recommended.

## V. POLICY OPTIONS

---

This section provides a review and evaluation of the policy options available to the City of Bozeman to address the estimated market, fiscal, and economic and community impacts associated with large format store development. The measures considered include impact fees, other mitigation fees or exactions, development negotiation standards, and land use regulations.

### IMPACT FEES AND EXACTIONS

The recent influx of large format retail stores in Bozeman has provided new competition for existing retailers and resulted in changes in the location and distribution of retail stores. This trend towards larger and larger format stores is not new, but rather the latest manifestation of a retail pattern that has been occurring for over 40 years. However, the most recent stores built (Home Depot and Super Wal-Mart) are new retail formats that have created a new type of competition that is impacting a different segment of the existing business community. The Super Wal-Mart (super store) is expected to have measurable impacts on existing supermarket sales and potentially on grocery store wages and benefits.

The fiscal impact analysis found only marginal differences in the fiscal impacts of large format stores, as a category, on municipal operating and capital costs and revenues. These differences are not significant enough to warrant an additional impact fee (beyond what is already charged) to be applied only to large format retail stores. The differential impacts certainly do not support the type and level of impact fees recommended by the Big Box Task Force in 2002. Based on the measured impacts for large format stores as a group, these fees would not pass the legal tests of rational nexus and rough proportionality.

One of the impacts associated with large format retail stores is the creation of additional lower paying retail jobs with salaries that are below the threshold for ownership housing. The analysis indicates that the affordable housing need is a developing problem that is only going to get worse. The City negotiated voluntary payments from both Wal-Mart and Home Depot to address community impacts including affordable housing. In the case of Wal-Mart, their \$500,000 fee equates to approximately \$5.75 per net new square foot of space. The \$450,000 fee paid by Home Depot equates to about \$4.85 per square foot of space.

The City would have the option of requiring all new large format projects to conduct an economic impact assessment and to negotiate a mitigation payment based on estimated impacts. There are a number of advantages to this approach. First, there are expected to be only a few such projects in the future. Second, it allows for all of the potential impacts to be addressed, including any store-type specific, store chain specific, and/or location specific impacts. Third, any payments would be based on a negotiated agreement and would not be tied up in the City's current impact fee litigation.

Another option would be to establish a commercial development mitigation fee for all commercial projects generating lower wage employment. The advantage of this approach is that all retail commercial projects generating lower wage employment would be included. Based on the analysis, the development of mid-box retail projects are expected to have equal or greater impacts in the next 15 years.

Other projects creating low-wage jobs, specifically hotels, would need to be included to be equitable. The fee levels would need to be determined based on the number of jobs that create an affordable housing need for which the City would be willing to establish an affordable housing program. The disadvantage of this approach is that it may be legally clouded until the current impact fee suit is resolved.

## LAND USE REGULATIONS

The City has broad discretion under its police powers to regulate land use development to meet community needs and desires. The community can permanently adopt the existing 75,000 square foot building size cap if it believes that restricting store size is beneficial for any number of reasons. The Town of Jackson, Wyoming has a similar 50,000 square foot cap in place.

There are several issues to be considered. The City already has five stores that exceed the 75,000 square foot size cap. How many more stores there would be is not easy to determine. However, based on existing store development patterns, there are likely to be one to three discount store, super store, or home improvement centers in the next 15 years. There may be either new conventional department stores, or expansions of the existing department stores in the Gallatin Valley Mall or a new regional project. These stores may be key to whether a renovated mall and/or new lifestyle center is built.

Another issue is related to the 75,000 square foot size figure. The retail analysis indicates that the expected proliferation of 20,000 to 40,000 square foot mid boxes may have equal or greater impacts than the larger format stores. Also, the projected size of new supermarkets is expected to be in the 55,000 to 65,000 square foot range in the future.

If limiting the amount of regional retail development to be built is the more important objective, the City should consider cutting back the amount of regional and community commercial land designated in the Comprehensive Plan and/or limiting the size and type of retail development allowed in certain locations. Based on estimated retail employment forecasts, the City has 430 acres of additional land designated for community or regional commercial development in the Comprehensive Plan. Although the amount of land is not out of scale to the forecasts, a lesser amount of land would create incentives for redevelopment and infill. It would also allow for a more critical review of projects on parcels not currently designated because the application would require a plan amendment. One of the greatest risks to existing retail development locations is not individual new development projects but rather the potential for large amounts of new development to displace existing development areas.



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

APPENDIX A:  
BOZEMAN IMPACT STUDY

# GROWTH SENSITIVITY ANALYSIS

---

As previously discussed, a sensitivity analysis was conducted to understand the impacts of substantial population growth, should the City sustain its recent 5 percent annual growth rate for the next 15 years. As a result, the regional trade area is estimated to grow at an overall rate of 3.4 percent (average of community trade area and other regional trade area growth rates) producing a total of 154,783 residents by 2020 as shown on **Appendix A: Table 1**. The community trade area is estimated to grow at an overall rate of 4.3 percent (average of Bozeman and other community trade area growth rates) producing a total of 97,264 residents by 2020. The sensitivity analysis used the same assumptions for average household income and real growth in income.

Should Bozeman grow at higher rate than is estimated, regional trade area expenditures and supportable square feet would increase as shown in detail in **Appendix A: Table 2**. Under this growth assumption, expenditures would grow to \$386.4 million, resulting in a net increase of \$128.0 million over the moderate growth alternative. As a result, an additional 427,794 square feet of Shoppers Goods and Home Improvement space would be supportable.

**Appendix A: Table 3** shows the community trade area expenditures and supportable square feet. Under this growth assumption, expenditures would grow to \$124.5 million, resulting in a net increase of \$60.1 million over the moderate growth alternative. As a result, an additional 168,526 square feet of Convenience Goods space would be supportable.

