



PROFESSIONAL OPINION

The Potential Impacts of a Wal-Mart Supercenter
[At 83rd & Stewart in Chicago, Illinois]
On Grocer Agglomeration, Food Deserts, Food Balance, and Public Health

February 18, 2008

Situation

Wal-Mart proposes to develop a Supercenter in Chicago at 83rd & Stewart, in the Chatham community. Wal-Mart Supercenters combine a full line of groceries and general merchandising under one roof. Supercenters can range between 100,000 and 220,000 square feet of retail space. The proposed Chatham Supercenter would consist of roughly 195,000 square feet.

A number of concerns have been raised by Chicago aldermen and local unions about the potential negative impacts of a Wal-Mart Supercenter at the proposed Chatham location. In response to these concerns, Wal-Mart retained Mari Gallagher Research & Consulting Group to develop a Professional Opinion regarding placement of a grocery store – in particular, a Wal-Mart Supercenter – in Chatham. The exclusive focus of this opinion is the likely impact that the proposed Chatham Wal-Mart Supercenter would have on grocer location and agglomeration trends, nearby “Food Desert” communities, public health, and other related conditions. The Opinion does not address questions concerning labor, wages, or non-grocer business impacts due to the time constraints of assembling the necessary data and information.

Mari Gallagher Research & Consulting Group is a neutral third party research firm that does not engage in lobbying or any type of political work.

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Summary of Opinion

The Chatham Wal-Mart Supercenter, which includes a mainstream grocery store, would improve food access scores in the Chatham community in 45 blocks with a total population of roughly 4,600 people, 1,100 of whom are children. Increases in access to mainstream grocery stores correlate with improved public health. A Wal-Mart Supercenter at the proposed location would help counter the negative impacts that resulted from the recent closing of the Chatham Dominick’s and Chatham Cub Foods.

Qualifications

Mari Gallagher Research & Consulting Group (MG) has a national reputation for understanding and illuminating complicated redevelopment and market challenges in diverse urban, suburban and rural locations across the United States. The firm is also now gaining an international reputation. For example, on January 25, 2008, MG's work was featured by the International City/County Management Association, which is considered the premier local government leadership and management group worldwide. Its mission is to create excellence in local governance by advocating and developing the professional management of local government across the globe (ICMA website, January, 2008). MG's work has been recognized through coverage by the *Chicago Sun-Times*, *Chicago Tribune* (front page), *The Courier-Journal* (front page) *USA Today*, *Supermarket News*, *The Economist*, *CNN*, *Salon.com*, *Huffington Post*, *National Public Radio*, and many other venues.

MG is expert in qualitative and quantitative analysis and in a variety of planning, development, real estate, market, and quality of life subjects, including but not limited to commercial and housing development, government incentives and tools, community planning, food systems, and the statistical relationship between grocery store locations and public health outcomes. Clients include community and civic organizations, government, foundations, and major for-profit corporations. More information can be found at marigallagher.com.

This project was led by Mari Gallagher, Principal. Her food access work is widely known and followed by government, market, philanthropic and community actors and by a growing body of international academics. Earlier in her career, she was also the Executive Director of a community development corporation where she helped lead the co-development of a \$75 million shopping center anchored by a Dominick's Finer Foods grocery store in a Tax Increment Financing District in Chicago. The project included a special program with trade unions to train and employ local residents as part of the construction of the shopping center. In that and other practitioner roles, Ms. Gallagher oversaw transit-oriented developments, large and small commercial centers, and award-winning rental housing. She developed programs and events to promote and protect small businesses. Her organization also provided direct small business technical assistance and counseling services (covering business plan development, façade improvement, bank financing, capitalization, and other areas). She developed retail marketing strategies and negotiated commercial leases with tenants on behalf of local community organizations whose mission was to support local and small businesses and to create an attractive business and residential climate. Ms. Gallagher has extensive experience in the use and establishment of quasi-municipal economic development tools such as Tax Increment Financing Districts, Special Service Areas, and Business Improvement Districts. As the former president of a technology company, she negotiated million dollar deals with companies such as Apple. Most recently, before starting her own firm, Ms. Gallagher headed a research division of a Chicago-based nonprofit for five years.

As a researcher, Ms. Gallagher has led and managed a variety of complex qualitative and quantitative projects from very robust data development and analysis to focus groups and surveys. She is expert at securing and interpreting "below the radar" data, which she uses as



proxies for business and impact measures when quality data is lacking or incomplete. Examples of “below the radar” data include but are not limited to utility, school, postal, credit, new housing starts, and proprietary business, administrative, and government data. Phone and intercept surveys are often used to supplement these data. Business and impact measures address true population, market size, buying power, household composition, household wage earners, retail leakage, retail demand and many other indicators. Other expertise includes indexes, neighborhood report cards, and market analyses for “high change,” “high growth” or “undervalued” markets. Ms. Gallagher’s work on grocery store patterns includes very detailed distance and impact analysis measures at the Census block level across very large geographies (one study analyzed over 50,000 blocks). In 2005 she coined the term Commercial Desert, which ran as part of a headline on the front page of *Chicago Tribune*. Ms. Gallagher’s subsequent work on Food Deserts has popularized the term and raised awareness on this issue across the United States.

Ms. Gallagher earned her Masters Degree in Urban Planning and Public Policy from the University of Illinois, and she regularly consults on complex planning and retail development issues. She also lived and studied in Latin America, and speaks Spanish.

Publications

Ms. Gallagher has authored or co-authored over 100 studies on food access, community health, and other content areas over the course of her career. Here is a partial listing of publications currently available at marigallagher.com:

- Examining the Impact of Food Deserts on Public Health in Detroit, 2007
- Food Access, Food Balance, and Food Deserts in Louisville, 2007
- *Sun-Times* Briefing on USDA Food Stamp Liquor Stores, 2007
- Women and Children Last in the Food Desert, 2007
- Untapped Opportunities for Grocers, 2007
- The Food Desert and Mobile Grocers: A Look at the Pea Pod Experience, 2007
- Show Me the Money, 2007
- Examining the Impact of Food Deserts on Public Health in Chicago, 2006
- Next American City: Helping the Undocumented Achieve the American Dream, 2006
- Alternative IDs, ITIN Mortgages, and Emerging Latino Markets, 2005
- Merging the Two Sides: Community Needs and Market Opportunities, 2004

- Finding the Intersection Between Compliance and New Markets, 2004
- Inside Game, Outside Game: Book Review of Community Development Practices, 2000
- Neighborhood Recovery: Reinvestment Policy for the New Hometown, Book Review, 2000

Presentations

Ms Gallagher has made well over a hundred presentations across the country during the course of her career. Here is a partial listing of recent presentations concerning the opinion at hand:

- Examining the Impact of Food Deserts on Public Health in Chicago, LaSalle Bank Forum, Palmer House Hilton, **Chicago**
- African Americans & Obesity: Race, Place, and Access to Healthy Foods, Illinois Legislative Black Caucus, Suburb of **Chicago**
- Food Deserts and Public Health, Roseland Congregational Coalition, **Chicago**
- Life and Death in the Food Desert: What Does it Mean to Faith-Based Groups, Dominican University Food Summit, Suburb of **Chicago**
- Life and Death in the Food Desert: The Impact on Hospitals and Rising Health Care Costs, Rush University Preventive Medicine Grand Round Series, **Chicago**
- Food Deserts & Community Health: What Does it Mean for the Field of Medicine? Loyola University Stritch School of Medicine, Suburb of **Chicago**
- Food Access and Health, Women in Planning and Development Conference, **Chicago**
- Food Access in Chicago, Food Policy Summit, **Chicago**
- Untapped Opportunities for Grocers in Chicago, City of Chicago Grocer Expo (multiple years), **Chicago**
- Trends in the Latino Community, Illinois Latino Legislative Caucus, Suburb of **Chicago**
- Below the Radar Market Opportunities, US Conference of Mayors, **Denver**
- Examining the Impact of Food Deserts on Public Health in Detroit, LaSalle Bank Forum, Detroit Athletic Club, **Detroit**

- New Methodologies in Tracking Food Access, Food Balance, and Public Health, The Kellogg Foundation, **Battle Creek**
- Problems with Food Access in the State of Michigan: Legislative Briefing, **Lansing**
- Food Deserts and Urban America, Urban Institute, **Washington, DC**
- New Opportunities for Grocery Stores in Underserved Areas, National Community Reinvestment Coalition, **Washington, DC**
- Food Deserts and Health, National Neighborhood Indicators Partnership, **Dallas**
- Food Deserts: What You Can Do, **New Orleans**
- The Competitive Forces Affecting Today's Neighborhood Supermarket: Is Desire Enough? LISC Urban Forum, **Miami**
- Repositioning Your Business District Amid Ever-Changing Retail & Consumer Trends, 2006, LISC Urban Forum, **Miami**
- No Butcher, No Baker, No Candle Stick Maker: What to Do With Your Empty Commercial Storefronts, **Various Locations**
- How to Quantify Undocumented Populations in Local Commercial Buying Power Market Assessments, **Various Locations**

Leadership and awards

Ms. Gallagher has been a member of a number of committees and task forces concerning underserved markets, food access, public health, and other areas over the years. She has also shown leadership and innovation in other areas. Here we provide a partial listing of leadership and awards.

- National Center for Public Research, Founding President, 2007 to present
- The Environmental Leadership Program Advisory Committee for “Food and Politics” Conference in Washington DC, 2007 to present
- The Chicago Food Policy Advisory Council, Steering Committee Member, 2007 to present
- City of Chicago Aldermanic Grocer Access Task Force Co-Chair, 2006 to 2007
- Women in Planning & Development President, 2005 to 2006

- Chicago Association of Neighborhood Development Organizations, Board Member from 1994 to 2000. Former co-chair of its Commercial Committee and Nominating Committee, 1995 to 1997
- Fannie Mae, Chicago Partnership Office, Advisory Council Member, 2000 to 2002
- Woodstock Institute, Board Member and Treasurer, 1998 to 2001
- Local Initiatives Support Corporation, Awards Committee Member and Awards Judge, 1995 to 1998
- Chicago Association of Neighborhood Development Award for Best Community-Focused Real Estate Project, 1994
- Appreciation Award from the American Heart Association of Metropolitan Chicago for providing leadership in advancing the three-year South Chicago Pilot Project, which successfully became an AHA division, 1994
- *Sun-Times* Award for Best Public / Private Partnership, 1995
- Appreciation Award from the Boy Scouts of America for chairing two fundraising drives that exceeded preceding campaigns by over 50%, 1992 and 1993
- Appreciation Award from the Constitutional Rights Foundation of Chicago for “outstanding contributions to the education of our nation's youth for responsible leadership,” 1991
- City of Chicago Special Recognition Award presented by Mayor Richard M. Daley for “exemplary community service in creating a community garden representing the ideals of the City of Chicago,” 1990
- Special Appreciation Award from the South Chicago Chamber of Commerce for chairing its most financially successful street festival, 1989
- East Side Chamber of Commerce, Board of Directors, 1991 through 1994
- Southeast Youth Soccer Association, Fundraising Drive Chairperson, 1991, Board Member and Treasurer, 1992 to 1994
- Host of Chicago Radio Information Service’s *Access Chicago*, a fifteen-minute special interest radio program for the blind and reading impaired, 1992 to 1994
- Southeast Chicago Network for the Homeless, Founding Board Member, 1991 to 1993
- Southeast Alcohol and Drug Abuse Center, Fundraising Committee Member, 1991



- Working Committee to Employ Developmentally Challenged Adults, 1989
- Working Committee to Engage Former Gang Members in the Arts, 1989
- Most Ingenious Game Award presented at the Women's Midwestern Chess Championship, 1979, at age 14

Methods and Analysis

MG has structured this section in a Q&A format so that the information can be fully accessed, referenced, and utilized by public officials, community leaders, Wal-Mart, and other market actors and concerned parties. We provide very detailed information so that broad audiences can be engaged.

1. What is agglomeration?

The term “agglomeration” has several meanings. For example, in the study of human settlements, an agglomeration is the built-up area where population and density congregate. In the early stages of human history, agglomeration could refer to small fishing or trade villages. Today, agglomeration usually refers to a municipality, suburb, or town. It means the act or process of gathering a certain type of thing or similar things (such as population) into a mass or a cluster and toward a specific and shared function or purpose.

In retail, agglomeration means the attraction of stores to the same cluster or corridor, especially similar and complementary stores. It is common for retailers to choose to locate together in the same small town, mall, block or intersection, even when their products directly compete, overlap, or are similar or complementary. The closer the stores are in location, and the more they provide similar but distinct consumer options, the greater the agglomeration effect.

For the purposes of this opinion, agglomeration refers to retail agglomeration. Understanding agglomeration is useful, but it falls short of explaining the intricacies of how neighborhood markets actually work, and how to “fix” markets that are “broken.” To address this, MG has developed new concepts and methods which line up with the theory of agglomeration but take it a step further.

