APPENDIX C

Fiscal and Economic Impact Analysis (FEIA) Information provided by Councilmember Tiffany Renée at City Council Hearing on April 25, 2011

Presentation to Petaluma City Council April 6, 2009
Martin Bennett

Introduction:

Who I am:

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When we passed the FEIA last fall all members of the council and proponents of the FEIA agreed that we wanted to make this a resolution and not an ordinance – we all understood that the FEIA is a new policy tool that cities across the state are now implementing.

We agreed that after preparation of several FEIAs we will want to` revise and as necessary, amend the resolution to ensure that the legislation fulfills the intent when it was passed. The intent as we understand it is that the FEIA is a 'balance shee't and provides the council complete and accurate information about the costs and benefits of a given proposed project.

It is clear to us after the completion of two FEIAs that some modification will be necessary and we will work with the council and staff to propose how best to do this. I would like to emphasize that the FEIA, also known as a community impact report, is a very new policy tool (just like LWO were a decade ago) and cities like San Jose, Los Angeles, and San Diego and going through a similar process as Petluma in regards to fine tuning the implementation, and establishing best practices in regards to methodology and data collection.

Consultants for the Living Wage Coalition have now submitted comprehensive peer reviews/critiques of the two FEIAs prepared by Bay Area Economics.

For Deer Creek/Lowes we believe there are major discrepancies between the conclusions of our consultants and those of BAE on a number of critical issues (just as there was for the Target/Regency FEIA.)

In sum, for Lowes/Deer Creek our consultants find that BAE does not take into account the current economic collapse and changing market conditions, underestimate the impacts of Lowes (and Target) on local businesses, particularly the historic downtown, make erroneous calculations that are far too high, for the wages of the majority of retail workers, and BAE does not attempt to estimate the number of employees who will have health benefits in the proposed project.

Ultimately, the council will have to use the information in the FEIA to determine if a project conforms to the general plan and is a 'net positive' for the community – hence the importance of ensuring accurate and complete information.

I want to summarize the findings of our consultant UC researcher William Lester on the wage and benefit issue in regards to Deer Creek and Lowes and Scott Stegeman will summarize his findings on the impacts of the Deer Creek project on local businesses.

On the issues of wages:

BAE finds that the average wage of retail workers at Lowes and other tenants will be $14.00 an hour. Lester finds that the majority of the 175 workers at Lowe's will make between $10 -$12.50 an hour.

On benefits: Lester finds that no more than 51% of the workers at Lowes will have medical coverage and BAE does not attempt to make a calculation in regards to the number of workers who will receive health benefits.

Each of these issues is critical to assess General Plan conformity.

Section 9-P-1 of the general plan states that the city shall "regularly assess and identify economic activities that are locally desirable and employment uses that advance the objective of a sustainable economy are particularly desirable" and "Techniques for enhancing local economic sustainability include (lists others) "paying wages commensurate withy the cost of living in Petaluma"

Section 9-P-10 of the general plan states that the city will "encourage economic development that will enhance job opportunities for existing City residents by providing incentives for proposals that "pay wages that enable workers to live in Petaluma."

If both Regency/Target and Deer Creek/Lowes are approved the two anchor tenants in each project alone will bring at a minimum 330 new jobs that pay considerably less than the city living wage of $13.60 an hour and at least half of these jobs will not have health benefits.

As such, residents of the city will be burdened with considerable costs:

Workers will not be able to live near where they work increasing traffic and congestion and contributing to the growing jobs-housing mismatch in the region; Moreover, housing overcrowding by low-income residents impacts educational achievement for children and the quality of family life.

Petaluma Valley Hospital (which along with Memorial Hospital in Santa Rosa provide 50% of the indigent or uncompensated care), the County of Sonoma, and the state of California will incur substantial costs for uncompensated care. Current health policy research indicates that local and state government provide 2 billion worth of uncompensated care each year for the underinsured and uninsured.

It is Important to emphasize that the UCB Center for Labor Research and Education calculated that less than 50% of Wal-Mart workers in 2004 receive medical benefits and that every year the state of California provides 32 million in health care services for uninsured Wal-Mart workers.

Moreover, UC researchers have also demonstrated that in 2002 local, state, and federal governments provided 10 billion in subsidies to low wage workers mainly in the service sector, for health care and other programs such as Food Stamps, section 8 affordable housing, and child care assistance.