**Appendix A Table 1**  
**Table Area Forecast: High Growth Rate, 2004-2020**  
**Bozeman Impact Study**

Characteristic	Regional Trade Area			Community Trade Area		
	2004	2010	2020	2004	2010	2020
Population	95,786	113,832	154,783	51,865	65,236	97,264
Households	38,550	46,067	63,324	20,400	25,985	39,555
Average Household Income <sup>1</sup>	\$53,305	\$56,304	\$59,184	\$51,778	\$54,691	\$57,488
<b>Total Personal Income (1,000's)</b>	<b>\$2,054,907</b>	<b>\$2,593,741</b>	<b>\$3,747,764</b>	<b>\$1,056,266</b>	<b>\$1,421,135</b>	<b>\$2,273,954</b>

<sup>1</sup>Assumes a one percent true growth income from 2004-2010 and 0.5 percent from 2010-2020.

Source: Claritas; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18 HIGH.xls\Demand-Pop-HH

**Appendix A: Table 2  
Regional Retail Expenditures: High Growth Rate, 2004-2020  
Bozeman Impact Study**

Category	% of MT TPI	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Total Personal Income (1,000's)</b>					
Regional Trade Area		\$2,054,907	\$538,834	\$1,154,023	\$1,692,858
<b>Shoppers Goods</b>					
General Merchandise					
Conventional Dept. Stores	0.69%	14,217	3,728	7,984	11,712
Discount/Mass Merchandising	4.27%	87,675	22,990	49,238	72,228
Other	3.21%	66,043	17,318	37,089	54,407
<b>Subtotal</b>	<b>8.17%</b>	<b>\$167,935</b>	<b>\$44,036</b>	<b>\$94,311</b>	<b>\$138,347</b>
Apparel & Accessories	1.78%	36,612	9,600	20,561	30,161
Furniture, Furnishings & Appliances	2.58%	53,023	13,904	29,777	43,681
Miscellaneous <sup>1</sup>	3.62%	74,421	19,514	41,794	61,309
<b>Shoppers Goods Total</b>	<b>16.16%</b>	<b>\$331,990</b>	<b>\$87,054</b>	<b>\$186,444</b>	<b>\$273,498</b>
<b>Home Improvement</b>					
Home Centers	0.54%	11,189	2,934	6,284	9,218
Paint & Wallpaper Stores	0.19%	3,843	1,008	2,158	3,166
Hardware Stores	0.91%	18,672	4,896	10,486	15,382
Other Building Materials	3.49%	71,626	18,782	40,225	59,007
Lawn & Garden Stores	1.55%	31,752	8,326	17,832	26,157
<b>Home Improvement Total</b>	<b>6.67%</b>	<b>\$137,082</b>	<b>\$35,945</b>	<b>\$76,985</b>	<b>\$112,930</b>
<b>Total Shoppers Goods &amp; Home Improv.</b>	<b>22.83%</b>	<b>\$469,073</b>	<b>\$122,999</b>	<b>\$263,428</b>	<b>\$386,428</b>

<sup>1</sup>Includes sporting goods, hobby, book, music, and other miscellaneous shoppers goods.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18 HIGH.xls\Demand-Exp Other

**Appendix A: Table 3**  
**Regional Supportable Retail Space: High Growth Rate, 2004-2020**  
**Bozeman Impact Study**

Category	Sales/ Sq. Ft.	Estimated 2004	Net New		
			2004-10	2010-20	Total
<b>Shoppers Goods</b>					
General Merchandise					
Conventional Dept. Stores	\$250	56,868	14,912	31,937	46,848
Discount/Mass Merchandising	\$350	250,501	65,686	140,680	206,366
Other	\$300	<u>220,142</u>	<u>57,725</u>	<u>123,631</u>	<u>181,356</u>
<b>Subtotal</b>		<b>527,511</b>	<b>138,323</b>	<b>296,247</b>	<b>434,570</b>
Apparel & Accessories	\$250	146,448	38,401	82,244	120,646
Furniture, Furnishings & Appliances	\$250	212,091	55,614	119,109	174,723
Miscellaneous <sup>1</sup>	\$250	<u>297,682</u>	<u>78,058</u>	<u>167,177</u>	<u>245,234</u>
<b>Shoppers Goods Total</b>		<b>1,183,733</b>	<b>310,396</b>	<b>664,777</b>	<b>975,174</b>
<b>Home Improvement</b>					
Home Centers	\$250	44,758	11,736	25,136	36,872
Paint & Wallpaper Stores	\$250	15,373	4,031	8,633	12,664
Hardware Stores	\$250	74,687	19,584	41,944	61,528
Other Building Materials	\$250	286,505	75,127	160,900	236,026
Lawn & Garden Stores	\$250	<u>127,007</u>	<u>33,303</u>	<u>71,326</u>	<u>104,630</u>
<b>Home Improvement Total</b>		<b>548,329</b>	<b>143,782</b>	<b>307,938</b>	<b>451,720</b>
<b>Total Shoppers Goods &amp; Home Improv.</b>		<b>1,732,062</b>	<b>454,178</b>	<b>972,715</b>	<b>1,426,894</b>

<sup>1</sup>Includes sporting goods, hobby, book, music, and other miscellaneous items.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT4-18 HIGH.xls\Demand-SF Other



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

## APPENDIX B:

# BOZEMAN FISCAL IMPACT ANALYSIS – SMALL FORMAT

**Appendix B: Table 1**  
**Project Description**  
**Bozeman Fiscal Impact Analysis - Small Format**

Land Use	Units		Sq. Ft.	Mkt. Value (Per SF)	Total Market Value
	Total	Size			
<b>Residential</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>\$0</b>
<b>Non-Residential</b>					
Retail	---	---	25,000	\$27	675,000
Office	---	---	0	N/A	0
Other	---	---	0	N/A	0
<b>Subtotal</b>			<b>25,000</b>		<b>\$675,000</b>
<b>Total</b>	---	---	<b>25,000</b>	---	<b>\$675,000</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix B: Table 2  
Existing Demographic & Employment Factors  
Bozeman Fiscal Impact Analysis - Small Format**