MG describes the clustering of retail outlets as the “**Snowball Effect**” (Gallagher 2007). Retail attracts more retail, and like attracts like, in either a positive or negative direction. A successful shopping corridor attracts additional retailers at that same level of quality to locate (or to at least desire locating) in that same corridor, or as close to it as possible. Conversely, where there is no existing retail, or no quality retail, it is sometimes hard for communities to attract that *first* quality retailer, even when there is an obvious nearby consumer base. There is still a Snowball Effect of land use. Commercial-designated parcels still, of course, exist, with or without retail, but their current uses or expressions might or might not be commercial in nature. Those districts tend to take on more negative or haphazard tones and functions; they “snowball” in the wrong direction. Neighborhood markets outside of the “Balanced Retail

Zone” shown below can suffer from either one extreme or the other: an all-or-nothing state of retail. In the “Too Little Retail” zone, for example, the corridor might have a scattering of vacant storefronts, non-traditional uses such as a storefront church or daycare center, or a few fringe services, such a currency exchange, tax preparation service, nail salon, dollar store, and fast food restaurant. None of these uses is inherently bad; some are in fact desirable additions to consumer choice and convenience. Healthy markets do indeed have and want some level of these types of fringe services. However, if currency exchanges and so on are the *only* expressions of the local marketplace (i.e. if they *dominate*), they set the commercial tone in the district at that low fringe level and repel other types of higher toned, mainstream retail.

Illustration #1A
The Snowball Effect



The black arrow in Illustration #1A represents the continuum of per capita retail from the highest per capita retail on the left to the lowest per capita retail on the right. This is a conceptual illustration, but the MG methodology includes the quantification and scoring of neighborhoods on a block-by-block basis. We call this quantified measure the **Snowball Index** (Gallagher, 2007). The first layer is normalized by density. The second layer is normalized by density and buying power. Other sub-layers focus on specialized areas of retail, such as food access, Food Deserts and Food Balance, which we describe later in the Opinion. The market data can then be linked to other measures, such as public health outcomes. (Watch for additional releases of the MG Snowball Index in 2008.)

2. What are some general examples of agglomeration?

There are many examples of agglomeration. In one small town there might be several banks located on the same main street. In a larger town, there might be a great number of banks with branches throughout the town, many locating not only on the same street, but on the same street corners. In urban communities and markets, there are different kinds of commercial agglomeration and different Snowball Effects. Because like attracts like in the world of retail, some local markets, such as in the Roseland community on Chicago’s Far South Side, find it hard to attract certain types of stores because those types of stores are not there already. In healthy neighborhood markets, shoe stores, jewelry stores, clothing stores, furniture shops, coffee shops, and, more recently, pharmacies can be found in very close proximity to their direct competitors. For example, the development of a pharmacy might

attract a competing pharmacy to seek out and develop a store as close to that first pharmacy as possible.

3. Why do retailers cluster together to create agglomeration?

There is considerable research on this question. More stores in an area mean more shoppers in that area. Although it may mean that one store might have to cut prices to compete with another, there are more shoppers coming to the area, creating a beneficial trade-off between an increased market size and the cutting of prices (Konishi, Hideo. "Concentration of Competing Retail Stores", Journal of Urban Economics, Vol. 58, 2005, pp. 488-512.).

Additionally (Arentze, Theo A., Oppewal, Harmen, Timmermanns, Harry J.P. "Multipurpose Shopping Trip Model to Assess Retail Agglomeration Effects," Journal of Marketing Research, Vol. XLII, February 2005.):

- "...agglomeration helps attract not only multipurpose but also single-purpose trips."
- "Different store types all contribute to destination attractiveness, even if no purchases are made from these stores."
- "Retail agglomerations are typically located in or are part of larger agglomerations, which enables consumers to combine shopping with other activities, creating other types of multipurpose trips."

Furthermore, "Automobile dealerships, electronics shops, and bridal boutiques, all selling similar products, often locate close to each other, in spite of the anticipation of increased price competition from nearby competitors. Much theoretical research has been done in spatial economics to explain homogeneous retail agglomeration, and many different reasons have been proposed. These include reduction in consumer search costs when there is uncertainty in prices, assortment, or the consumers' own tastes; increased market areas resulting from consumer expectations of price competition or greater assortment; and firms desiring to reduce their own uncertainty in location choice by locating close to similar successful firms" (Empirical Study of Homogeneous Retailer Agglomeration. Author: Robert Krider. Co-Authors: Tirtha Dhar, Jose Mora, and Daniel Putler).

MG concurs with these general statements, and summarizes agglomeration as follows:

Retailers agglomerate because they perceive that any negative effects from increased competition are outweighed by:

- Lower investment risk
- Lower cost of development
- Increased number of shoppers
- Better bottom line



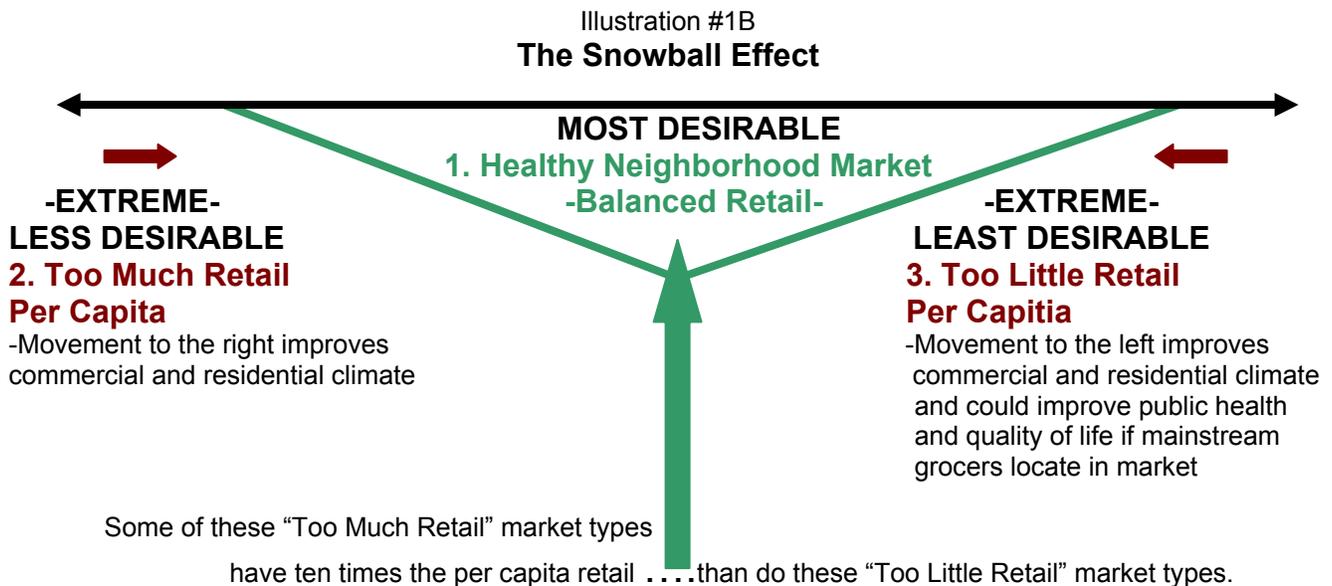
Consumers support agglomeration through spending patterns because of:

- Increased selection, quality, price, and convenience of consumer goods

4. Is agglomeration good or bad?

Generally, agglomeration is desired by developers, financiers, retailers, and consumers, and aided by zoning and other administrative decisions. It benefits not only retailers and developers but also consumers.

It is inappropriate to say that any one type of market trend or condition is inherently good or inherently bad, except, as we point out in Illustration #1B, market extremes (too much or too little retail), which are generally undesirable.



Too much of one thing, even one *good* thing, can bring undesirable consequences. Excessive retail, for example, might indeed create a glut of retail, too much traffic, skyrocketing commercial rents, store closures, and other impacts considered negative. For example, most would agree that, in Chicago, the Clybourn Corridor is "over-retailed" whereas neighborhood markets in parts of the city's South Side are clearly "under-retailed," even though local consumers there do purchase basic goods such as food, shoes, winter coats, etc. In fact, some areas of Chicago that have the most retail have ten times the per capita retail of other areas of Chicago with the least retail even though the areas with the most per capita retail do not have ten times the residential or daytime buying power.

The market is imperfect. Market actors often argue that those "under-retailed" areas are not economically viable from a commercial market perspective. After conducting a neutral third party analysis, MG sometimes finds that this is true. However, we sometimes find that this is not true. The MG approach relies on alternative data and methods. Often in minority markets or markets undergoing transition, there is not readily available quality data at the appropriate

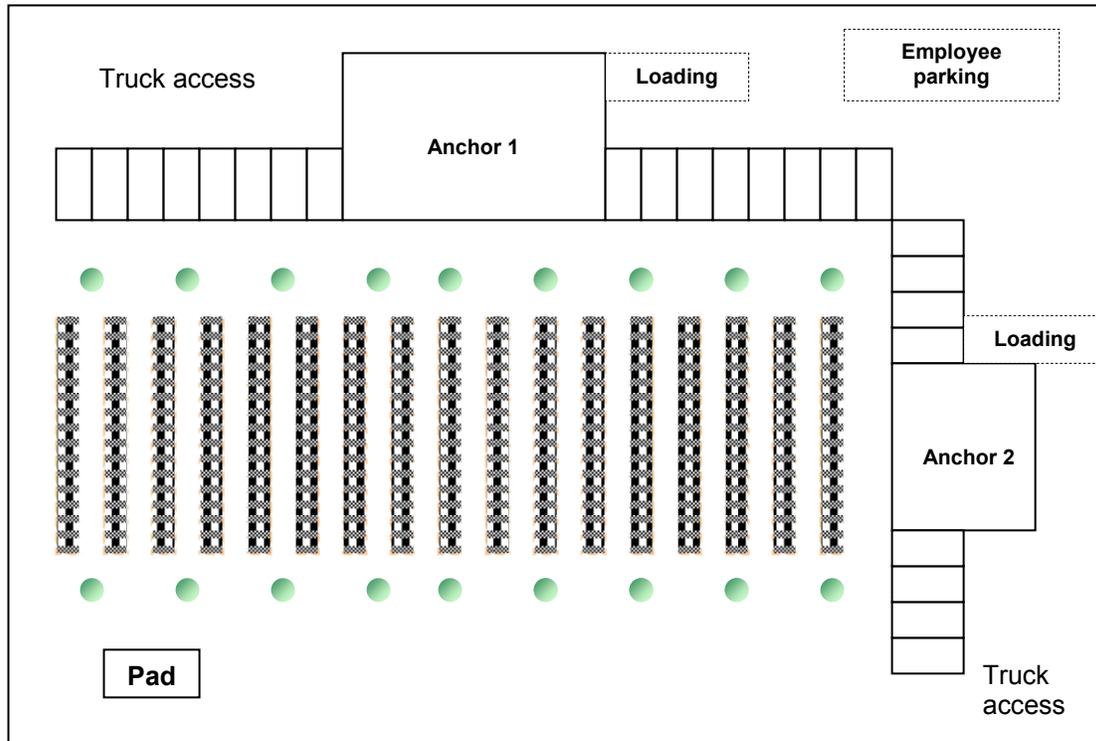
geographic level. One, three, and five mile rings, often used by retail analysts, can be inadequate and misleading methods to analyze markets where there are demographic shifts or distinctions and / or natural or man-made barriers cutting into the market (rivers, parks, viaducts, expressways, train tracks, abrupt shifts in land use, etc.). For example, we can draw a three mile ring around the proposed Wal-Mart site in Chatham and see the inclusion of very distinct markets. Any true market needs to be custom-drawn, but this takes extra time or money, or both. Market actors are reluctant to spend extra time and money in the Type 3 Market in Illustration 1A-C (the “Too Little Retail” market) because, generally, there is nothing going on there to attract their interest in the first place (retail attracts retail, lack of retail repels retail). In order to truly size the market one must spend “car” and “foot” time in it. Although usually not the dominant factor, we find that race directly or indirectly can also play a role in development patterns, as can stereotypes and market disconnect. People do business with people they know and spend time and money in areas for which they already have a favorable impression and level of comfort. Therefore, race, stereotypes, lack of local connections, lack of familiarity, lack of knowing people in that market, etc. can be market barriers.

Locating a store in a market considered risky or difficult (again, the Type 3 “Too Little Retail” Market in Illustration 1A-C) often requires an “insider champion” to push for that decision. Like attracts like, and retailers wait for the first major retailer to set the direction and market tone. That general area of 83rd to 87th and the Dan Ryan expressway now has many other retailers, from Best Buy to Burlington Coat Factory. It can clearly support yet more retail and is no longer mistaken for a Type 3 Market.

5. What is a retail anchor? What are junior retailers?

Generally, an anchor is what ties something down; it brings stability or permanence. In retail, the term anchor denotes a major retailer around which junior retailers cluster. By comparison, retail anchors are usually large and junior retailers are usually small, as seen in Illustration #2 on the following page. Anchors draw other smaller and compatible retailers to them because of the magnetic forces of agglomeration; they feed off the car and foot traffic that larger stores draw. Agglomeration means more competition but also more shoppers. Junior retailers count on anchors to bring the core of their customer bases to them. Typically anchors pay lower rents on a square footage basis, but because they comprise such a large portion of the development site, and because they are what attracts other retailers, the word “anchor” in retail also has a second meaning: to make financially viable. This is through the lens of both 1) the junior retailers and 2) the overall developers of the site. The first substantial retailer in a shopping center or corridor usually “anchors” it. It sets the tone and attracts other compatible retailers. Those retailers typically require proof of other tenant commitments, most notably the anchor tenant. The first major retailer to commit to a location is sometimes called the “bell cow” by retail insiders because it creates a stir or noise in the marketplace, attracting the other “cows” or retailers to the “trough.” Retailers have a “herd” mentality. They typically choose to move together and to avoid isolated investments.