We must appropriately use the EDD and Census data used to estimate wages and benefits when employers will not provide this – as neither Lowes nor Target will. We do have the data for Wal-Mart due to a class action gender equity suit that courts have approved to go forward in 2004, involving 1.6 million present and past female employees. If Lowes and other potential employers will not provide the information requested by the city, then we think the best data available demonstrates little difference between Wal-Mart, Lowes and Target in regards to wages and benefits.

We emphatically reject the charge that we are anti-business and anti-development. We want equitable, sustainable, and Smart growth and wwe support projects consistent with this---hence for example, we supported the development of the Petaluma Sheraton when in return for city loans and tax abatements, the council mandated and the developer agreed that the workers would receive a living wage and that their right to organize would be protected.

Presentation to the Petaluma City Council August 24, 2009
Comments on FEIA for proposed Old Silk Mill Hotel

Marty Bennett
Santa Rosa Junior College
Co-Chair, Living Wage Coalition

The Living Wage Coalition has several major issues in regards to the FEIA for the Old Silk Mill.

First, we are pleased the developer released the wage and benefit information for the hotel. We believe that any developer and anchor tenants who support responsible and smart growth should provide the employment data so a consultant can precisely analyze all the economic and fiscal impacts of a proposed development. We hope Target and Lowe's will reconsider and come forward with their wage and benefit data.

Second, the employment section of the FEIA is much better than the first two completed by Bay Area Economics for the Target/Regency and the Lowes/Deer Creek projects. There is an appropriate comparison of the wage data for the proposed hotel to the California Employment Development (EDD) entry and media wage in Sonoma County for a given occupation in the hospitality industry. There is also a clear comparison of wages at the proposed hotel to the Petaluma Living Wage of $13.64 without medical benefits, and $12.14 with.

The majority of the workers are housekeepers and food service workers. According to EDD in 2008, the entry wage for a housekeeper in Sonoma County was $8.55 an hour and the developer/employer pays $9.77. An entry-level wage for a cook in Sonoma County was $9.70 and the developer/employer pays $11.39. An entry-level wage for a waiter in Sonoma County is $8.27 and the developer/employer pays $8.00. Health benefits are provided after three months but only for full-time workers and the employer pays only 40% of the health care insurance for dependants. Part-time workers who will comprise at least 30% of the work force do not receive health benefits. Finally, full-time workers at the hotel accrue paid sick leave and vacation of 24 days after two years but this is not available to part-time workers. There are no retirement benefits for either full or part-time workers.

Third, we are principally concerned with job quality at the hotel and the overall impacts on the community. Section 9-P-1 of the general plan suggests that the city should support new projects with employers who

“Pay wages commensurate with the cost of living in Petaluma” and section 9-P-10 states that the city should support economic development and new jobs that “pay wages that enable workers to live in Petaluma.”

We don't think the new employment at this hotel will meet these standards.

Not only will the majority of employees not exceed the level of the Petaluma Living Wage but pay and benefits for most employees is less than 60% of the family self-sufficiency standard calculated by respected research organizations like Insight Center for Community and Economic Development and Wider Opportunities for Women. In 2008 a conservative self-sufficiency living wage for a typical family with 2 parents working full time to support 2 children was $14.90 an hour to cover the basics of housing, food, health care, child care, and transportation. (http://www.livingwagesonoma.org and click on “Calculating A Living Wage for Sonoma County.”)

If the employer does not provide a living wage and benefits, low-wage workers will turn to federal and state programs to make ends meet and low wage work imposes major costs on the public sector. A 2004 report by the UC Berkeley Center for Labor Research and Education concluded that each year the federal and state government provides $10.1 billion in public assistance to California families with at least one low-wage full-time worker. These working poor families are eligible for programs such as Medi-Cal, Healthy Families, Earned Income Tax Credit, Section 8 Housing Vouchers, childcare assistance, and Food Stamps. (Carol Zabin “The The Hidden Costs of Low Wage Jobs in California http://laborcenter.berkeley.edu/publiccosts/index.shtml)

California counties spend $1.8 billion annually to provide health care for 1.3 million uninsured adults and low wage jobs without health benefits impose major costs on our local hospitals when low-wage workers without medical benefits seek care at emergency rooms. (Peter Harbage and Len Nichols “A Premium Price: the Hidden Costs All Californians Pay in Our Fragmented Health Care System” New America Foundation 2006 (http://www.newamerica.net/programs/new_america_in_california/policy)

Finally, low wage employment will contribute to the growing mismatch between jobs and housing in the region given the stagnation of wages and the relative rise of housing costs over the last decade. The economic crisis and collapse of the housing market last fall has only temporarily braked this trend. Most of the workers at the hotel will likely not live in Petaluma given the high housing costs relative to their wages.