<b>Item</b>	<b>Factor</b>	<b>Amount</b>
<b>City Population<sup>1</sup></b>		<b>31,704</b>
<b>Employees</b>		<b>14,956</b>
Live in Bozeman	50%	7,478
Live outside of Bozeman	50%	7,478
<b>Average Person Served</b>		
Residents		31,704
Non-Resident Employees <sup>2</sup>	50%	3,739
Tourist <sup>3</sup>		<u>2,079</u>
<b>Total</b>		<b>37,522</b>
<b>Non-Residential Space<sup>4</sup></b>		<b>2,215,000</b>

<sup>1</sup>Used the 2000 census count as a base and added residential permits to estimate 2003 figure.

<sup>2</sup>To avoid double counting people, employees who live in Bozeman were excluded.

<sup>3</sup>Estimated based on 1,650 units in the City's accommodation inventory with an average occupancy rate of 63 percent and 2 persons per unit.

<sup>4</sup>Estimate based on the net-amount of space open to the public.

Source: City of Bozeman; Bozeman Chamber of Commerce; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix B: Table 3**  
**Future Demographic & Employment Factors**  
**Bozeman Fiscal Impact Analysis - Small Format**

<b>Item</b>	<b>Factor</b>	<b>Amount</b>
<b>Population</b>	Persons 2.3	36
<b>Employment</b>	Person/SF <sup>1</sup>	
Retail	350	71
Office	N/A	0
Other	N/A	<u>0</u>
<b>Total</b>		<b>71</b>
<b>Persons Served</b>		
Residents		36
Non-Resident Employees <sup>2</sup>	50%	18
Overnight Visitors		<u>0</u>
<b>Total</b>		<b>54</b>

<sup>1</sup>Based on a national employment density study completed by TNCl.

<sup>2</sup>To avoid double counting people, employees who live in Bozeman were excluded.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 4**  
**Revenue Summary & Estimating Methodologies**  
**Bozeman Fiscal Impact Analysis - Small Format**

Department	2003 Actual	Factor	Description
<b>Taxes</b>			
Real Property Tax	6,244,007	---	Case Study
Personal Property Tax	<u>303,021</u>	---	Case Study
<b>Subtotal</b>	<b>\$6,547,028</b>		
<b>Licenses &amp; Permits</b>			
Building Permits	822,541	---	Case Study
Business Licenses	222,545	---	Case Study
Other <sup>1</sup>	<u>93,714</u>	\$2.50	Per Person Served
<b>Subtotal</b>	<b>\$1,138,800</b>		
<b>Intergovernmental</b>			
State Share	4,010,864	\$126.51	Per Capita
County Share	707,083	\$22.30	Per Capita
Grants	534,190	<sup>2</sup>	N/A
Other <sup>3</sup>	<u>760,065</u>	\$23.97	Per Capita
<b>Subtotal</b>	<b>\$6,012,202</b>		
<b>Charges for Services</b>			
Public Service	1,433,592	\$38.21	Per Person Served
Street Impact Fees	2,206,489	---	Case Study
General Government	1,099,316	\$29.30	Per Person Served
Public Safety	416,410	\$11.10	Per Person Served
Fire Impact Fees	267,020	---	Case Study
Public Welfare	<u>428,540</u>	\$11.42	Per Person Served
<b>Subtotal</b>	<b>\$5,851,367</b>		
<b>Fines &amp; Forfeits</b>			
Police Court Fines	1,065,742	\$28.40	Per Person Served
Parking Fines	136,555	\$3.64	Per Person Served
Library Fines	36,450	\$1.15	Per Capita
Other <sup>4</sup>	<u>64,980</u>	\$2.05	Per Capita
<b>Subtotal</b>	<b>\$1,303,728</b>		
<b>Miscellaneous</b>			
Transfer	1,976,734	<sup>3</sup>	N/A
Donations	424,368	<sup>2</sup>	N/A
Interest Income	264,029	<sup>2</sup>	N/A
Refunds & Reimbursements	245,750	<sup>2</sup>	N/A
Loan Interest/Principal	203,077	<sup>5</sup>	N/A
Other <sup>6</sup>	<u>318,504</u>	<sup>2</sup>	N/A
<b>Subtotal</b>	<b>\$3,432,462</b>		
<b>Total Revenues</b>	<b>\$24,285,587</b>		

<sup>1</sup> Magnitude of impact not significant, and/or offset by service costs.

<sup>2</sup> Source not consistent and/or guaranteed from year to year and not forecast in the future.

<sup>3</sup> Includes Gallatin Option funds.

<sup>4</sup> Includes snow removal, animal control fines, and miscatalogs penalties.

<sup>5</sup> Not forecast because these represent revolving loan programs.

<sup>6</sup> Includes rents/royalty, interest, and other miscellaneous revenues.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls|BB

**Appendix B: Table 5  
Real Property Taxes  
Bozeman Fiscal Impact Analysis - Small Format**

<b>Land Use</b>	<b>Market Value</b>	<b>Standard Exemp.<sup>1</sup></b>	<b>Asses. Rate<sup>1</sup></b>	<b>Taxable Value</b>	<b>Mill Levy<sup>1&amp;2</sup></b>	<b>Taxes Revenue</b>
<b>Residential</b>	<b>\$0</b>	31%	3.40%	<b>\$0</b>	221.43	<b>\$0</b>
<b>Non-Residential</b>						
Retail	\$675,000	13%	3.40%	2,984	221.43	661
Office	\$0	13%	3.40%	0	221.43	0
Other	\$0	13%	3.40%	0	221.43	0
<b>Subtotal</b>	<b>\$675,000</b>			<b>\$2,984</b>		<b>\$661</b>
<b>Total</b>	<b>\$675,000</b>			<b>\$2,984</b>		<b>\$661</b>

<sup>1</sup> Assumes 2003 homestead/comstead exemptions, tax, and mill levy rates.