Illustration #2
Typical Shopping Center



As discussed, anchor retailers (typically large destination stores) attract what are called junior retailers into that same center or nearby. Some junior retailers simply follow anchor retailers as their method of market analysis. There are exceptions; on occasion, a smaller store can pull in other stores. For example, some smaller niche retailers will follow Starbucks, not a traditional anchor and in fact a very small retail footprint. However, it is a junior anchor of sorts in some neighborhood markets, attracting other junior retailers. As a side note on agglomeration, in neighborhood markets such as Chicago’s Andersonville, Roscoe Village, Lakeview, etc., there were substantial fears among independent coffee store operators concerning the expansion of Starbucks into those and similar markets across the U.S., yet agglomeration in the coffeehouse industry has not put local coffeehouses out of business (Helliker, Kevin, Leung, Shirley “Counting Beans: Despite the Jitters, Most Coffeehouses Survive Starbucks – In an Industry Oddity, Chain Often Gives Independents A Boost in Local Markets – Old Couches and Joie de Vivre, *Wall Street Journal*, Eastern Edition. New York, NY, Sep 24, 2002. pp. A.1).

Many shopping centers or clusters also have a second anchor. If there is not a second anchor in that particular center, there could be a *de facto* second anchor locating nearby at a later date as an agglomeration result of the first development (see Illustration #2C). We will return to that possibility shortly.

But first, in Illustration #2B on the following page, we see an example of how commercial tenant staging typically works. Generally for that market, there could be a number of retailers interested in locating a store. You could say that they “sail the seas” of that local market looking for but not yet committing to location opportunities. This is where the anchor metaphor is most apt. Large destination retailers also “sail the seas” of what they consider local markets, but those markets are somewhat bigger than the markets of the junior retailers because anchors themselves are much bigger and pull customers from a wider geographic circle.

So although there could be substantial interest in a particular market among anchors and junior retailers, many prospective deals are in flux and uncertain at any given time and across various potential and sometimes competing sites. As developers see agglomeration take place, they assemble nearby commercial land in anticipation of the next project (retail attracts retail, and developers speculate on this phenomenon).

The developer is usually the first entity to truly commit to an actual site through the outlay of what the industry calls “real money” or “skin in the deal.” Once the site is secured, the developer’s main preoccupation is securing an anchor for the site. While the process of securing an anchor is underway, there could be numerous conversations and non-inked promises with junior retailers, local elected officials, city departments, and so on, but the overall deal for all practical purposes just “floats” along, sometimes in no obvious direction. It’s not a “real deal” yet to anyone except the developer, for whom time is now money. The longer the developer has to control and hold the site, the more the project costs.

At this point in our scenario, the shopping center is not anchored, and nothing of substance happens without the firm commitment of the anchor. If junior tenants commit without an anchor, it is the exception, not the rule. Metaphorically speaking, once the large destination retailer stops “sailing” or “floating aimlessly along” and instead drops its anchor (i.e. commits to a fixed location) the overall project starts to materialize in earnest. In some cases, the anchor is ready to commit but there is another holdup, such as the need for some type of administrative approval. Either way, once the anchor is secure, the comparatively smaller retail storefronts closest to it start to fill up. They might open first, before the anchor, because they take less time to build out, but they succeed the anchor in terms of inking a commitment. The user of the pad site (such as a bank or a drive thru restaurant) will either commit immediately after the first anchor or wait for the second anchor. When the second anchor commits, the rest of the shopping center starts to fill up. This staging scenario assumes, of course, that the overall deal is viable on all required levels.



Illustration #2B
Typical Staging of Shopping Center

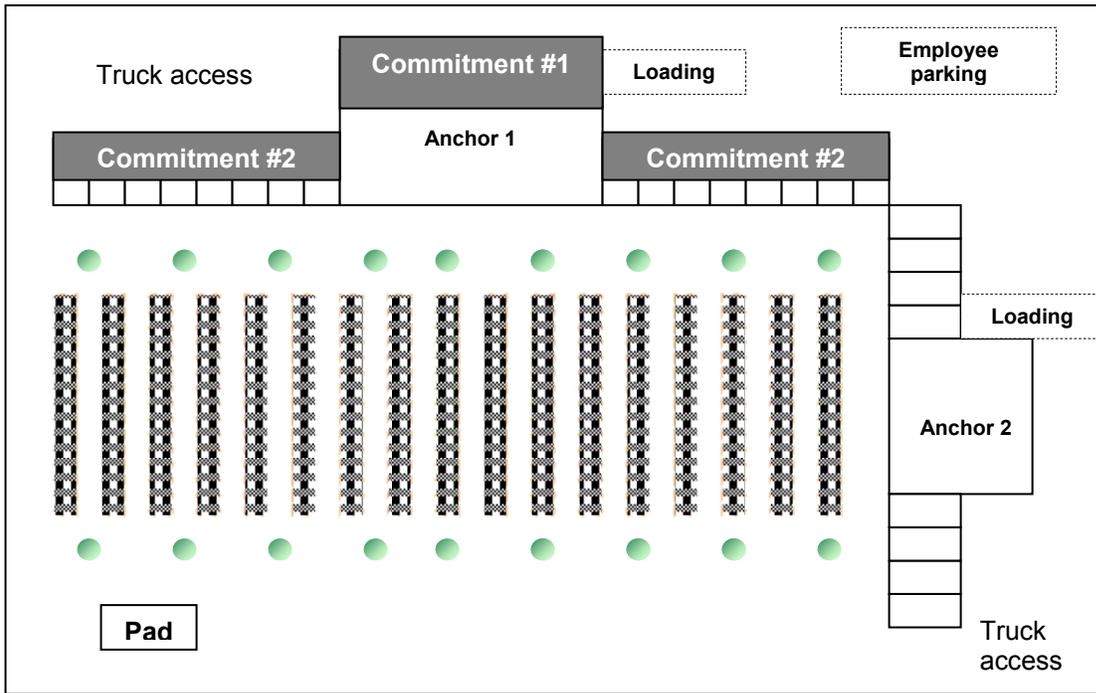


Illustration #2C
Second Anchor Scenarios

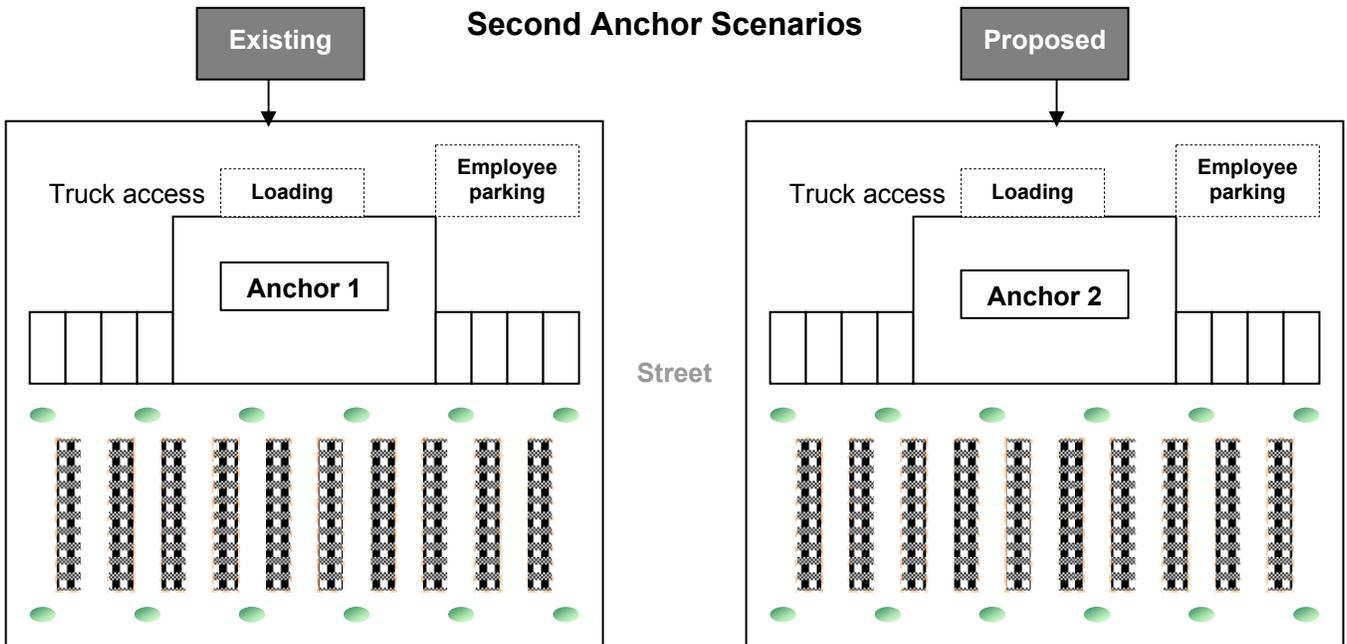


Illustration #2C shows how an existing shopping center draws another center to it. The old Chicago Riverview Amusement Park site (at Western and Roscoe near Addison) is an example although it is different in layout. There are three anchors: Toys-R-U's and Dominick's

Finer Foods (on the South end) and Jewel Foods (on the North end). The two grocery stores are adjacent and are an example of agglomeration. Grocery stores are popular anchors among junior retailers because they bring to the center regular consumers who engage in impulse or one-stop convenience shopping.

Development is usually done in stages because junior tenants wait for anchor tenants to commit to a site. Anchors have their own decision-making processes and they can also be held up by external factors beyond their control. If the proposed Chatham Wal-Mart Supercenter is allowed to proceed, it will likely finalize its commitment, and other retailers will follow but will likely not commit until that time.

6. How do retailers assess site locations and profit-making opportunities?

Officially, location decisions are made on some type of objective and quantitative profitability analysis. In reality, however, it is often 1) market perception 2) who else is in the market (especially which anchors) and 3) an insider champion (one who “gets” and wants to be in the market) that actually drives the decision. An objective analysis can identify where a store will be technically profitable, but lack of agglomeration, commitment, enthusiasm, or level of personal comfort and energy from company insiders will keep the deal from happening, especially if abundant and cheap commercial parcels and an easier approval process are available elsewhere.

Market actors find it easier and more efficient to rely on cookie-cutter models, although recent changes in the industry have required more attention to better data systems and market sizing methods, not only in the inner city but everywhere.

Data and market sizing are typically grouped together in software packages. Cookie-cutter data systems are used routinely to identify market opportunities because they are inexpensive and readily available. While there are a variety of software packages that decision-makers rely on, most use modeling to identify number of households, average household income, leakage, competitors, shares of market captured by competitors, geographies around a prospect site such as one, three, five mile rings, and trade areas, etc. In our opinion, these modeling packages work well for suburban areas, especially white suburban areas, but they fail to reflect the realities of minority or high change inner city areas. In those cases they can be very misleading.

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some retailers,
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market assessment.**

Specialized data development methods can adjust for these flaws, but most market actors would not be inclined to spend the extra time or money. Because retail attracts more retail, and like attracts like, retailers rely more on where the market *is already* rather than where the market *could someday go* per a specialized and what they perceive as costly and time consuming effort.

Surprising but true: some retailers, developers, etc. choose locations without first conducting what we would consider a true market assessment (although often their financiers will later require one). As discussed earlier, anchors attract a cluster of junior retailers and even a particular junior retailer such as Starbucks can attract other junior retailers who might skip conducting their own market analysis altogether, saving time and money, on the assumption that if Starbucks can make it there, they can, too. We cannot emphasize this dominant force enough: retail follows retail and like attracts like.

An objective analysis that uses geographically appropriate, timely, relevant, and accurate data and sizing methods, such as those developed by our firm, often do reveal untapped opportunities in these “under-retailed / under-valued” markets. In those cases where we find that commercial development is indeed viable, but very few quality retailers already exist in that viable market (Type 3 Market), we again butt up against this conundrum: retail tends *not* to go where retail *isn't already*. You might consider this “agglomeration in reverse.” It is a serious redevelopment problem that boils down to 1) negative chicken-and-egg perceptions (the idea that retailers must not do well in Type 3 Markets as evidenced by a lack of retail coupled with other stereotypes) and 2) the forces of agglomeration, namely that retailers are naturally attracted to existing retail that is most like them; they typically do not choose isolated or under-retailed locations for reasons related to agglomeration itself.

So while it is possible for a community market to suffer negative consequences from excessive overdevelopment (such as the Type 2 Market in Illustration #1A-C), **retail agglomeration is generally beneficial** to commercial markets and consumers. Furthermore, we tend to find more socio-economic and public health-related suffering in underdeveloped commercial markets (the Type 3 Market in Illustration #1A-C) and see that as a bigger economic and public health concern.