The project is located on Lakeville Highway just across from the downtown SMART train station. How can there be in-fill and transit-oriented development nearby the train station--in accordance with the vision of the SMART and the new general plan---if wages are so low (and housing costs so relatively high) that workers cannot live in the community, particularly downtown?
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According to the Santa Rosa Press Democrat (9/12/07) the median monthly housing costs for homeowners with mortgages increased 47% between 1996-2005. But the median household income of families who own homes increased just 22%.

Similarly rents increased 29% during the same period but median household income for renters declined by 2% during that time frame. A 2004 study of the Jobs-Housing mismatch in the region commissioned by the Mendocino Council of Governments stated:

“The dramatic increase of housing prices within the North Bay region have far exceeded wage gains and have left housing unaffordable to the majority. Long distance work trip commutes will be inevitable if current patterns persist. The production of moderately priced workforce housing by the private sector home builders has become virtually nonexistent.” (“Wine Country InterRegional Partnership Final Report” http://www.mendocinocog.org/irp.shtml)

A comparison of the wages and benefits at other hotels, particularly the Petaluma Sheraton, but also the Quality Inn, reveals that employers in the Petaluma hotel market can provide significantly better pay and benefits than what is proposed for the Old Silk Mill.

If this project is to conform to the new general plan these job quality issues must be addressed.

Comment on BAE's Fiscal and Economic Impact Analysis for Proposed Deer Creek Shopping Center in Petaluma, CA

April 29th, 2009

Prepared by:

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UC Berkeley Center for Labor Research and Education

The Living Wage Coalition of Sonoma County asked the UC Berkeley Center for Labor Research and Education to review the Fiscal and Economic Impact Analysis (FEIA) prepared by Bay Area Economics in regards to a proposed shopping center at Deer Creek in Petaluma, CA. The Petaluma City Council passed an ordinance requiring an assessment of the impact of large scale retail development projects on the community. The goal of such community impact reports (CIRs) is to assess whether a proposed development will negatively or positively impact the economic and fiscal health of the communities workers, taxpayers, and citizens. A key component of a CIR is to measure the impact of development on existing standards and norms in the local labor market. While new developments may increase the quantity of jobs in the labor markets, they may also affect job quality for existing residents seeking jobs and incumbent workers in similar industries. Such job quality standards include wage levels, the proportion of full-time work available, as well as the likelihood of receiving employer provided medical benefits.

This written comment points out several factual and analytic errors in BAE's FEIA report, which collectively raise substantive doubt as to its basis for making an overall favorable recommendation for the proposed project. This comment makes five specific points concerning the FEIA report:

1) *The reported share of workers in retail who work part-time for non-economic reasons is understated;*
2) *The wage rates assumed for specific retail industries are too high;*
3) *The report over-estimates the income of tips on worker's incomes;*
4) *The report provides insufficient information on the number workers offered health coverage by Lowes and what share of health care costs will be paid by Lowes;*
5) *The report does not mention the role of retailing, and big-box retailing in particular, in lowering standards in local labor markets.*

It is our recommendation that the council should consider these points before making its final recommendation or ask that BAE address these comments in their FEIA report. As the proposed development includes a big-box retailer (Lowes), it is essential to fully understand and estimate the impact of such developments in light of recent scholarship

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that suggests that highlights the negative impact of this particular form of retailing on the labor market. Since much of the literature on the impact of Big-Box retail is focused on Wal-Mart, it is particularly important that the developer and/or Lowes itself, provide specific details on wage levels, average turnover rates, and a richer description of its employee benefit program in order to construct a more accurate FEIA. The Council should consider asking developers and/or anchor tenants for these specific details in future community impact reports.