<sup>2</sup> Excludes mill levies related to enterprise funds.

Source: Gallatin County; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix B: Table 6**  
**Personal Property Taxes**  
**Bozeman Fiscal Impact Analysis - Small Format**

Land Use	Market Value	Asses. Rate <sup>1</sup>	Taxable Value	Mill Levy <sup>1&amp;2</sup>	Taxes Revenue
Retail <sup>3</sup>	\$33,750	3.40%	1,148	221.43	254
Office	\$0	3.40%	0	221.43	0
Other	\$0	3.40%	0	221.43	0
<b>Total</b>	<b>\$33,750</b>		<b>\$1,148</b>		<b>\$254</b>

<sup>1</sup> Assumes 2003 tax and mill levy rates.

<sup>2</sup> Excludes mill levies related to enterprise funds.

<sup>3</sup> Assumes that personal property is approximately 5 percent of real property market value.

Source: Gallatin County; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 7**  
**Street and Fire Impact Fee Revenues**  
**Bozeman Fiscal Impact Analysis - Small Format**

Type of Development	Sq. Ft. <sup>1</sup>		Rate <sup>2</sup>		Fee	
	Leaseable	Gross	Street	Fire	Street	Fire
Retail less than 50,000 SF	21,250	25,000	\$5,432	\$293	\$115,426	\$7,325

<sup>1</sup>Leaseable sq. ft. used for street fees and gross sq. ft used for fire fees.

<sup>2</sup>Used current multiplier of 90 percent.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878fiscal12-07SM.xls\Street&Fire

**Appendix B: Table 8  
 Building Permits Revenues  
 Bozeman Fiscal Impact Analysis - Small Format**

Type of Development	Gross Sq. Ft.	Bldg. Type <sup>1</sup>	Rate <sup>2</sup>		Fee	
			New Const.	Review	New Const.	Review
Small Format	25,000	5B	\$0.21	\$0.02	\$5,250	\$563

<sup>1</sup>Type B assumes standard setbacks (60 feet) and sprinkler system.

<sup>2</sup>Used current multiplier of 90 percent.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878fiscal12-07SM.xls\Building Permit

**Appendix B: Table 9**  
**Project Revenues**  
**Bozeman Fiscal Impact Analysis - Small Format**

Source	Revenues
<b>Taxes</b>	
Real Property Tax	661
Personal Property Tax	<u>254</u>
<b>Subtotal</b>	<b>\$915</b>
<b>Licenses &amp; Permits</b>	
Building Permits	5,813
Business Licenses <sup>1</sup>	250
Other	<u>134</u>
<b>Subtotal</b>	<b>\$6,196</b>
<b>Intergovernmental</b>	
State Share	4,518
County Share	797
Grants	71
Other	<u>856</u>
<b>Subtotal</b>	<b>\$6,242</b>
<b>Charges for Services</b>	
Public Service	2,047
General Government	1,570
Public Safety	595
Public Welfare	<u>612</u>
<b>Subtotal</b>	<b>\$4,823</b>
<b>Fines &amp; Forfeits</b>	
Police Court Fines	1,522
Parking Fines	195
Library Fines	41
Other	<u>73</u>
<b>Subtotal</b>	<b>\$1,831</b>
<b>Miscellaneous</b>	<b>N/A</b>
<b>Total Revenues</b>	<b>\$20,007</b>

<b>Impact Fees<sup>2</sup></b>	
Street Impact Fees	115,426
Fire Impact Fees	<u>7,325</u>
<b>Total</b>	<b>\$122,751</b>

<sup>1</sup>Estimated based on \$250 per business over 10,000 square feet.

<sup>2</sup>Water and Sewer not included because they are included as part of the enterprise funds, which by definition are fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 10**  
**Expenditure Summary & Estimating Methodologies**  
**Bozeman Fiscal Impact Analysis - Small Format**

Department	2003 Budget	Factors		Description
		Gross	Net <sup>1</sup>	
<b>General Government</b>				
City Commission	228,301	\$6.08	\$3.04	Per Person Served
City Manager	579,903	\$15.46	\$7.73	Per Person Served
Municipal Court	299,116	\$7.97	\$3.99	Per Person Served
City Attorney	579,981	\$15.46	\$7.73	Per Person Served
Finance	849,753	\$22.65	\$11.32	Per Person Served
Planning	735,213	\$19.59	\$9.80	Per Person Served
Building Maintenance	598,548	\$15.95	\$7.98	Per Person Served
<b>Subtotal</b>	<b>\$3,870,815</b>			
<b>Public Safety</b>				
Police				
Administration	680,468	\$18.14	\$9.07	Per Person Served
Operational	2,756,536	---	---	Case Study
Fire Department				
Administration	257,662	\$42.47	\$21.24	Per Person Served
Operational	1,593,559	---	---	Case Study
Building Inspection	607,397	\$16.19	\$16.19	Per Person Served
Parking	146,365	\$3.90	\$3.90	Per Person Served
Joint Dispatch Services	437,000	\$11.65	\$11.65	Per Person Served
<b>Subtotal</b>	<b>\$6,478,987</b>			
<b>Public Service</b>				
Public Service Admin.	450,110	\$12.00	\$6.00	Per Person Served
Streets	3,209,985	\$85.55	\$85.55	Per Person Served
Vehicle Maintenance	374,857	\$9.99	\$9.99	Per Person Served
<b>Subtotal</b>	<b>\$4,034,952</b>			
<b>Public Welfare</b>				
Cemetery	346,402	\$10.93	\$10.93	Per Capita
Parks	1,005,526	\$31.72	\$31.72	Per Capita
Forestry	260,854	\$8.23	\$8.23	Per Capita
Library	1,093,172	\$34.48	\$34.48	Per Capita
Recreation	812,501	\$25.63	\$25.63	Per Capita
Community Development	784,936	\$24.76	\$24.76	Per Capita
Revolving Loans	331,000			
<b>Subtotal</b>	<b>\$4,634,391</b>			
<b>Non Departmental<sup>2</sup></b>	<b>\$4,842,000</b>	\$152.73	\$76.36	Per Person Served
<b>Total Expenditures</b>	<b>\$23,861,145</b>	---	---	---

<sup>1</sup> Assumed that each additional person served would NOT trigger a proportional increase in administrative cost but would increase costs by 50 percent of existing annual costs.