7. Does Chatham have too much or too little retail? Is the Wal-Mart Supercenter an anchor? Would a Wal-Mart Supercenter attract junior retailers?

We would need to do a full analysis to completely and comprehensively quantify the exact additional retail that Chatham could support. However, based on our site visit of Chatham and surrounding communities, and our understanding of development patterns, it appears that Chatham does not have excessive retail or an over-concentration of retail.

There are likely other parts of the city with similar density and buying power with more square feet of retail, and there is likely leakage of consumer dollars from Chatham to other parts of the city and to surrounding suburbs. However, many other surrounding communities likely export some consumer dollars into Chatham. This is to be expected. No one community can retain all consumer dollars, and the Chatham community is conveniently located off of a major expressway. However, more local spending opportunities do help balance out the Snowball Effect discussed earlier (meaning too much or too little retail in one place: the imperfection of the market). It does appear that Chatham can indeed support additional retail, including the additional retail being developed at the proposed 83rd & Stewart site. The Wal-Mart Supercenter is an anchor and it would attract to it additional junior retailers.

Roughly, where is the Chatham neighborhood market on the Snowball Effect continuum?

Note: this is conceptual, not actual.

We would need to conduct an empirical assessment to fully quantify neighborhood market placements.

- In terms of optimal retail levels:
- 1  = Chatham, could move more to the left
 - 2  = Food Desert (also a Commercial Desert), could move to the left
 - 3  = Clybourn Corridor, could move to the right



8. Does agglomeration ultimately mean some stores go under? How can we protect local business and our general quality of life?

Agglomeration itself is usually not the reason why a store would go out of business. In fact, agglomeration generally supports businesses staying in business by providing economic advantages to the overall retail cluster that outweigh the disadvantages of additional direct competition.

There are many reasons why stores go out of business. Industries emerge, grow, change, and die, and some are reborn and reconstituted. This is the natural cycle of the market. In the retail industry, certain stores and shopping environments become more competitive, while other stores and shopping environments become less competitive. Stores go in and out of business based on a myriad of inter-related factors. For example, there was once a cottage industry of record stores throughout Chicago and elsewhere. Many agglomerated. You could find clusters of interesting record stores in certain types of neighborhood markets. But because of the changed nature of the music industry, due to technological advances and accessibility, more music is now purchased online, not in stores, and many non-web locations to purchase music have closed, including both chains and

independents. At the same time, the ability of individual music artists to own, release, control, and financially benefit from their own music and “break into the industry” has increased. Thus, a new genre of music entrepreneurs has emerged that is less reliant on upfront financial resources, expensive equipment, knowing an industry insider, or hiring an agent. Many music aficionados pine for the unique level of service, music advice, and music commentary available through the highly knowledgeable retail staff of these High-Fidelity-type record stores while actively spending their music dollars elsewhere online. How we *feel* about the market and how we *act* in the market are often at odds. As more consumer dollars move to online purchases, more record stores close, and other types of stores pick up some level of this in-store business as a second, third, or fourth tier product line. Bookstores, for example, now have larger areas dedicated to music – and to coffee shops, for that matter, spurred in large part by the success of Starbucks. Bakeries, butcher shops, florists, and camera and photofinishing stores provide similar examples of business that struggle to “stand alone” with independent and physically separate shop locations.

Margins are very low in some industries, competition is fierce, and independent stores can't always buy goods or deliver a service at the same low prices as chain stores.

Residents often like the “feel” and “personality” of these smaller, independent stores, but that does not inherently mean that they will fully support them by regularly paying higher prices or settling for less product selection. The most effective way to “vote” for sustainable local stores is through consumer spending. To stay competitive, stores must offer the “right” combination of product selection, quality, price, convenience, attractiveness, customer service, etc. that local consumer dollars demand. Market forces, shopping patterns, consumer preferences, costs of goods, profit margins, management ability, personal circumstances, etc. all affect a store's ability to stay in business. Values also play a role. Community development leaders promote “think globally, shop locally” campaigns; they do have both merit and power. But day-in-day-out shopping patterns generally reflect economic efficiencies and consumer perceptions of savings and value. This is especially true in a tight economy.

Regarding locally-owned stores, **we find many cases where community leaders want to (and we feel that they should) actively support and protect smaller, locally-owned businesses.** New opportunities for the small retailer to distinguish himself or herself – through a small storefront, a home-based business, or other venues – do exist and do provide many benefits. Often, however, they need strategic cultivation. Government economic development funding can play a supportive role here.

Locally-owned businesses can be very responsive to community needs. They provide employment opportunities, and their presence often helps recycle more consumer dollars locally, rather than exporting all consumer dollars outside of the community, region, state, or nation. Effective strategies to support local business can provide economic returns to those businesses, to local market conditions, and to residents. **However, the notion that all retail would be comprised of small, locally-owned stores is both unrealistic and undesirable.** Consumers overall expect and demand certain types of name brands at certain prices. If they are not available, the shopping environment is usually considered “second rate” by local residents, and consumer dollars will be more apt to flow outside of the community. In turn, these dynamics could contribute to commercial decline, disinvestment, and vacancies. For example, a declining selection of expected goods reinforces declining sales; and the two



factors together can have a major compounding effect. Because profit margins continue to decrease as part of this process, but operational costs are generally fixed, the unit cost of goods will have to rise to cover the store's expenses. This means the selection (and perhaps quality) of goods will go down while prices go up. If this downward spiral continues, the store might go out of business altogether, even if it is the only such store with no competition. **In the case of Chatham and other local markets, the best scenario would be a coordinated and cross-supported mix of independent, national, and international retailers.**

Regarding quality of life, many communities do suffer from a lost sense of place and scale due to generic, unbridled retail and commercial development, especially big box development with a sea of parking, no landscaping, unattractive lighting (either too dim or too "surgical") and windowless facades that face the sidewalk like uninviting walls waiting for graffiti. This has been a serious problem in many high growth communities throughout Chicago, the region, and the United States. Stores that have a corporate headquarters elsewhere might feel less invested in a particular neighborhood market and thus less concerned about how it blends into the local environment. The late urbanist Jane Jacobs wrote extensively that healthy neighborhoods have engaged "eyes" and "ears" on the street at all hours of the day and at very low levels of geography, such as the front of a small storefront that the owner personally sweeps, the "stoop" at night where neighbors congregate, etc. Healthy neighborhoods have business owners and residents who help watch over and protect their investments and personal attachments. Retail development can contribute greatly, either positively or negatively, to a community's overall sense of active engagement, but is usually not the sole cause of it. Greater and more effective efforts should be made across the U.S. to *engage* global, national, or regional businesses *locally* in this fashion. This will improve their bottom lines, make them better corporate citizens, and make the local communities safer, more attractive, and more "livable."

While many retail industries have undergone change (such as record stores, coffee shops, florists, etc.), the grocery industry has remained the same in at least one important respect: grocery shopping is still, for the most part, a local experience even if it is not a locally owned store. Grocery stores provide a good that is needed on a regular basis. They generate regular and repeated car and foot traffic. Grocery stores sell food, and food availability relates to quality of life and public health. Grocery stores, if mainstream, are "higher toned" retail anchors that attract other compatible retail. For these and other reasons, grocery stores are generally highly desirable. While an existing grocer might lobby to protect its captive market, a new grocer would generally not want to locate where there are no other grocers – i.e. no competition. Again, grocery retailers assume if the market was good at least one or two grocers would have already entered the market or would have persisted in the market. Those retailers locate stores where the market is *proven*, not where the market appears to be in decline. A community that has "bottomed out" to the level of having only one grocery store – or worse yet, no grocery store – is the absolute worst case scenario from both a retail and public health perspective. In this respect, we are concerned that the Chatham community has lost two full-service grocery stores in the last 18 months. In terms of grocer agglomeration, the trend is going in the wrong direction.

Based on our site visit and general knowledge of the community, MG finds that Chatham has local business and community assets worth protecting. Sections of Chatham have a desirable sense of place, especially compared to surrounding commercial markets. However, simply curbing or forbidding agglomeration in the name of protecting other grocers out of fear of increased competition can have various unintended, negative consequences, potentially harming, as opposed to helping, the small, independent businesses or fellow chains that such actions seek to protect in the first place. At its best, competition forces retailers to develop and advance their competitive advantage and to distinguish themselves from their peers in a way that consumers respond to favorably.

Achieving and maintaining commercial, residential, and community quality-of-life balance is a complex and continual process. There is no one single problem and there is no one single solution. Competition and variation can have benefits in this regard, even in a relatively homogeneous community. For example, if all the housing units looked exactly alike and cost exactly the same price, the local sense of place would be a monotonous, undesirable one. There would be no method to develop one's unique personality, or to move up into a larger house as a family expands, or move down to a smaller house or apartment as people retire and take on special needs. If not excessive, competition can be a healthy aspect of society generally. Children can learn about fair play and the benefits of competition from spelling bee contests and football and soccer matches. Seasonal neighborhood parades promote contests for the best floats – competition – raising excitement and enthusiasm to do “better than last year.” Church fundraisers to raise money for the needy or a new capital campaign encourage parishioners to exceed last year's milestone. There can also be a healthy level of competition in the development of civic-minded ideas and good will. For example, mayors compete to have the “greenest” cities, just as companies compete to have the “greenest” companies. In the process, standards rise, and more cities and more companies become “greener.” Competition of all kinds creates pressure on retailers to do better than they have done already, to distinguish themselves, and to offer more to the public (and to their employees). This provides the consumer with options. In the worst case scenarios where competition is lacking, the quality and selection of goods might be lower, and the prices higher, than in areas with a healthier level of competition. Where there is no competition at all, firms have a monopoly.

9. What are the retail opportunities at the proposed 83rd and Stewart shopping center?

We would need to do a full analysis to completely and comprehensively answer that question, but based on our site visit it is clear that there are many types of sustainable uses. The most desirable from a public health and general consumer standpoint, particularly considering the nearby Food Desert communities, but also for Chatham itself, would be a grocery store.



10. What is the likely impact that the proposed Chatham Wal-Mart Supercenter would have on grocer location and agglomeration trends, public health, and related factors?

First, to set this question in context, **grocery stores agglomerate as do other retailers.** Second, our work includes two core categories of food retailer: **mainstream and fringe** (we define these terms shortly).

MG has developed block-by-block data methods and formulas that capture current market and public health conditions across large geographies. While our practitioner market experience and background literature tell us that grocers agglomerate, we also see evidence of agglomeration through our in-depth data collection and spatial analysis. For example, in the Detroit metropolitan area, MG analyzed the distance from the block center of 50,000 blocks to each type of small, medium, and large grocery store and supermarket. We consider these **mainstream food venues**. In Chicago, we conducted a similar analysis city-wide for over 18,000 such blocks. In Louisville, we conducted a similar analysis of roughly 10,000 blocks, and similar work has begun in Harlem. This involves millions of computations that need to be run and re-run each time a store enters and exits a neighborhood market.

Illustration #3

Depth of Block-by-Block Calculations: Our Detroit Example

$$\begin{array}{r} 1,073 \text{ retail venues that sell some type of food} \\ \times \quad 50,000 \text{ blocks in metro area} \\ \hline = \quad 53,650,000 \text{ computations} \end{array}$$

This does not include the many other millions of required calculations;
it is just an example of the first step in data development.

In the course of doing this research, we see directly that **there are many cases of mainstream and fringe food stores locating in very close proximity**, often facing or abutting each other. We have also conducted private, confidential interviews with grocers who corroborate our core finding: market factors and niches aside, grocers tend to locate in close proximity to other grocers. Grocers assume that, if the market is good, at least one or two grocers would have already entered the market. It is similar to the old joke of the two economists walking down the street, the one saying to the other: wasn't that a twenty dollar bill we just passed on the sidewalk? The reply: No, if that were a twenty dollar bill, someone would have picked it up.

Grocers agglomerate based on the existing overall retail tone in that local market. Does this mean that grocers can miss genuine market opportunities for store locations? Yes. Do grocers that are already established in the marketplace typically enter markets where there are no sustainable opportunities, and then go out of business? There are a few exceptions but, generally, no.



MG also identified and measured the distance to each type of **fringe food venue**, such as convenience stores, fast food restaurants, and a multitude of other retailers that sell ready-made, fast, boxed, canned, and other types of food products but for whom food is not the primary line of business (such as gas stations, liquor stores, department stores, discount bakeries, pharmacies, etc., that are part of the USDA food stamp retailer program).