1. Part-time work for non-economic reasons

On page 48 of the FEIA, BAE states that only 13 percent of retail and wholesale workers nationwide were working part-time for economic reasons, as opposed to making the choice to work part-time while in school or caring for other household members. The citation for this figure lists the data source as table published on the web from the Bureau of Labor Statistics (BLS) derived Current Population Survey data. However, when I rechecked this figure it should actually read 18.1% for 2008, or 944,000 out of 5.2 million part-time workers in the combined wholesale and retail sectors.[2] Recent data from the Department of Labor also show that involuntary part-time work has risen sharply during the current recession.[3]

However, we can gauge a more accurate picture of the share of part-time workers working part-time for economic reasons if we make this calculation from the more detailed microdata available from the Current Population Survey (CPS). Table 1 lists the reason for working part-time for workers in California working in a set of retail industries that better approximates the type of establishments included in the Development.

Table 1. California Part-time Workers in Selected Retail Industries by Reason for Working Part-time, 2008.

	Reason for working part-time		
	Economic	**Non-Economic**	**% economic**
Building Materials/Lawn and Garden Stores	12,217	20,701	37.1%
Related retail sectors[4]	62,034	225,704	21.6%
Total	74,251	246,405	23.2%

Source: Current Population Survey, 2008. Microdata accessed through IPUMS.org. Authors calculations.

As indicated above, this figure is considerably larger than the national rate quoted in the BAE report. When we focus specifically on the building materials and lawn and garden

[2] Bureau of Labor Statistics, Characteristics of the Employed (CPS Tables) Table. 21. "Persons at work in nonagricultural industries by class of worker and usual full- or part-time status" ftp://ftp.bls.gov/pub/special.requests/lf/aat21.txt

[3] U.S. Bureau of Labor Statistics (2008) "Involuntary part-time work on the rise" *Issues in Labor Statistics* Summary 08-08 / December 2008.

[4] Related retail sectors include the following industries: Furniture and home furnishings stores; Radio, TV, and computer stores; Hardware stores; Grocery stores; Pharmacies and drug stores; Health and personal care, except drug stores; Clothing and accessories, except shoe stores; Shoe stores; Jewelry, luggage, and leather goods stores; Sporting goods, camera, and hobby and toy stores; Music stores; Book stores and news dealers; Office supplies and stationary stores; Miscellaneous retail stores, and Miscellaneous general merchandise stores.

equipment sectors—the industry that includes home centers such as Lowes—this figure is even higher, 37.1%. Given that 25 – 30% of Lowes' 175 workers are projected to work part-time, it is likely that a significant number (though not the majority) of such workers would prefer to work additional hours.

These higher figures are consistent with recent academic research that highlights the growth of part-time work throughout the service sector and the fact that many workers are forced to take multiple part-time jobs to boost their incomes. According to the Economic Policy Institute, nonstandard workers—a group that includes part-time workers as well as temp-workers, independent contractors, and day laborers—made up over 30% of the workforce in 2005. They find that these workers "in general are not only often paid less but they are less likely to receive benefits from their employers and more likely to be uninsured."[5]

2. Retail wage levels

On page 50 of the FEIA, BAE presents an analysis of the expected wage levels associated with the projected 138 part-time and 271 full-time retail positions directly linked to the Deer Creek development.[6] This is a critical step in the analysis as it makes a comparison between the wages offered at the project to the official living wage rate of $13.64 for the City of Petaluma.

The report presents data from the California Employment Development Department (EDD) that indicates that the median wage rate for Sales and Related Occupations is $14.00 per hour. While the authors of the BAE report are careful not to claim that all workers at Lowes and other retail establishments will necessarily earn the median wage, they make the implicit claim that, since this rate is above the official living wage rate for the City of Petaluma ($13.64 without medical benefits in 2008), the project will not reduce average retail wages in the labor market.

The evidence from public data sources strongly suggests that this analysis is incorrect. First, the quoted wage rate for "Sales and Related Occupations" is not the correct comparison point, as it is an aggregate figure that includes unrelated, higher paid occupations[7]. Second, given recent scholarship on the high rate of turnover, or job churning, in the retail sector (particularly at big-box establishments), it is likely that the wage rates for workers at Lowes are likely to be closer to the 25th percentile (entry-level) rather than the median.

[5] Mishel, Lawrence, Jared Bernstein, and Sylvia Allegreto, *The State of Working America 2006/2007*. Economic Policy Institute, Ithaca, NY: ILR Press, an Imprint of Cornell University, *Table 4.7*, page 241.
[6] The following analysis covers only the 409 projected jobs in the retail portion of the Deer Creek Project.
[7] Insurance Sales Agents; Securities, Commodities, and Financial Services Sales Agents; Travel Agents; Real Estate Brokers; Real Estate Sales Agents; Sales Engineers. All of these occupations pay a mean wage above $30/hour. Source: California Employment Development Department (EDD), OES Employment and Wages by Occupation, 2008 Q1.