<sup>2</sup> Includes transfers to the Capital Fund, general liability insurance, contingencies etc.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 11**  
**Police Operations Expenditures**  
**Bozeman Fiscal Impact Analysis - Small Format**

<b>Call Type</b>	<b>Total Calls</b>	<b>Per. Retail</b>	<b>Retail Calls</b>
Homicide	1	0%	0
Rape	25	0%	0
Robbery	5	50%	3
Aggregated Assault	65	10%	7
Assault - Other	150	10%	15
Burglary	170	50%	85
Theft	1,350	80%	1,080
Motor Vehicle Theft	85	10%	9
Family Assault	80	0%	0
Arson	14	50%	7
Forgery & Counterfeiting	80	50%	40
Fraud	75	50%	38
Vandalism	590	50%	295
Disorderly Conduct	250	0%	0
Runaway	50	0%	0
Loud Party	1,500	0%	0
Alarm	875	50%	438
Parking Complaints	1,500	50%	750
Traffic Crashes	1,800	50%	900
DUI	480	0%	0
Animal Complaints	<u>1,575</u>	10%	<u>158</u>
	<b>10,720</b>		<b>3,822</b>

Estimates Retail Sales 2003 <sup>1</sup>	\$664,500,000
Sales per Call	\$173,862
Cost per Call	\$257

New Retail Sales <sup>2</sup>	\$6,250,000
New Calls	36
<b>Costs for Service</b>	<b>\$9,244</b>

<sup>1</sup>Estimaed based on \$2.22 million SF of retail space and \$300/SF sales.

<sup>2</sup>Assumes \$250/SF for sales.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 12**  
**Fire Operations Expenditures**  
**Bozeman Fiscal Impact Analysis - Small Format**

<b>Call Type</b>	<b>Total Calls</b>	<b>Per. Retail</b>	<b>Retail Calls</b>
Structural Fires & Misc.	425	33%	140
Vehicle Fire	25	10%	3
Emergency Medical Services	1,300	33%	429
Haz-Mat Spills & Investigations	75	25%	19
Wildland Fires	10	0%	0
Rescues	50	10%	5
Business Inspections	1,110	75%	833
Business Application	600	75%	450
Special Inspections	<u>475</u>	33%	<u>157</u>
	<b>4,070</b>		<b>2,035</b>

Estimates Retail Sales 2003 <sup>1</sup>	\$609,125,000
Sales per Call	\$299,361
Cost per Call	\$392

New Retail Sales <sup>2</sup>	\$6,250,000
New Calls	21
<b>Costs for Service</b>	<b>\$8,174</b>

<sup>1</sup>Estimaed based on \$2.22 million SF of retail space and \$300/SF sales.

<sup>2</sup>Assumes \$250/SF for sales.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 13**  
**Project Expenditures**  
**Bozeman Fiscal Impact Analysis - Small Format**

<b>Source</b>	<b>Expenditures</b>
<b>General Government</b>	
City Commission	163
City Manager	414
Municipal Court	214
City Attorney	414
Finance	607
Planning	525
Building Maintenance	<u>427</u>
<b>Subtotal</b>	<b>\$2,763</b>
<b>Public Safety</b>	
Police	
Administration	486
Operational	9,244
Fire Department	
Administration	1,138
Operational	8,174
Building Inspection	867
Parking	209
Joint Dispatch Services	<u>624</u>
<b>Subtotal</b>	<b>\$20,742</b>
<b>Public Service</b>	
Public Service Admin.	321
Streets	4,583
Vehicle Maintenance	<u>535</u>
<b>Subtotal</b>	<b>\$5,440</b>
<b>Public Welfare</b>	
Cemetery	390
Parks	1,133
Forestry	294
Library	1,231
Recreation	915
Community Development	<u>884</u>
<b>Subtotal</b>	<b>\$4,848</b>
<b>Non Departmental</b>	<b>\$4,091</b>
<b>Total Expenditures</b>	<b>\$37,883</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix B: Table 14**  
**Project Net-Fiscal Impacts**  
**Bozeman Fiscal Impact Analysis - Small Format**

Item	Small Format
<b>Net Fiscal Impact</b>	
Revenues	20,007
Expenditures	<u>37,883</u>
<b>Impact</b>	<b>-\$17,876</b>
<b>Impact Fees<sup>1</sup></b>	
Street Impact Fees	115,426
Fire Impact Fees	<u>7,325</u>
<b>Total</b>	<b>\$122,751</b>

<sup>1</sup>Water and Sewer not included because they are included as part of the Enterprise Funds, which by definition are fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB



**Economic &  
Planning Systems**

*Real Estate Economics*

*Regional Economics*

*Public Finance*

*Land Use Policy*

## APPENDIX C:

# BOZEMAN FISCAL IMPACT ANALYSIS – LARGE FORMAT

**Appendix C: Table 1**  
**Project Description**  
**Bozeman Fiscal Impact Analysis - Large Format**

Land Use	Units		Sq. Ft.	Mkt. Value (Per SF)	Total Market Value
	Total	Size			
<b>Residential</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>\$0</b>
<b>Non-Residential</b>					
Retail	---	---	125,000	\$42	5,300,000
Office	---	---	0	N/A	0
Other	---	---	0	N/A	0
<b>Subtotal</b>			<b>125,000</b>		<b>\$5,300,000</b>
<b>Total</b>	---	---	<b>125,000</b>	---	<b>\$5,300,000</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix C: Table 2  
Existing Demographic & Employment Factors  
Bozeman Fiscal Impact Analysis - Large Format**

<b>Item</b>	<b>Factor</b>	<b>Amount</b>
<b>City Population<sup>1</sup></b>		<b>31,704</b>
<b>Employees</b>		<b>14,956</b>
Live in Bozeman	50%	7,478
Live outside of Bozeman	50%	7,478
<b>Average Person Served</b>		
Residents		31,704
Non-Resident Employees <sup>2</sup>	50%	3,739
Tourist <sup>3</sup>		<u>2,079</u>
<b>Total</b>		<b>37,522</b>
<b>Non-Residential Space<sup>4</sup></b>		<b>2,215,000</b>

<sup>1</sup>Used the 2000 census count as a base and added residential permits to estimate 2003 figure.

<sup>2</sup>To avoid double counting people, employees who live in Bozeman were excluded.

<sup>3</sup>Estimated based on 1,650 units in the City's accommodation inventory with an average occupancy rate of 63 percent and 2 persons per unit.

<sup>4</sup>Estimate based on the net-amount of space open to the public.

Source: City of Bozeman; Bozeman Chamber of Commerce; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix C: Table 3  
 Future Demographic & Employment Factors  
 Bozeman Fiscal Impact Analysis - Large Format**

<b>Item</b>	<b>Factor</b>	<b>Amount</b>
<b>Population</b>	Persons 2.3	74
<b>Employment</b>	Person/SF <sup>1</sup>	
Retail	850	147
Office	N/A	0
Other	N/A	<u>0</u>
<b>Total</b>		<b>147</b>
<b>Persons Served</b>		
Residents		74
Non-Resident Employees <sup>2</sup>	50%	37
Overnight Visitors		<u>0</u>
<b>Total</b>		<b>110</b>

<sup>1</sup>Based on a national employment density study completed by TNIC.

<sup>2</sup>To avoid double counting people, employees who live in Bozeman were excluded.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 4**  
**Revenue Summary & Estimating Methodologies**  
**Bozeman Fiscal Impact Analysis - Large Format**

Department	2003		Description
	Actual	Factor	
<b>Taxes</b>			
Real Property Tax	6,244,007	---	Case Study
Personal Property Tax	<u>303,021</u>	---	Case Study
<b>Subtotal</b>	<b>\$6,547,028</b>		
<b>Licenses &amp; Permits</b>			
Building Permits	822,541	---	Case Study
Business Licenses	222,545	---	Case Study
Other <sup>1</sup>	<u>93,714</u>	\$2.50	Per Person Served
<b>Subtotal</b>	<b>\$1,138,800</b>		
<b>Intergovernmental</b>			
State Share	4,010,864	\$126.51	Per Capita
County Share	707,083	\$22.30	Per Capita
Grants	534,190	<sup>2</sup>	N/A
Other <sup>3</sup>	<u>760,065</u>	\$23.97	Per Capita
<b>Subtotal</b>	<b>\$6,012,202</b>		
<b>Charges for Services</b>			
Public Service	1,433,592	\$38.21	Per Person Served
Street Impact Fees	2,206,489	---	Case Study
General Government	1,099,316	\$29.30	Per Person Served
Public Safety	416,410	\$11.10	Per Person Served
Fire Impact Fees	267,020	---	Case Study
Public Welfare	<u>428,540</u>	\$11.42	Per Person Served
<b>Subtotal</b>	<b>\$5,851,367</b>		
<b>Fines &amp; Forfeits</b>			
Police Court Fines	1,065,742	\$28.40	Per Person Served
Parking Fines	136,555	\$3.64	Per Person Served
Library Fines	36,450	\$1.15	Per Capita
Other <sup>4</sup>	<u>64,980</u>	\$2.05	Per Capita
<b>Subtotal</b>	<b>\$1,303,728</b>		
<b>Miscellaneous</b>			
Transfer	1,976,734	<sup>3</sup>	N/A
Donations	424,368	<sup>2</sup>	N/A
Interest Income	264,029	<sup>2</sup>	N/A
Refunds & Reimbursements	245,750	<sup>2</sup>	N/A
Loan Interest/Principal	203,077	<sup>5</sup>	N/A
Other <sup>6</sup>	<u>318,504</u>	<sup>2</sup>	N/A
<b>Subtotal</b>	<b>\$3,432,462</b>		
<b>Total Revenues</b>	<b>\$24,285,587</b>		

<sup>1</sup> Magnitude of impact not significant, and/or offset by service costs.

<sup>2</sup> Source not consistent and/or guaranteed from year to year and not forecast in the future.

<sup>3</sup> Includes Gallatin Option funds.

<sup>4</sup> Includes snow removal, animal control fines, and miscatalogs penalties.

<sup>5</sup> Not forecast because these represent revolving loan programs.

<sup>6</sup> Includes rents/royalty, interest, and other miscellaneous revenues.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 5  
Real Property Taxes  
Bozeman Fiscal Impact Analysis - Large Format**

Land Use	Market Value	Standard Exemp. <sup>1</sup>	Asses. Rate <sup>1</sup>	Taxable Value	Mill Levy <sup>1&amp;2</sup>	Taxes Revenue
<b>Residential</b>	<b>\$0</b>	31%	3.40%	<b>\$0</b>	221.43	<b>\$0</b>
<b>Non-Residential</b>						
Retail	\$5,300,000	13%	3.40%	23,426	221.43	5,187
Office	\$0	13%	3.40%	0	221.43	0
Other	\$0	13%	3.40%	0	221.43	0
<b>Subtotal</b>	<b>\$5,300,000</b>			<b>\$23,426</b>		<b>\$5,187</b>
<b>Total</b>	<b>\$5,300,000</b>			<b>\$23,426</b>		<b>\$5,187</b>

<sup>1</sup> Assumes 2003 homestead/comstead exemptions, tax, and mill levy rates.