Mainstream vs. fringe summarized: Locations that sell a variety of fresh and healthy foods, even if they are comparatively small, non-“full service” grocery stores, are considered by our firm to be *mainstream*. A mainstream grocer is a place where you can support a healthy diet on a regular basis. A *fringe* food location is the opposite; it is not inherently bad but if it were the primary source of acquiring food, local diets and public health would likely suffer. MG cites other industry examples of mainstream and fringe retailers, such as banks (mainstream) and currency exchanges (also called check cashers) and pawnshops (both fringe). Fringe retailers do provide consumer options, but when they are the only or dominant option, there can be negative consequences. If, for example, a community only had currency exchanges and pawnshops but no banks it would be difficult for local residents and business owners to establish and utilize a checking account and other mainstream financial products and services, such as home improvement and business loans. Instead of a savings account, residents might employ the “under the mattress” savings method or carry all their money on them at all times, increasing public safety issues. It would be difficult to build a credit history and acquire assets such as a car or a home. We cannot emphasize enough that like attracts like in the world of retail. For example, currency exchanges and pawnshops, if they dominate a commercial corridor or district, generally attract other retail and socio-economic activities at that same level or tone or lower. They generally do not attract higher toned commercial uses such as mainstream grocery stores.

11. Why is an understanding of mainstream and fringe commercial uses, mainstream and fringe food venues, and grocer agglomeration important to understanding some of the potential impacts of the proposed Wal-Mart Supercenter on a local community market such as Chatham?

First, let’s discuss *more broadly* why the overall concepts are important in Chicago and across the United States. Then we will return to our assessment of Chatham.

In the previous question, we shared our past experience with robust mainstream and fringe food venue data development and analysis, including over 18,000 blocks of analysis for Chicago and similar studies in other urban, suburban and rural areas. Please see our website, projects section, to view these studies and methodology in full.

MG finds that the regular study and monitoring of food access by type of venue (mainstream and fringe) is extremely important. Perhaps even more than housing, food is the most basic and necessary consumer good. Everyone consumes food multiple times each day as part of the daily necessity of eating to live. Because we find that there are positive public health benefits that correlate with the location patterns of mainstream grocery stores, increased mainstream grocery store options are generally beneficial to most types of communities. Said another way, many types of consumers rely on the food stores to which they have the most access, even if, for health reasons, they prefer or require other types of food options. The



Convenience Food Factor (meaning the influence of geographic access on food purchasing decisions – Gallagher, 2008) can impact many different types of households, including higher income households with cars, although it likely has the greatest impact on poorer households without cars.

MG has identified statistically significant relationships between improved access to mainstream food options and better diet-related public health outcomes.

For example, Chicago has roughly 500,000 people who live in the Food Desert, a place with no or distant grocery stores, but nearby fast food options. Most are single women and children. Our research demonstrates that residents of the Food Desert are more likely to suffer and die prematurely from diet-related diseases and conditions. We have known for a long time that diet equals health, but recent research being conducted by medical scientists around the world goes further, suggesting that child-bearing women who have low or no access to quality, nutritious foods have a greater propensity to pass on diet-related diseases and conditions to their offspring. This might be one reason why we see adult level diabetes increasingly affecting children.

Yet not everyone in the Chicago Food Desert is poor. Of the 203,369 Food Desert households:

- 63,355 or 31% have an annual income of \$50,000 or more
- 29,561 or 14% have an annual income of \$75,000 or more
- 14,194 or 7% have an annual income of \$100,000 or more

We discuss more of the Chicago Food Desert situation later in the Opinion. First, it is important to share core definitions and concepts. Then we will return to why it matters to Chatham.

What are Food Deserts? MG defines Food Deserts as large geographic areas with no or distant grocery stores. Often, they also have an imbalance of food choice, meaning more fringe food (fast food, food from convenience and liquor stores, etc.). Food Deserts are now widely recognized as a serious public health issue by brokers, developers, and grocers as well as civic, community, and philanthropic leaders, and our firm is the recognized leader in this research and in related market and policy discussions. Why Food Deserts exist – and solutions to the Food Desert – are areas that we only briefly have occasion to touch on in the Opinion. However, we do illustrate and define Chicago’s current Food Desert opportunities and challenges as they concern market forces, public health, and other factors.

What is the **Food Balance Score**? MG developed a unique measure to test our core theory that Food Balance (meaning approximate equal geographic access to both mainstream and fringe food venues), compounded with the Convenience Food Factor, contributes to diet-related health outcomes. We mentioned that our work in Chicago includes detailed data for each of the city’s non-zero population blocks. For Chicago, this means that, for each of those

blocks (and there are over 18,000 of them), we calculated the distance to the closest small, medium, and large grocer (mainstream) as well as the closest fast food restaurant (fringe). The distance to the closest mainstream food location divided by the closest fringe food location at the block level (i.e. for every block in Chicago) constitutes our set of Food Balance Scores. We call the impact of these spatial relationships the **Food Balance Effect**.

The Food Balance Score and the Food Balance Effect were both developed exclusively by MG. They provide new ways to quantify and understand the impact of food access on public health.

Illustration #4

<u>Food Balance Effect</u>	
Food Balance Score description	Examples
Far above 1: High score ("worst outcome")	Grocery store is 1 mile away and a fast food restaurant is .5 miles away $1/.5 = 2$
Around 1: Average score ("average outcome")	Grocery store is 1 mile away and a fast food restaurant is 1 mile away $1/1 = 1$
Far below 1: Low score ("best outcome")	Grocery store is .5 miles away and a fast food restaurant is 1 mile away $.5/1 = .5$

How do Food Deserts and Food Balance relate to public health? In short, in the Food Desert, premature death and suffering from diet-related diseases are higher than they are outside the Food Desert, accounting for key factors such as income, race, and education. Furthermore, as communities become more out-of-balance (with Food Balance Scores of 2 or more), diet-related diseases, suffering, and premature death also increase more than they would otherwise, accounting for the same key socio-economic factors. The Food Balance Score can predict premature life loss. In Chicago, communities that are 1) in the Food Desert and 2) in out-of-balance areas will likely have more premature death and suffering by diabetes as well as other diseases and conditions (obesity, certain kinds of cancers, etc.) than they would otherwise. We have found the Chicago spatial relationships that we are

describing to be *statistically significant*. That means that the data scores give us enough confidence to say that there is a *true relationship* among Food Deserts, Food Balance, and public health in Chicago as well as other cities that we have studied. In Chicago, for example, locating a grocery store has a greater statistically significant impact in lowering obesity than does removing a fast food restaurant.

We want to be clear that we are not saying that grocer agglomeration in and of itself improves public health, but that increased mainstream grocer access typically contributes positively to public health and that more grocery stores in a community typically correlates with fewer diet-related health outcomes, controlling for other factors. Again, these correlations are statistically significant. More grocery stores balance out other nearby fringe food options, which improves not only the economic retail climate but public and community health.

12. What is a Wal-Mart Supercenter and is it mainstream food venue?

Wal-Mart Supercenters combine full-line groceries and general merchandising under one roof. Supercenters average between 100,000 and 220,000 square feet of retail space. The proposed Chatham Supercenter would encompass roughly 195,000 square feet. Upon conducting site visits to comparable Wal-Mart Supercenters (one in South Carolina and the second in Illinois), we consider the grocery store within the Wal-Mart Supercenter to be a mainstream grocer. It is clearly a full line grocer with many fresh, healthy, low-fat, and low sodium food offerings that can support a healthy diet on a regular basis.

As discussed, MG has analyzed many different types of stores that sell food, including but not limited to grocery stores, and has separated all food venues into mainstream and fringe categories. The grocery industry is broken up into two types of stores, large supermarket chains and smaller grocery stores, which can also be chains. These smaller stores have more specialized selection and limited investment in distribution and advertising. In the grocery industry, firms do not differentiate themselves spatially from their competitors. Instead, competition is vertical rather than horizontal, i.e. the large supermarkets compete by the variety and number of products stocked (Ellickson, Paul B. "Quality Competition in Retailing: A Structural Analysis." *International Journal of Industrial Organization*, Vol. 24, Issue 3, May 2006, pp. 521-540.).

Bigger stores: A typical Jewel is about 70,000 square feet, but these larger grocery stores in general can range from 50,000 to 80,000 square feet or more. A supercenter or superstore can be much larger as we see with the Wal-Mart Supercenter, although that store has considerable general merchandising under its single roof.

Smaller stores: By contrast, a smaller mainstream grocery store is under 25,000 square feet. For example, an ALDI can be around 17,000 square feet. The new store format being advanced now in the U.S. in California by Tesco (which also has very large full-line grocery stores), is roughly 12,000 square feet.

There exist different combinations of grocery store agglomeration patterns (small and small, big and big, and small and big). Whether big or small there can also be other distinctions, such as general, upscale, value/discount, organic, etc. In addition to the Wal-Mart



Supercenter grocery store being mainstream, it is also what the industry calls a “value” retailer (meaning frills and prices are both low). The benefits of a Wal-Mart Supercenter grocery store strictly from a public health standpoint would be:

- Increased geographic access (an additional grocer in the community); and
- Increased economic access. Residents on limited or fixed incomes (such as seniors) might be able to afford more healthy food products because of its “value” distinction.

13. Can Chatham support a Wal-Mart grocery store?

The exclusive focus of this opinion is the likely impact that the proposed Chatham Wal-Mart would have on grocer location and agglomeration trends, public health, and related factors. We have not conducted a market analysis to fully answer that question. But we can make some observations.

MG analyzes many examples of where a grocery store could be supported by the local community, yet the grocery industry is reluctant to enter that market because of some combination of diverse reasons (inaccurate market information, inappropriate sizing methods, stereotypes about the community, etc.). Because MG is expert at securing and interpreting “below the radar” data and market analysis, the firm is often called upon to determine whether or not a mainstream grocery store would indeed be sustainable in what are deemed difficult or undesirable locations for grocers. **We find that the grocery industry is generally conservative about location decisions, and highly reluctant to take on what it considers undue risk, or undue, costly measures to determine market feasibility.** Consequently, many genuine market opportunities are lost.

Conversely, **we see very few circumstances where an established grocer has deemed an area desirable and developed a grocery store there to then be proven wrong** about the sustainability of the site. The store might generate less profit than projected, or more profit than projected, but it is typically not a total failure. If an established grocer with a history of successful store locations identifies a location as sustainable or profitable, it is more likely than not to indeed be the case. Because industry margins and development costs are tight, grocers would have difficulty staying in business if they had to close stores after opening them, again and again, or if they had to keep unprofitable stores open. This would be the rare exception, not the rule.

14. Who would shop at the Wal-Mart grocery store?

Residents of Chatham and the surrounding communities would likely shop at this store. For a community to be truly sustainable, it must offer options for residents at different stages of life. This is especially important in the case of food access. Chatham has many higher income households but it also has seniors of varying income levels. Seniors tend to be price sensitive to food and to convenience (what’s nearby: the Convenience Food Factor) as they age in place and live longer on fixed incomes. Other populations also fall into this category. For

example, mothers with children under 18 are especially price sensitive as food shoppers. The Convenience Food Factor is typically even greater if the mother does not have access to a car, has other young children to care for, is pregnant, and is a single head of household. Even for middle-income-plus families with two parents, the cost and convenience of food can be key factors as other purchasing pressures mount. The cost of name brands of children's clothing, nice vacations, home improvements, new automobiles, healthcare, college, retirement, etc. all continue to rise. Since food is purchased on a regular basis, and since working parents have many conflicting time demands, food purchases can sometimes be subconsciously weighed against other needed purchases or against other time constraints. Value and convenience are important factors. Many types of consumers like to get a deal, shop for less, or save money. While price sensitivity certainly correlates with income, some higher-income households seek out what they consider bargains or value.

We believe a Wal-Mart grocery store would be sustainable, that it would add to consumer food choice, and that it would generally contribute to better public health.

This does not mean that everyone who lives or works near the Wal-Mart grocery store, should it be built in Chatham, would patronize the store. No one retailer is embraced by all consumers, which is why the marketplace generates a variety of store types and product selections. The coffee industry provides a useful example. Some people prefer to brew their own coffee at home. Among those that do, some grind their own coffee fresh each day. Others prefer instant. Many consumers like Starbucks coffee. Bookstores and other retailers (even large grocery stores) now offer coffeehouses similar to Starbucks (if not a Starbucks) inside their stores. Those who enjoy the environment of coffeehouses and are willing to pay a higher price for coffee – but dislike chains – seek out independent coffeehouses instead. Some independent coffeehouses offer free internet or live music. Other consumers seek out what they call “coffee flavored coffee.” They want regular old-fashioned good tasting coffee at a lower price, not flavored coffee or lattes in a “high cultured” environment. They might seek out a McDonald's drive thru, Dunkin Donuts, or another location. And then there are a lot of people who simply don't like coffee at all.

Grocers most likely to agglomerate near the Wal-Mart Supercenter would offer alternative formats and distinctions. For example, a smaller format that offers quick in-and-out-convenience such as a Trader Joe's, ALDI, or store similar to Chatham Foods fit this description. The nearby Jewel, although much, much bigger than these very small formats, is still an alternative shopping experience to Wal-Mart. These stores are examples of complements, not complete substitutes.

15. Would a Wal-Mart grocery store in Chatham have a negative impact on the image of the community?

The exclusive focus of this Opinion is the likely impact that the proposed Chatham Wal-Mart Supercenter would have on grocer location and agglomeration trends, public health, and related factors. However, we can make a few observations.

First, a quality grocery store of almost any type would be the best and highest use of the pad layout as it stands from a retail and public health perspective. That both a Dominick's and

Cub Foods recently closed sends a negative signal to the marketplace. This could transcend to image or negative perceptions about the local viability of the grocer industry in that market.

