

**Supplement to 2015 City of Lacey Market Study**  
**Prepared by George E. Smith**  
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2015 Market Study

In early 2015 the City of Lacey engaged a consultant to prepare a Market Study (Study) to be used to inform the Economic Development Element, the Land Use Element, the Economic Development Strategy, and the Economic Development Work Plan. The Study (Exhibit 2) was an in-depth look at Lacey's economy in 2015, and a look ahead over the next 20 years. The Study included an inventory of built space by type, including vacancies; job growth projections; projections of land use demand by type; and the creation of a complete inventory of businesses operating in the City. Also included was information on retail leakage, based on the City's 2015 City limits, that could be used in retail recruitment and to reduce sales tax leakage.

The typical method for measuring retail leakage is to compare 100% of the retail sales within a city to 100% of the purchasing power of that city's residents. While retail sales in Lacey were available, determining the purchasing power of City residents was a problem due to the City of Lacey's boundaries. The City is spread over three zip codes, and 16 census tracts, none of which is exclusively within the City limits. A larger issue is identifying the purchasing power of the residents within the total Lacey market area rather than just those within the boundaries of the City limits. Depending on the type of goods being purchased, the market area might be as small as the immediate neighborhood, or as large as a multi-county region.

A cursory review of the Study shows that, using data approximating the Lacey City limits, the City enjoys a net retail capture, led by grocery stores, discount stores, warehouse stores, superstores, and home centers. This seems to contradict comparative sales tax information from the State of Washington Department of Revenue that has historically shown that Lacey lags Olympia, Tumwater, and many other Washington cities in per-capita sales tax collection. This contradiction necessitated further analysis, this Supplement to the Market Study, to look at three factors: geographic, retail versus taxable sales, and retail mix.

Expanding the geographic area to more accurately reflect Lacey's retail catchment area, including 100% of the residents for all census tracts touching Lacey, plus DuPont, more closely matches the Lacey market. This includes areas where the closest stores selling goods routinely purchased by area residents are located in Lacey. Based on that larger area, some very large sales tax opportunities become obvious: automobiles and gas stations with convenience stores. Both of these potential sources of sales tax are

discussed elsewhere under the SWOT Analysis. The potential for automobile sales is cited as an opportunity. The impediments to development of large-scale gas stations with convenience stores are cited as a weakness.

Not all retail sales in Washington are taxable. With few exceptions, groceries are not subject to sales tax. In Lacey, grocery stores account for nearly \$200 million in annual retail sales. Grocery sales account for more than half of the more than \$120 million annual sales at Lacey’s warehouse clubs and superstores. This trims another \$60 to \$70 million of taxable sales from Lacey’s retail sales.

As was discussed under “Opportunities” in the SWOT analysis, looking at the retail mix we currently have in place, as well as the size and demographics of Lacey, Lacey’s retail catchment area, and the Thurston County retail catchment area, the purchasing power exists to attract higher-end merchants than we have currently. However, the market lacks suitable sites for those stores that generally prefer open air malls and lifestyle centers, with a high level of amenities.

**Original Census Tracts Used in Original Report**

<b>Census Tract</b>	<b>HH</b>	<b>Avg HHI (1)</b>	<b>Total Census Tract HHI</b>	<b>X 29.25%</b>	<b>HH Retail Spending Power</b>
112	2,183	\$68,200	\$148,880,600	0.2925	\$43,547,576
113	2,075	\$68,200	\$141,515,000	0.2925	\$41,393,138
114.1	1,970	\$68,200	\$134,354,000	0.2925	\$39,298,545
114.2	2,566	\$68,200	\$175,001,200	0.2925	\$51,187,851
115	2,306	\$68,200	\$157,269,200	0.2925	\$46,001,241
116.1	2,886	\$68,200	\$196,825,200	0.2925	\$57,571,371
116.21	2,845	\$68,200	\$194,029,000	0.2925	\$56,753,483
116.22	1,558	\$68,200	\$106,255,600	0.2925	\$31,079,763
116.23	2,197	\$68,200	\$149,835,400	0.2925	\$43,826,855
116.24	1,390	\$68,200	\$94,798,000	0.2925	\$27,728,415
123.1	3,289	\$68,200	\$224,309,800	0.2925	\$65,610,617
123.2	1,082	\$68,200	\$73,792,400	0.2925	\$21,584,277
123.3	1,770	\$68,200	\$120,714,000	0.2925	\$35,308,845
Sub-total	28,117		\$1,917,579,400		\$560,891,975