<sup>2</sup> Excludes mill levies related to enterprise funds.

Source: Gallatin County; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix C: Table 6**  
**Personal Property Taxes**  
**Bozeman Fiscal Impact Analysis - Large Format**

Land Use	Market Value	Asses. Rate <sup>1</sup>	Taxable Value	Mill Levy <sup>1&amp;2</sup>	Taxes Revenue
Retail <sup>3</sup>	\$265,000	3.40%	9,010	221.43	1,995
Office	\$0	3.40%	0	221.43	0
Other	\$0	3.40%	0	221.43	0
<b>Total</b>	<b>\$265,000</b>		<b>\$9,010</b>		<b>\$1,995</b>

<sup>1</sup> Assumes 2003 tax and mill levy rates.

<sup>2</sup> Excludes mill levies related to enterprise funds.

<sup>3</sup> Assumes that personal property is approximately 5 percent of real property market value.

Source: Gallatin County; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 7**  
**Street and Fire Impact Fee Revenues**  
**Bozeman Fiscal Impact Analysis - Large Format**

Type of Development	Sq. Ft. <sup>1</sup>		Rate <sup>2</sup>		Fee	
	Leaseable	Gross	Street	Fire	Street	Fire
Retail 100,000 - 200,000 SF	106,250	125,000	\$5,382	\$577	\$571,880	\$72,164

<sup>1</sup>Leaseable sq. ft. used for street fees and gross sq. ft used for fire fees.

<sup>2</sup>Used current multiplier of 90 percent.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878fiscal12-07.xls\Street&Fire

**Appendix C: Table 8**  
**Building Permits Revenues**  
**Bozeman Fiscal Impact Analysis - Large Format**

Type of Development	Gross Sq. Ft.	Bldg. Type <sup>1</sup>	Rate <sup>2</sup>		Fee	
			New Const.	Review	New Const.	Review
Large Format	125,000	5B	\$0.21	\$0.02	\$26,250	\$2,813

<sup>1</sup>Type B assumes standard setbacks (60 feet) and sprinkler system.

<sup>2</sup>Used current multiplier of 90 percent.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878fiscal12-07.xls\Building Permit

**Appendix C: Table 9**  
**Project Revenues**  
**Bozeman Fiscal Impact Analysis - Large Format**

Source	Revenues
<b>Taxes</b>	
Real Property Tax	5,187
Personal Property Tax	<u>1,995</u>
<b>Subtotal</b>	<b>\$7,182</b>
<b>Licenses &amp; Permits</b>	
Building Permits	29,063
Business Licenses <sup>1</sup>	250
Other	<u>275</u>
<b>Subtotal</b>	<b>\$29,588</b>
<b>Intergovernmental</b>	
State Share	9,302
County Share	1,640
Grants	147
Other	1,763
<b>Subtotal</b>	<b>\$12,852</b>
<b>Charges for Services</b>	
Public Service	4,214
General Government	3,231
Public Safety	1,224
Public Welfare	<u>1,260</u>
<b>Subtotal</b>	<b>\$9,929</b>
<b>Fines &amp; Forfeits</b>	
Police Court Fines	3,133
Parking Fines	401
Library Fines	85
Other	<u>151</u>
<b>Subtotal</b>	<b>\$3,769</b>
<b>Miscellaneous</b>	<b>N/A</b>
<b>Total Revenues</b>	<b>\$63,321</b>

<b>Impact Fees<sup>2</sup></b>	
Street Impact Fees	571,880
Fire Impact Fees	<u>72,164</u>
<b>Total</b>	<b>\$644,044</b>

<sup>1</sup>Estimated based on \$250 per business over 10,000 square feet.

<sup>2</sup>Water and Sewer not included because they are included as part of the enterprise funds, which by definition are fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 10**  
**Expenditure Summary & Estimating Methodologies**  
**Bozeman Fiscal Impact Analysis - Large Format**

Department	2003 Budget	Factors		Description
		Gross	Net <sup>1</sup>	
<b>General Government</b>				
City Commission	228,301	\$6.08	\$3.04	Per Person Served
City Manager	579,903	\$15.46	\$7.73	Per Person Served
Municipal Court	299,116	\$7.97	\$3.99	Per Person Served
City Attorney	579,981	\$15.46	\$7.73	Per Person Served
Finance	849,753	\$22.65	\$11.32	Per Person Served
Planning	735,213	\$19.59	\$9.80	Per Person Served
Building Maintenance	598,548	\$15.95	\$7.98	Per Person Served
<b>Subtotal</b>	<b>\$3,870,815</b>			
<b>Public Safety</b>				
Police				
Administration	680,468	\$18.14	\$9.07	Per Person Served
Operational	2,756,536	---	---	Case Study
Fire Department				
Administration	257,662	\$42.47	\$21.24	Per Person Served
Operational	1,593,559	---	---	Case Study
Building Inspection	607,397	\$16.19	\$16.19	Per Person Served
Parking	146,365	\$3.90	\$3.90	Per Person Served
Joint Dispatch Services	437,000	\$11.65	\$11.65	Per Person Served
<b>Subtotal</b>	<b>\$6,478,987</b>			
<b>Public Service</b>				
Public Service Admin.	450,110	\$12.00	\$6.00	Per Person Served
Streets	3,209,985	\$85.55	\$85.55	Per Person Served
Vehicle Maintenance	374,857	\$9.99	\$9.99	Per Person Served
<b>Subtotal</b>	<b>\$4,034,952</b>			
<b>Public Welfare</b>				
Cemetery	346,402	\$10.93	\$10.93	Per Capita
Parks	1,005,526	\$31.72	\$31.72	Per Capita
Forestry	260,854	\$8.23	\$8.23	Per Capita
Library	1,093,172	\$34.48	\$34.48	Per Capita
Recreation	812,501	\$25.63	\$25.63	Per Capita
Community Development	784,936	\$24.76	\$24.76	Per Capita
Revolving Loans	331,000			
<b>Subtotal</b>	<b>\$4,634,391</b>			
<b>Non Departmental<sup>2</sup></b>	<b>\$4,842,000</b>	\$152.73	\$76.36	Per Person Served
<b>Total Expenditures</b>	<b>\$23,861,145</b>	---	---	---