The “image” question can be a loaded one. We have no evidence, nor have we sought evidence, that this is the case in Chatham, but in some communities, there is a general fear among a proportionally small group of people that certain types of retail, residential, and recreational uses hurt the local “image.” Sometimes the phrase concerning “image” is a euphemism for fear of attracting people of “lower class” or economic standing – i.e. the “wrong element.” Where such fears exist, they are unfounded. Generally, retail follows rooftops, rooftops do not follow retail. Our studies have found that, in the case of grocery store patterns, people are drawn to the food stores in their general vicinity. They make occasional trips to more distant specialty and one-stop-shopping superstores but they do not regularly travel past existing food stores to reach a distant food store; they do not “town hop” for food. This is why there is a statistical relationship between mainstream food access and negative public health outcomes: when local food choices are primarily fringe food choices, households more regularly choose the fringe choices – such as ready-made high fat burgers and fries – than mainstream food options from a grocery store because those mainstream options are either not available or are much farther in distance. Now, because the proposed Wal-Mart is such a big store (hence the term supercenter), it will likely attract customers beyond the Chatham community. To the north and to the south of Chatham is what we consider a Food Desert; some customers will likely come from those areas. We see no image issues there, only public health benefits and more consumer dollars entering Chatham.

Regarding the look and feel of the Wal-Mart Supercenter, generally in our work we do have concerns about big box development. It is important that all big boxes be well-coordinated in terms of sense of place, scale, parking, open and green spaces, friendly facades, appropriate lighting, etc. If the Wal-Mart Supercenter is built we would hope that its representatives would work closely, both during construction and into the future, with the larger Chatham business community, especially small businesses, to strengthen the overall business climate, and that it would find ways to engage at the local level in a way that provides additional “eyes” and “ears” that lend to community well-being. Wal-Mart is in a unique position to leverage its investment in a way that benefits the larger community while not detracting from its bottom line.

Chatham has been an “oasis” in the Food Desert, but with the recent closure of two full-service grocery stores, that status is now questionable. MG, in

An additional grocer not only would provide local benefits but would provide an opportunity to push out higher toned grocer agglomeration patterns in more distant concentric rings– i.e. Food Desert areas – around that new grocery store. This could have huge and positive public health and commercial climate ripple-effects.



collaboration with the newly formed National Center for Public Research, has committed to recalculating and redrawing Chicago's Food Desert boundaries and to release those findings in June of 2008 (and likely each year thereafter) based on grocers moving in and out of Chicago since our 2006 study. It is possible that parts of Chatham will become part of the nearby Food Desert area when this map is redrawn if other grocers do not locate there. That could affect the image question.

An additional grocer not only would provide local consumer and grocer agglomeration benefits but would also provide an opportunity to push out higher toned grocer agglomeration patterns in more distant concentric rings— i.e. Food Desert areas – around that new grocery store. This could have huge and positive public health and commercial climate ripple-effects. From a market perspective, our opinion is that it is highly possible. From a public health perspective, our opinion is that it is highly desirable. As we stated earlier, the market, and the physical expressions of the market (such as shopping centers), are imperfect. Agglomeration happens naturally, but win-win coordination does not. Therefore, maximizing the benefits to the larger Chatham business district, as though it were one unit, and the nearby Food Desert communities, needs to be a concerted and planned effort on the part of everyone involved if the Wal-Mart Supercenter is built. This is where local chambers of commerce, community development corporations, city-sponsored economic development funds, and so on, as well as Wal-Mart and other business, are key.

16. Would the Wal-Mart Supercenter put Chatham Foods or other local grocers out of business?

Two mainstream full grocers have already gone out of business in Chatham (a Dominick's and a Cub Foods). The grocer agglomeration trend in Chatham is currently headed in the wrong direction. We discuss these negative impacts later. But first, there are many different factors that influence whether or not a store opens or closes. The Wal-Mart Supercenter is a completely different type of grocery store than is Chatham Foods. Chatham Foods is a comparatively small store with a comparatively limited stock that is meant to be highly convenient. We do consider it a mainstream grocery store and not a convenience store. We see it as a very positive asset to the Chatham community: a small business with a long history of community commitment and contribution. We also see the Wal-Mart Supercenter as distinct from other mainstream grocers such as Dominick's, the former Cub Foods, Food-4-Less, Jewel Foods, ALDI, Trader Joe's, Whole Foods, and a long list of other grocers. Therefore, notwithstanding the core premise of agglomeration – that increased competition is beneficial and that there are always a number of reasons why stores open and close – we would not see the new Wal-Mart Supercenter as a threat to the Chatham Jewel or to Chatham Foods.

Agglomeration means that an increased number of retailers will draw additional shoppers. Since more consumer dollars overall are spent in agglomeration areas, the retail cluster as a unit becomes more viable, to the benefit of all retailers in the area. Additional retail options lead to increased competition, which benefits consumers. Because retail agglomeration results in a greater amount of money being spent in the area, more sales tax dollars are generated. So the local municipality benefits through increased sales tax dollars. The key to the concept of agglomeration is that increasing retail venues will result in increased retail



spending overall. Would Chatham Foods *benefit* from the Wal-Mart? The Wal-Mart Supercenter and Chatham Foods would be in the same overall neighborhood market but roughly 1.4 miles driving distance apart and across the expressway. We do not see these two stores as 1) directly competing or 2) directly agglomerating. As we have stated, given that Chatham in the last year lost two full-line grocery stores (a Dominick's and a Cub Foods); the community is indeed headed in the wrong direction in terms of food access and grocer agglomeration trends. The only remaining full line grocer in Chatham is currently the Jewel. Another grocery store is greatly needed in Chatham and nearby Food Desert areas because grocers attract more grocers as part of a domino or ripple effect. As such, the Wal-Mart Supercenter will likely benefit the greater grocer business environment.

Shoppers expect certain types of fresh vegetables, meats, and other foods, which, unlike retail products such as clothes and tires, do not have a long shelf life that allows retailers to weather seasonal and cyclical ups and downs in sales. If there is only one grocer in a large area, that grocer is not pressured by competition. This hurts the grocer and the consumer. An analogy can be made to school-age children who are never tested and are on the honor system regarding homework and applied learning. Zero accountability on the part of the students, parents, and teachers will hurt many students who are indeed really smart but need structure to perform well. Competition through the marketplace provides an accountability structure. It is not perfect; injustices on many levels can and do take place, and genuine market opportunities are overlooked for the long list of reasons that we have been discussing.

For the isolated grocer, there is naturally less shopping traffic because shoppers want a variety of food and other consumer goods within a certain area. Therefore, they might travel farther away from that one lone grocer to another neighborhood market where more options are available. This does not happen regularly in terms of food purchases because of the Convenience Food Factor we discussed earlier, but it happens enough for the grocer to feel it in his or her bottom line. Grocers operate on very tight and small margins. This makes it hard financially for the grocer to keep up product diversification if those products are not moving from shelves. As we mentioned earlier, when profit margins decrease, but operational costs such as rent, taxes, security, personnel, insurance, maintenance, etc. are fixed, the unit cost of goods will have to rise to cover the store's expenses. Corners will have to be cut, and stores that undergo this type of cost-cutting and

Chatham in the last year lost two full-line grocery stores (a Dominick's and a Cub Foods); the community is indeed headed in the wrong direction in terms of food access and grocer agglomeration trends, as stated earlier. The only remaining full-line grocer in Chatham is currently the Jewel. Another grocery store is greatly needed in Chatham and nearby Food Desert areas because grocers attract more grocers as part of a domino or ripple effect. As such, the Wal-Mart Supercenter will likely benefit the greater grocer business environment.



deferred maintenance begin to have shabbier shopping environments. This means the selection and quality of goods and the overall shopping experience will go down while prices go up. Quite frequently, in the course of doing this type of research and applied development consulting, residents of an underserved area will ask why the local grocery store chain in their community is below the general standards of another store owned by that same chain but located elsewhere in terms of product selection, appearance, price, etc. They ask: why is the such-and-such grocery store in *my neighborhood* different from the such-and-such grocery store (the same chain) in that other neighborhood? Isn't the money in *my neighborhood* the same color of green as the money *in that other community*? There are many reasons why stores of the same chain can differ, including disinvestment and disinterest in the market. There are injustices and discrepancies unexplained by market forces. Sometimes race and stereotypes are to blame. However, quite often, we find that the following interrelated agglomeration factors best explain the distinctions:

If a variety of fresh food products are not available, customers, regardless of where they live, will shop elsewhere else if they can, although this is tempered by the Convenience Food Factor. Because profit margins in the grocery industry are tight, as sales volume decreases, fewer varieties of perishable goods can be supported. More and more local shoppers become dissatisfied with that store and shop elsewhere. Some become angry, and refuse to shop there unless it is absolutely necessary. Perhaps they order from an online grocery store *if* one services their area. In any event, the store with perceived inferior products will see sales and profits fall again, accelerating this downward trend. Low performing stores attract comparatively low performing store managers. Managers of a major chain, for example, would rather be assigned to a higher performing store than a low performing store. Manager performance is measured by sales and profits. Sales and profits impact raises, bonuses, and upward mobility within the corporate structure.

As mentioned earlier, corners will have to be cut at the low performing store, and stores that undergo this type of cost-cutting and deferred maintenance begin to have shabbier and shabbier shopping environments. Resentment builds up against the store. On this trajectory of falling sales and inferior product, the store will eventually close or it will operate at a loss. If this store closes under these conditions it might *not* be because the community cannot support that type of full-service grocery store, yet that is often the signal that is sent to other retailers eyeing the market. This same unraveling of a genuine market opportunity is also what can negatively affect other types of retail patterns. The table on the next page illustrates these types of commercial impacts through two neighborhood market scenarios.

If a variety of fresh food products are not available, customers, regardless of where they live, will shop elsewhere else if they can, although this is tempered by the Convenience Food Factor.



Illustration #5

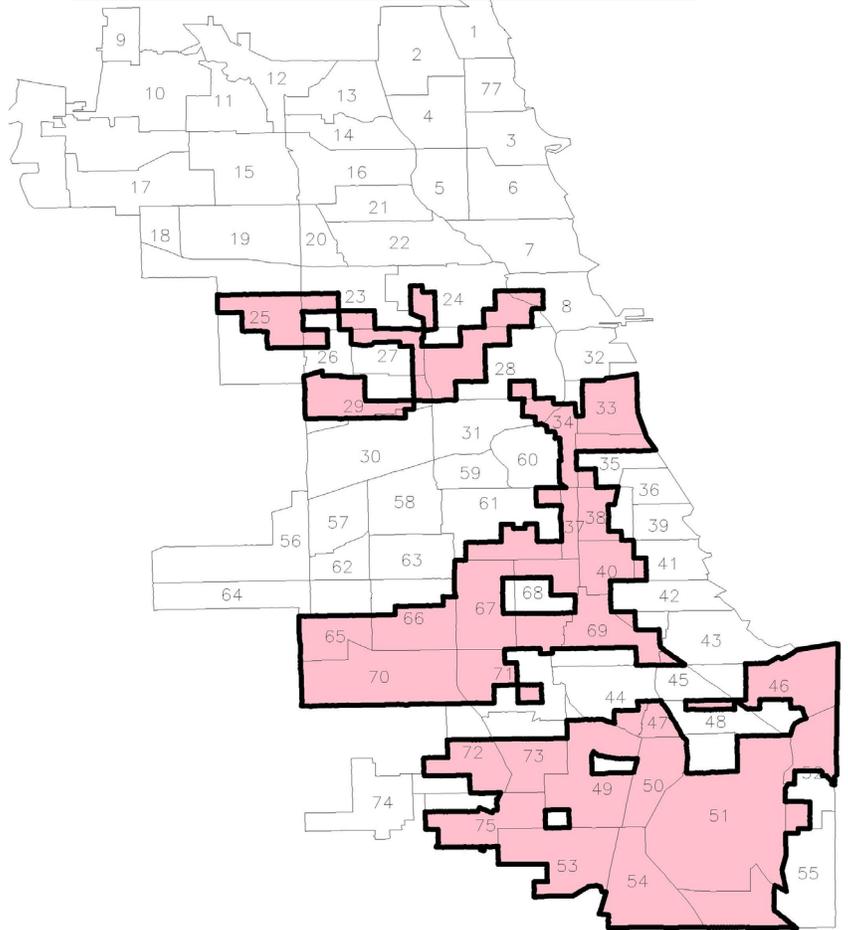
Neighborhood Market A: Healthy Competition	Neighborhood Market B: Unhealthy Competition
	
Managed growth and competition allowed among grocers and other retailers	Growth curbed and competition stifled among grocers and other retailers
Grocer agglomeration increases – grocers experience increased competition	Grocers or lone grocer remain isolated – they have the market to themselves
Grocers respond to competition with improved product selection, product quality, customer service, and prices	No new competition to keep grocers on their toes – business as usual. Larger commercial market also has few shopping options. Stores scattered.
Grocer and larger retail environment flourish	Grocer and larger retail environment decline
Grocers help anchor market. Shoppers respond by visiting more often and by spending more money in that overall commercial district. New shoppers and visitors are attracted to the retail cluster and patronize nearby eating and drinking establishments.	Shoppers respond by shifting consumer dollars elsewhere, spending less time and money locally. Hard to attract new shoppers and visitors. Local eating and drinking establishments reduce product offerings and/or shorten their hours of operation due to low levels of activity. Some family restaurants or entertainment venues go out of business or never open up to begin with.
Sales tax base increases	Sales tax base decreases or stays flat
Retail environment continues to flourish. A few new retailers locate in the cluster. Grocer agglomeration might continue with different types of stores (small and large, value and organic, etc.)	Retail environment continues to decline. A business or two might close. Pressure might be placed on commercial landlords to lower rent because the location is deemed less valuable. Lower rent means less money for site and building maintenance and improvements.
Trends favor retail environment	Trends diminish retail environment
Sales tax base continues to increase	Sales tax base continues to decrease or stays flat
Community continues to flourish	Community becomes a food / commercial desert. Retail does not want to go where retail isn't already so it becomes very hard to attract development even with a persistent residential consumer base and a baseline level of density and buying power.