In Table 2, we present a more detailed, disaggregated analysis of wage levels for most common retail occupations in establishments within the project itself. Specifically, we use the 2006 Industry Staffing Patterns report for California (published by the EDD) to find out what the most common occupations are for each retail industry. We then list the most recent occupational wage data available from the EDD for the Santa-Rosa-Petaluma MSA. For the Building Materials and Lawn and Garden Equipment sector—the sector which includes Lowes—more than half of all workers (65%) are concentrated in only four occupations Retail Salespersons, Cashiers, Laborers, and Stock Clerks. However, these occupations have median wage rates ($9.91-$12.41) well below $14.00 and below the prevailing living wage in Petaluma.

Table 2. Top Occupations within Retail Industries in 2006 and 2008 Wage Rates

		California Employment, 2006[1]		Wage Rates for Santa Rosa-Petaluma MSA, CA, 2008[2]		
Rank	**Occupation Title**	**Emp.**	**Share of Industry Emp.**	**25th**	**Median**	**75th**
Building Materials/Lawn and Garden Stores[8]						
1	Retail Salespersons	50,500	42%	$9.03	$11.60	$15.57
2	Cashiers	15,300	13%	$8.56	$9.91	$13.12
3	Managers of Retail Sales Workers	9,800	8%	$15.41	$18.67	$23.65
4	Laborers and Freight and Stock Movers	6,200	5%	$9.82	$12.41	$15.37
5	Stock Clerks and Order Fillers	5,700	5%	$9.11	$11.60	$15.33
	All other occupations	28,800	24%	$9.52	$14.00	$21.94
	Weighted Average Wage			**$9.42**	**$12.28**	**$17.03**
Other Retail Industries[9]						
1	Retail Salespersons	322300	30.2%	$9.03	$11.60	$15.57
2	Cashiers	252700	23.7%	$8.56	$9.91	$13.12
3	Managers of Retail Sales Workers	88100	8.3%	$15.41	$18.67	$23.65
4	Stock Clerks and Order Fillers	70900	6.6%	$9.11	$11.60	$15.33
5	Packers and Packagers, Hand	40100	3.8%	$8.42	$9.08	$10.25
	All Other occupations	269300	25.2%	$9.52	$14.00	$21.94
	Weighted Average Wage			**$9.35**	**$12.03**	**$16.70**

Sources: California Employment Development Department (EDD). 1) 2006 Staffing Patterns by Industry and Occupation; 2) OES Employment and Wages by Occupation, First quarter, 2008.

[8] Industries included: Building Material and Supplies Dealers (444100) and Lawn & Garden Equipment/Supplies Stores (444200).

[9] Industries included: Florists (453100; Shoe Stores (448200); Used Merchandise Stores (453300); Jewelry, Luggage & Leather Goods Stores (448300); Beer, Wine, and Liquor Stores (445300); Book, Periodical, and Music Stores (451200); Other Miscellaneous Store Retailers (453900); Sporting Goods/Musical Instrument Stores (451100); Specialty Food Stores (445200); Clothing Stores (448100) Gasoline Stations (447000); Office Supply, Stationery & Gift Stores (453200); Home Furnishings Stores (442200); Health and Personal Care Stores (446000; Furniture Stores (442100); Electronics and Appliance Stores (443000); Grocery Stores (445100).

For the additional retail industries that will include potential tenants in the remainder of the development, the top five occupations are slightly different, but are still dominated by the occupations paying the lowest wage levels. For each of these two industry groupings— Building Materials/Lawn and Garden Stores and Other Retail Industries— we present a weighted average wage rate, which are both below the prevailing living wage ($12.28 and $12.03 per hour).