<sup>1</sup> Assumed that each additional person served would NOT trigger a proportional increase in administrative cost but would increase costs by 50 percent of existing annual costs.

<sup>2</sup> Includes transfers to the Capital Fund, general liability insurance, contingencies etc.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 11**  
**Police Operations Expenditures**  
**Bozeman Fiscal Impact Analysis - Large Format**

<b>Call Type</b>	<b>Total Calls</b>	<b>Per. Retail</b>	<b>Retail Calls</b>
Homicide	1	0%	0
Rape	25	0%	0
Robbery	5	50%	3
Aggravated Assault	65	10%	7
Assault - Other	150	10%	15
Burglary	170	50%	85
Theft	1,350	80%	1,080
Motor Vehicle Theft	85	10%	9
Family Assault	80	0%	0
Arson	14	50%	7
Forgery & Counterfeiting	80	50%	40
Fraud	75	50%	38
Vandalism	590	50%	295
Disorderly Conduct	250	0%	0
Runaway	50	0%	0
Loud Party	1,500	0%	0
Alarm	875	50%	438
Parking Complaints	1,500	50%	750
Traffic Crashes	1,800	50%	900
DUI	480	0%	0
Animal Complaints	<u>1,575</u>	10%	<u>158</u>
	<b>10,720</b>		<b>3,822</b>

Estimates Retail Sales 2003 <sup>1</sup>	\$664,500,000
Sales per Call	\$173,862
Cost per Call	\$257

New Retail Sales <sup>2</sup>	\$43,750,000
New Calls	252
<b>Costs for Service</b>	<b>\$64,706</b>

<sup>1</sup>Estimaed based on \$2.22 million SF of retail space and \$300/SF sales.

<sup>2</sup>Assumes \$350/SF for sales.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 12**  
**Fire Operations Expenditures**  
**Bozeman Fiscal Impact Analysis - Large Format**

<b>Call Type</b>	<b>Total Calls</b>	<b>Per. Retail</b>	<b>Retail Calls</b>
Structural Fires & Misc.	425	33%	140
Vehicle Fire	25	10%	3
Emergency Medical Services	1,300	33%	429
Haz-Mat Spills & Investigations	75	25%	19
Wildland Fires	10	0%	0
Rescues	50	10%	5
Business Inspections	1,110	75%	833
Business Application	600	75%	450
Special Inspections	<u>475</u>	33%	<u>157</u>
	<b>4,070</b>		<b>2,035</b>

Estimates Retail Sales 2003 <sup>1</sup>	\$664,500,000
Sales per Call	\$326,576
Cost per Call	\$392

New Retail Sales <sup>2</sup>	\$43,750,000
New Calls	134
<b>Costs for Service</b>	<b>\$52,453</b>

<sup>1</sup>Estimaed based on \$2.22 million SF of retail space and \$300/SF sales.

<sup>2</sup>Assumes \$350/SF for sales.

Source: City of Bozeman; Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB

**Appendix C: Table 13**  
**Project Expenditures**  
**Bozeman Fiscal Impact Analysis - Large Format**

<b>Source</b>	<b>Expenditures</b>
<b>General Government</b>	
City Commission	336
City Manager	852
Municipal Court	440
City Attorney	852
Finance	1,249
Planning	1,081
Building Maintenance	<u>880</u>
<b>Subtotal</b>	<b>\$5,689</b>
<b>Public Safety</b>	
Police	
Administration	1,000
Operational	64,706
Fire Department	
Administration	2,342
Operational	52,453
Building Inspection	1,785
Parking	430
Joint Dispatch Services	<u>1,285</u>
<b>Subtotal</b>	<b>\$124,001</b>
<b>Public Service</b>	
Public Service Admin.	662
Streets	9,436
Vehicle Maintenance	<u>1,102</u>
<b>Subtotal</b>	<b>\$11,199</b>
<b>Public Welfare</b>	
Cemetery	803
Parks	2,332
Forestry	605
Library	2,535
Recreation	1,884
Community Development	1,820
<b>Subtotal</b>	<b>\$9,981</b>
<b>Non Departmental</b>	<b>\$8,422</b>
<b>Total Expenditures</b>	<b>\$159,292</b>

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls\BB

**Appendix C: Table 14**  
**Project Net-Fiscal Impacts**  
**Bozeman Fiscal Impact Analysis - Large Format**

<b>Item</b>	<b>Amount</b>
<b>Net Fiscal Impact</b>	
Revenues	63,321
Expenditures	<u>159,292</u>
<b>Impact</b>	<b>-\$95,971</b>
<b>Impact Fees<sup>1</sup></b>	
Street Impact Fees	571,880
Fire Impact Fees	<u>72,164</u>
<b>Total</b>	<b>\$644,044</b>

<sup>1</sup>Water and Sewer not included because they are included as part of the enterprise funds, which by definition re fiscally balanced.

Source: Economic & Planning Systems

H:\13878-Bozeman Big Box EI Study\Models\13878MKT.xls]BB