17. What would be the impact of the Wal-Mart Supercenter grocery store on local food access, Food Deserts, and public health?

Earlier in this briefing, we described how Food Deserts (large geographic areas with no or distant grocery stores) and Food Balance (MG’s measure of the availability of mainstream vs. fringe food at the block level) impact diet-related diseases and conditions such as diabetes, obesity, and certain kinds of cancers. To answer this question, we first clarify the food access conditions in Chicago today. There are over a half million Chicagoans who live in the Food Desert, as illustrated in the following map:

#	Community Name	#	Community Name
1	ROGERS PARK	40	WASHINGTON PARK
2	WEST RIDGE	41	HYDE PARK
3	UPTOWN	42	WOODLAWN
4	LINCOLN SQUARE	43	SOUTH SHORE
5	NORTH CENTER	44	CHATHAM
6	LAKE VIEW	45	AVALON PARK
7	LINCOLN PARK	46	SOUTH CHICAGO
8	NEAR NORTH SIDE	47	BURNSIDE
9	EDISON PARK	48	CALUMET HEIGHTS
10	NORWOOD PARK	49	ROSELAND
11	JEFFERSON PARK	50	PULLMAN
12	FOREST GLEN	51	SOUTH DEERING
13	NORTH PARK	52	EAST SIDE
14	ALBANY PARK	53	WEST PULLMAN
15	PORTAGE PARK	54	RIVERDALE
16	IRVING PARK	55	HEGEWISCH
17	DUNNING	56	GARFIELD RIDGE
18	MONTCLARE	57	ARCHER HEIGHTS
19	BELMONT CRAGIN	58	BRIGHTON PARK
20	HERMOSA	59	MCKINLEY PARK
21	AVONDALE	60	BRIDGEPORT
22	LOGAN SQUARE	61	NEW CITY
23	HUMBOLDT PARK	62	WEST ELSDON
24	WEST TOWN	63	GAGE PARK
25	AUSTIN	64	CLEARING
26	WEST GARFIELD PARK	65	WEST LAWN
27	EAST GARFIELD PARK	66	CHICAGO LAWN
28	NEAR WEST SIDE	67	WEST ENGLEWOOD
29	NORTH LAWNSDALE	68	ENGLEWOOD
30	SOUTH LAWNSDALE	69	GREATER GRAND CROSSING
31	LOWER WEST SIDE	70	ASHBURN
32	Loop	71	AUBURN GRESHAM
33	NEAR SOUTH SIDE	72	BEVERLY
34	ARMOUR SQUARE	73	WASHINGTON HEIGHTS
35	DOUGLAS	74	MOUNT GREENWOOD
36	OAKLAND	75	MORGAN PARK
37	FULLER PARK	76	O'Hare
38	GRAND BOULEVARD	77	EDGEWATER
39	KENWOOD		

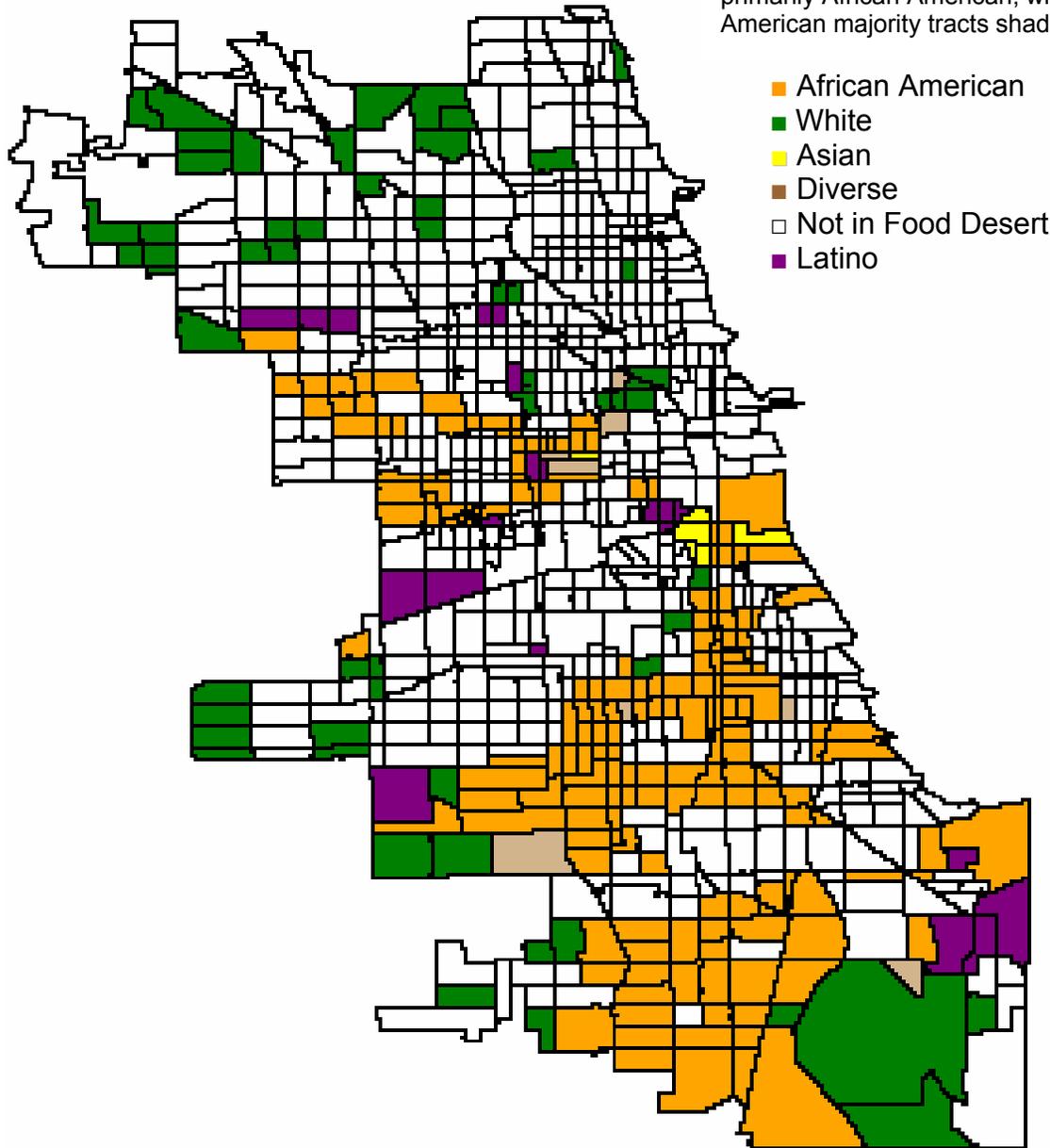
Map #1
Chicago's 3 Food Deserts By Tract
With Community Area Boundaries
■ Food Desert



As of our analysis released in June, 2006

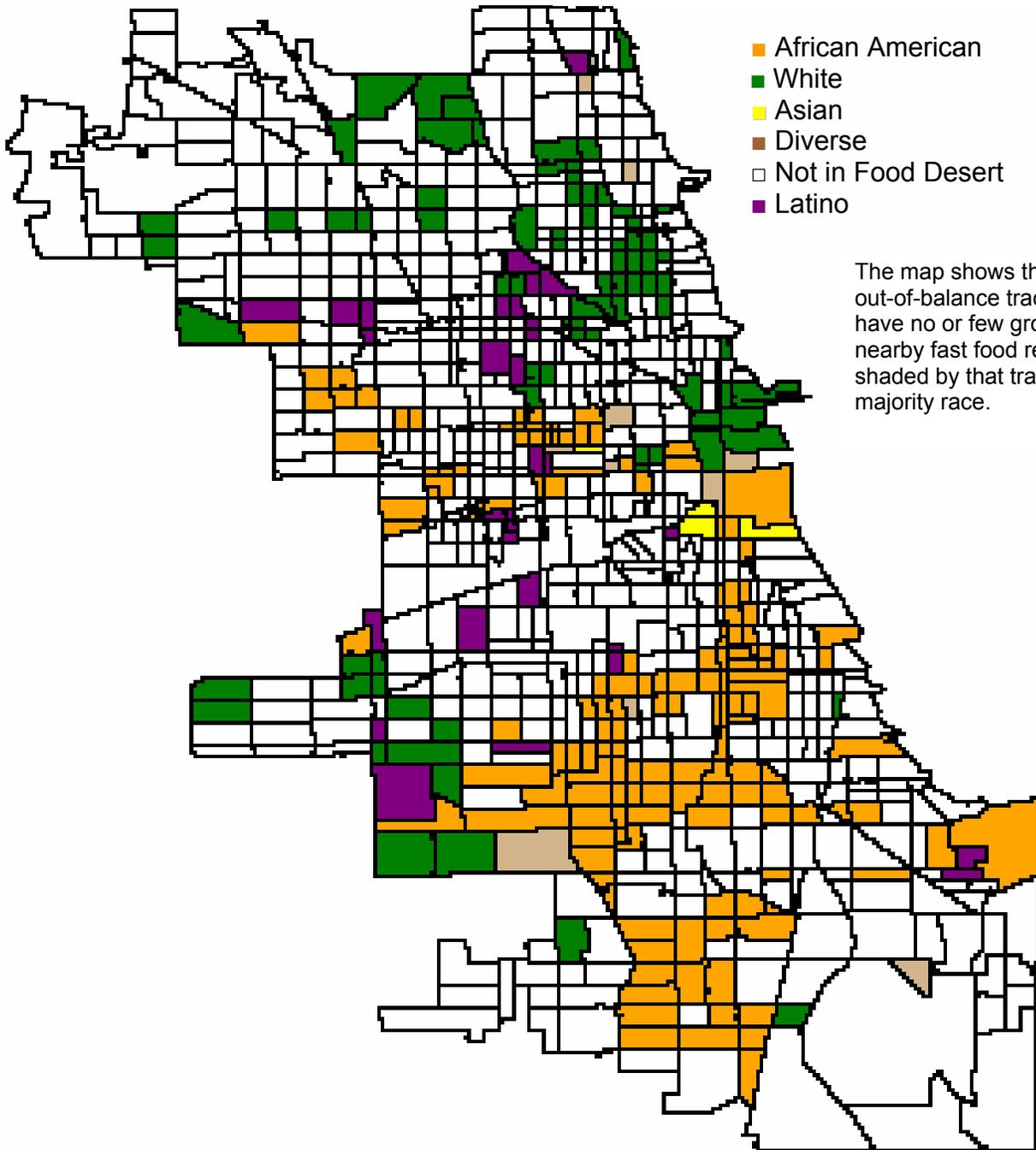
Chicago's Food Deserts Are Nearly Exclusively African American

The map shows only the tracts that are the farthest distance to grocers and shades them by race. We see that the three clusters of Food Deserts are primarily African American, with the African American majority tracts shaded in orange.



As of our analysis released in June, 2006

Worst Food Balance Scores in Chicago by Race and by Tract



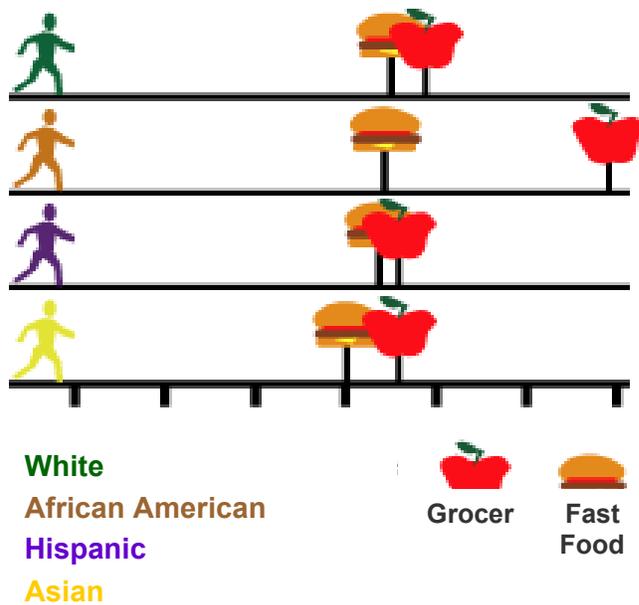
The map shows the most out-of-balance tracts that have no or few grocers but nearby fast food restaurants shaded by that tract's majority race.