While the median wage rate in retail occupations approaches the living wage rate, we suggest that the median may not be the best figure to use as a comparison for Lowes, given the high rate of job turnover associated with big-box retail. Given Lowes's statement that 25% of its proposed workforce will be part-time workers, the issue of job turnover and lack of tenure within a given job category is somewhat problematic and suggests that larger share of Lowes workers will be closer to the 25th percentile. According to a recent study of large companies in the retail industry, the rate of employee turnover ranged between 40% and 86% overall, and was highest among part time workers.[10]

However, the turnover issue is not the only reason to suspect that wages at Lowes will be below the wider average for the local labor market. We can use Wal-Mart as a comparison here. Researchers at the UC Berkeley Center for Labor Research and Education analyzed detailed payroll data provided by Wal-Mart and found that the overall wage distribution was 31% lower than other large retailers in California.[11]

Overall, this wage analysis argues that the wage figures used by BAE are too high and that the more realistic analysis suggests that the average wages offered by Lowes and other retail firms in the proposed development will be below the prevailing living wage in Petaluma.

3. Tipped workers only a fraction of restaurant workers

On page 52 of the FEIA, BAE states that workers in Food Preparation and Serving-Related Occupations, while earning a median wage of only $10.47 per hour, make up for low wages by earning substantial tips. However, the level of tip income for workers in this broad occupational category varies greatly across specific restaurant occupations. Typically, the only servers who earn a large share of their income from tips work at full-service restaurants, while fast-food workers are typically not tipped. In addition, workers in the "back of the house" as well as managers and hosts do not receive tips.

The BAE report does not indicate if the restaurants included (with expected employment of 30 workers) in the development is a full-service or limited-service establishment. However according to data from the EDD, waiters and waitresses at full-service restaurants make up only 38% of jobs in the full-service restaurant industry, and 19% of

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[10] Carre, F. and C. Tilly (2008). "America's biggest low-wage industry: Continuity and change in retail jobs" Institute for Research on Labor and Employment (IRLE) Working Paper Series 2009-004: p. 2.

[11] Dube, Arindrajit and Jabobs, Ken (2004) *Hidden Cost of Wal-Mart Jobs: Response to Wal-Mart's Statements*. UC Berkeley Center for Labor Research and Education, August 3rd, 2004, p. 1.

the overall food service industry.[12] Furthermore, the amount of tip income that servers earn is a function of the average menu prices at the restaurant. Thus, the only servers who will make the majority of the income from tips are those who work at higher-priced restaurants. Therefore, the issue of tip income should not divert the Council's attention from the fact that restaurant jobs offer some of the lowest wages in the labor market, well below the Petaluma living wage rate.

4. Health Insurance Coverage in Retail

A critical factor in assessing the impact of the proposed development on job quality in the local labor market and the overall fiscal health of the City and the surrounding community is the share of workers covered by employer-sponsored health insurance. In this section we make two arguments. First, we argue that the figures provided about Lowes are insufficient to accurately asses the degree to which new employees will receive health benefits and request that the City require more information to complete the FEIA. Second, we provide estimates from the Current Population Survey that show that the share of workers in retail who are offered employer-paid health insurance is below that of other industries, and that part-time workers are less likely to have such benefits through their jobs.

On page 51, BAE suggests that while Lowe's offers health care benefits to both full-time and part-time workers, "Each year, Lowe's decides how much the company will contribute toward employee benefits costs." The report also indicates that "employees may be required to pay for all or a portion of the benefits they select." However, they do not state how many of their workers receive fully paid health care benefits.

Without this detailed information from Lowes, we can provide an approximation with publically available survey data from the Current Population Survey. For workers employed in relevant retail industries[13] employed in California in either 2007 or 2008[14], 41% were included in employer sponsored group health insurance program. For workers specifically employed in the building materials and lawn and garden equipment sales sectors, this figure is 51%.

For retail workers who were included in employer provided insurance programs, only 23.7% reported that their employers paid the full cost of the premiums. Within building supplies and lawn and garden equipment stores this figure was only 13.1%.[15] Therefore, although only a minority of workers receive their health care coverage from their employers the vast majority of those covered workers share in the cost burden.

Therefore, given the relatively low rate of health insurance coverage for retail workers in general, and part-time workers in particular, the proposed development may have a potentially negative fiscal impact on the Petaluma Valley Hospital, the Petaluma Health

[12] California Employment Development Department (EDD). Industry Staffing Patterns Report, 2006.
[13] This analysis uses the same industry definitions as described in Table 1 above.
[14] We roll together two CPS survey years to increase sample size.
[15] US Bureau of Labor Statistics, Current Population Survey, 2007-2008; Authors calculations.

Care District, County of Sonoma, and the State of California as uninsured workers will be forced rely on local public hospitals and clinics for services.