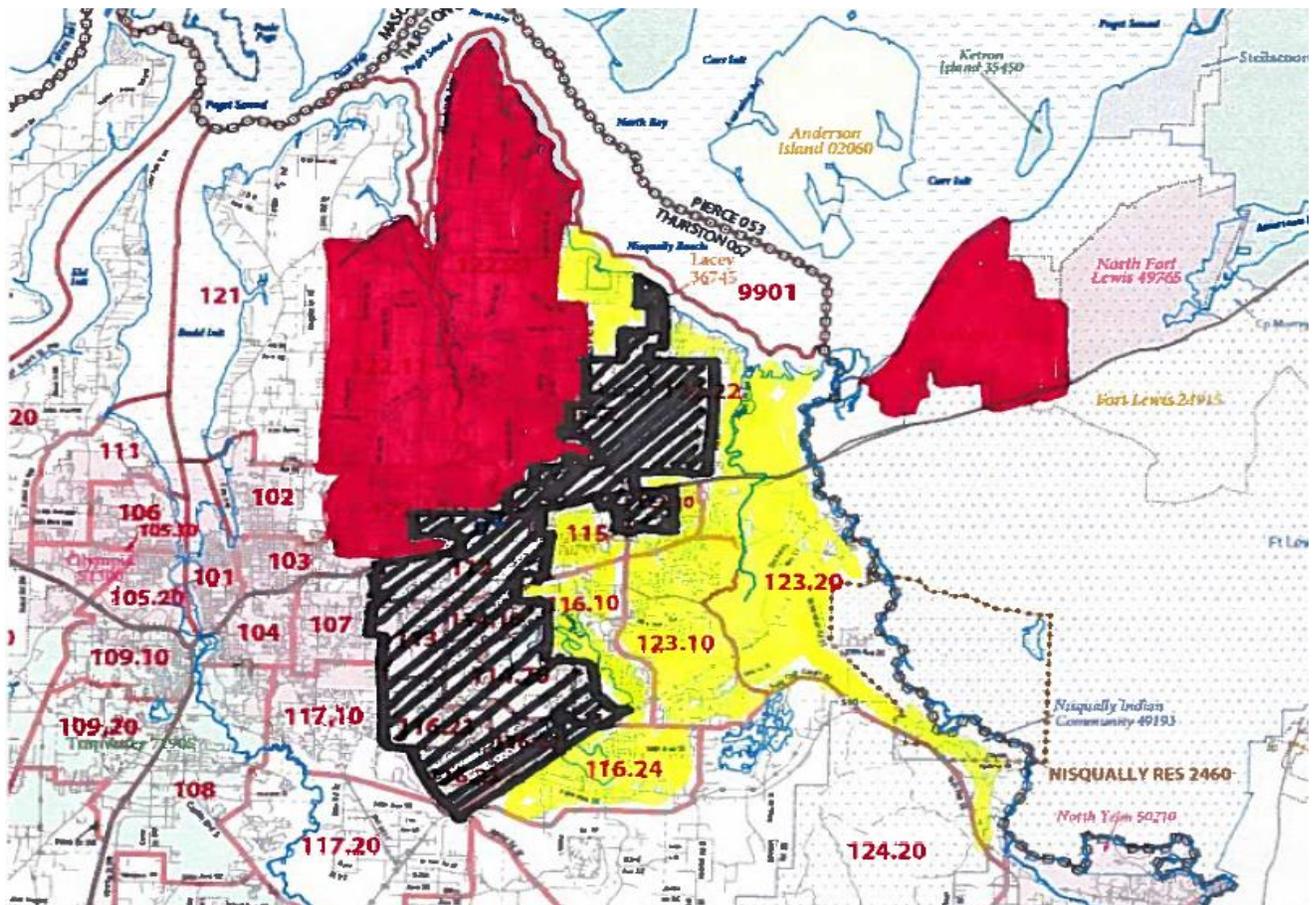
In the original Market Study Report, the above census tracts were used to gauge household income in Lacey. Since these census tracts do not perfectly match the City of Lacey limits, adjustments were made to reduce the number of households to 18,500. Multiplying the Average Lacey household income of \$68,200 by the adjusted number of households yielded \$1,261,700,000 in household income. Using numbers for consumer spending based on surveys published by the US Bureau of Labor Statistics, the amount of retail sales was determined to be \$368,639,000. Expanding the Lacey market to

reflect the Lacey catchment area, census tract 122 was added, along with DuPont. Those additional census tracts are shown in the chart and the map, below.

**Additional Census Tracts Added in Addendum to Original Report**

Census Tract	HH	Avg HHI (1)	Total Census Tract HHI	X 29.25%	HH Retail Spending Power
122.11	974	\$72,700	\$70,809,800	0.2925	\$20,711,867
122.12	3,121	\$72,700	\$226,896,700	0.2925	\$66,367,285
122.21	2,114	\$72,700	\$153,687,800	0.2925	\$44,953,682
122.22	2,811	\$72,700	\$204,359,700	0.2925	\$59,775,212
Sub-total	9,020		\$655,754,000		\$191,808,045
18965 (DuPont)			\$298,261,752	0.2925	\$87,241,562
<b>Grand Total</b>			<b>\$2,871,595,152</b>		<b>\$839,941,582</b>

**Census Tract Map**



The Lacey city limits are shown in black. Because a number of census tracts within the city limits also extended beyond the city limits, they had to be included in the original study. Those census tracts are shown in yellow. The census tracts highlighted in red were added to better reflect the Lacey shopping catchment area. These included the areas to the north that touch the Lacey city limits, as well as the City of DuPont from which many residents travel to Lacey to shop.