Research by labor economists at UC Berkeley supports this point. A 2004 study by Arindrajit Dube and Ken Jacobs finds that a significant portion of workers at Wal-Mart—Lowes's closest competitor—were paid such low wages that they were eligible for and utilized MediCal and other publicly funded safety net programs. This resulted in a cost of $32 million in health related expenses by local and state governments in California and another $54 million in other public costs.[16] Current health policy research indicates that the State of California and its counties collectively spend $2 billion annually to cover the costs of uncompensated care.[17]

5. The link between big-box retail and the proliferation of low-wage work

While developments such as the proposed Deer Creek project bring the promise of jobs and sales tax revenues—a prospect that may be especially appealing during a down economy—it is critical that public officials examine the long-term impact of such development on the local community and the local labor market. In requiring a FEIA report for new, large-scale developments, the City of Petaluma not only recognizes the importance of such analysis, but also recognizes that the process itself presents an opportunity to make wider changes in the economic landscape.

Over the past two decades, there has been a significant increase in income inequality in California, the Bay Area and the North Bay.[18] This is largely due to the proliferation of low-wage work and the decline of middle-income, family-sustaining job opportunities. The retail and food service industries are the largest employer of low-wage workers and are projected to grow rapidly in the region.

For example, "the top three occupations with the most job openings are Retail Salespersons, Cashiers, and Waiters and Waitresses". As noted in above these occupations pay very low wages, typically between $8.50-$11.50 per hour and require only short-term on-the-job training.[19]

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[16] Dube, Arindrajit and Ken Jacobs (2004) "Hidden Cost of Wal-Mart Jobs: Use of Safety Net Programs by Wal-Mart Workers in California" UC Berkley Labor Center.

[17] New American Foundation (2006) "A Premium Price: The Hidden Costs All Californians Pay in Our Fragmented Health Care System."

[18] A number of recent reports have documented the increase in inequality and its link to low-wage jobs. See California Budget Project: *A Generation of Widening Inequality* (2007), (http://www.cbp.org/publications/pub_workwagesinc.html); *The Rising Tide Left Some Boats Behind: Boom, Bust, and Beyond in the San Francisco Bay Area* (2005) (http://www.cbp.org/publications/pub_workwagesinc.html); New Economy, Working Solutions Nari Rhee and Dan Acland. *The Limits of Prosperity: Growth Inequality and Poverty in the North Bay* (2005). (http://www.neweconomynorthbay.org/news_reports.php)

[19] California Employment Development Department, Labor Market Information Division, *2006 – 2016 Sonoma County Projection Highlights*. (http://www.calmis.ca.gov/file/indproj/satr$_highlights.pdf)

However, the fact that these industries are growing and pay low-wages is not inevitable. Rather research shows that recent restructuring and low-road business strategies have led to the destruction of higher wage retail jobs and the creation of jobs of very low quality. One recent paper found a direct causal link between the entry of one big-box retail firm—Wal-Mart—on retail workers earnings. Dube, Lester and Eidlin (2007) find that for each new store opening in a county, retail workers see their earnings decline by 0.5 to 0.9%.[20] Since Wal-Mart's competitive strategy is offering lower prices, they are able to draw market share from existing retailers in local communities. To the extent that their lower prices are derived from paying lower wages and existing retailers are displaced, this results in an overall degradation of wage standards in local labor markets that can now be measured at aggregate levels.

This research suggests that, even though the retail sector will continue to grow, communities do have some degree of discretion with regard to enforcing and upholding labor standards. The choice is between welcoming companies that compete through a low-road strategy that drives down wages or attracting those that choose an alternative strategy that treats workers fairly and competes based on quality and improved consumer choice.

Ultimately, the information provided by Lowes and the developer, as reflected in BAE's report, is insufficient for policy makers to consider this choice fully. Without better data from Lowes, it is impossible to do a thorough analysis. Lacking such data, there is no choice but to rely on general data sources or studies focused on Wal-Mart. These sources raise significant doubts about the overall impact of the project on the local economy.

[20] Dube, Arindrajit, T. William Lester, and Barry Eidlin (2007) "Firm Entry and Wages: Impact of Wal-Mart Growth on Earnings Throughout the Retail Sector" Institute for Research on Labor and Employment (IRLE) Working Paper No. 126-05, August 6, 2007.