As of our analysis released in June, 2006

Relative Access to Grocers and Fast Food in Chicago by Race by Block:

The Convenience Food Factor

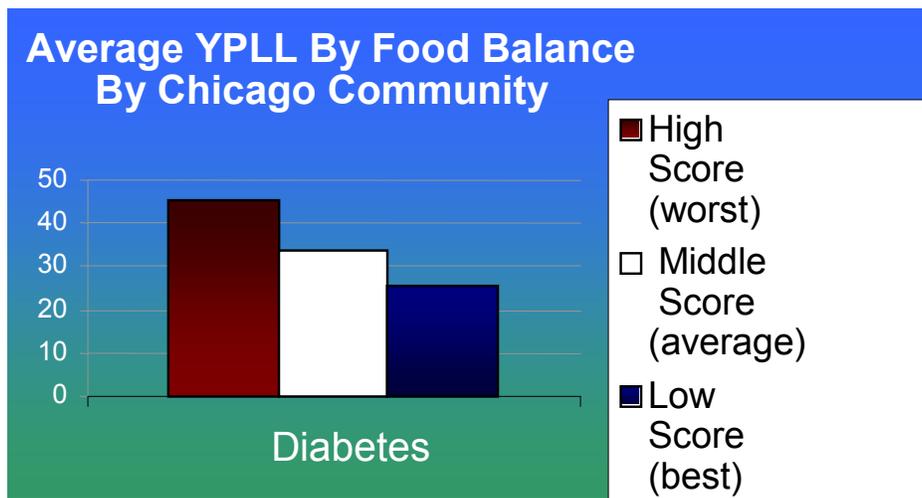
In a typical African American majority block in Chicago, the nearest grocery store is roughly twice as distant as the nearest fast food restaurant. This means that, for African Americans, it is much easier to access fast food than it is to access other types of food. Following a doctor's dietary recommendation is likely very difficult for the half million plus African Americans who live in the 287 worst grocery-store-access tracts. Those tracts also have the highest concentration of single mothers and children.



As of our analysis released in June, 2006

Diabetes and Food Balance in Chicago by Community Area

Majority African American and majority White communities that have out-of-balance food environments will have higher rates of residents dying prematurely from diabetes. These differences are statistically significant, controlling for income, education, and race. African American communities will be the most likely to experience the greatest total years of life lost from diabetes as a result. To measure this effect, we developed a Food Balance Score: the distance to the closest grocer divided by the distance to the closest fast food restaurant for each block, tract, and Community Area in the City of Chicago. The following chart shows 2003 **years of potential life lost** (YPLL) to diabetes by high, middle, and low Food Balance Scores by Chicago Community Area. The more out-of-balance the community, the higher the life lost to diabetes.



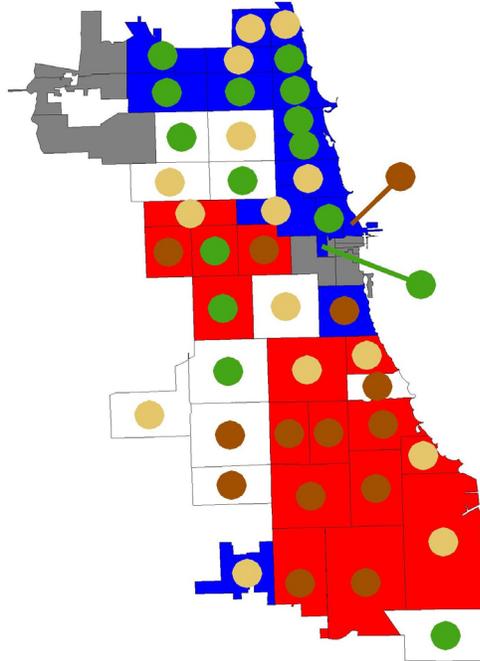
While the calculation of years of potential life lost might be a new concept to some, almost everyone can relate to differentials among death rates. Here we show the numeric years of potential life lost outcomes from the previous chart along with 2003 death rates for diabetes. The diabetes death rate for the most out-of-balance Chicago communities is more than twice the rate for all other communities.

Table #1

Diabetes by Chicago Community Areas by Food Balance Scores		
Food Balance Groupings	YPLL	Death Rate Per 1,000 Population
Worst	45.48	1.27
Middle	33.48	1.11
Best	25.36	0.56

Illustrations #2-3 as of our analysis released in June, 2006





Map #4

Average Body Mass Index By Our Food Balance Score in Chicago by Zip Code

This is a map of BMI or obesity outcomes by Zip Code, using height and weight from driver's license data, with the addition of our Food Balance Scores. Brown dots indicate areas that are the most out-of-balance; they have no or distant grocers but nearby fast food restaurants.

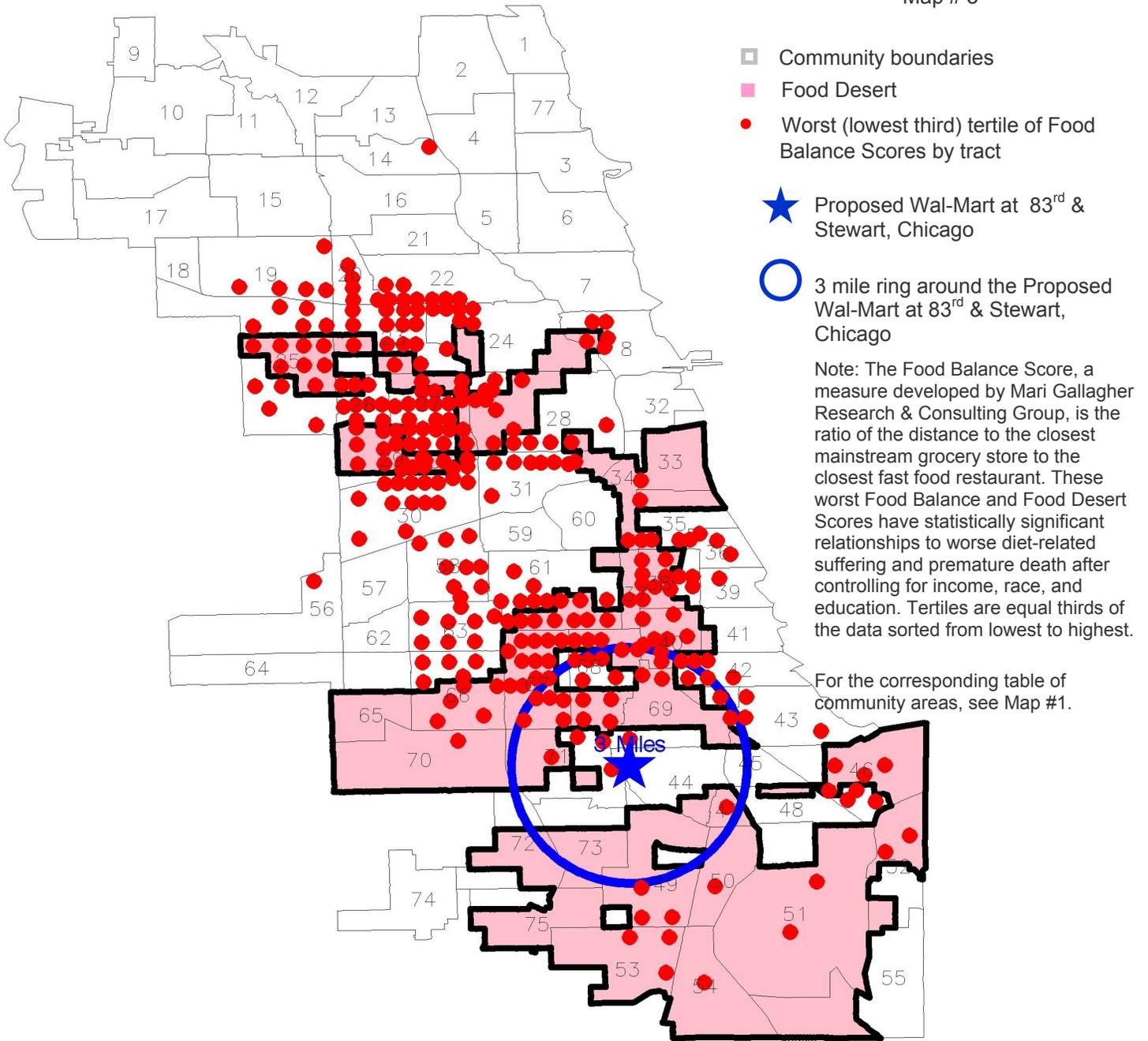
- | | |
|---------------|-----------------------------|
| ■ High BMI | ● Worst Food Balance Score |
| □ Average BMI | ● Middle Food Balance Score |
| ■ Low BMI | ● Best Food Balance Score |

As stated We found that an increase in grocery stores alone was a stronger factor in reduced BMI or obesity than a decrease in fast food restaurants, also a factor but not as strong as a BMI reduction factor.

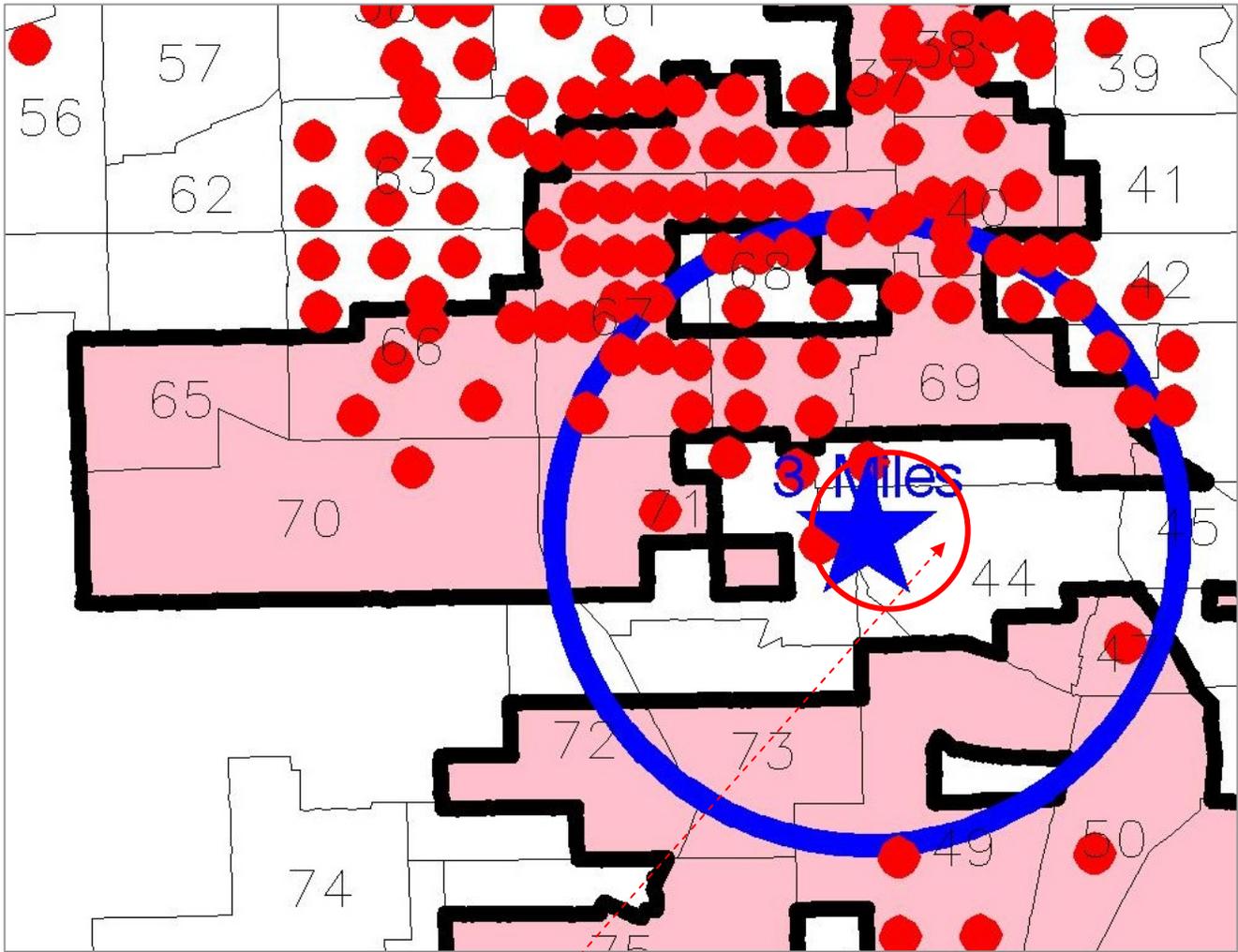
As of our analysis released in June, 2006

Where would the proposed Wal-Mart be relative to Chicago's Food Desert and Worst Food Balance areas?

Map # 5



As of our analysis released in June, 2006 with 2008 new overlay information regarding the proposed Wal-Mart and surrounding three mile ring



Map # 6A: (zoomed-in version of Map #5. See Map #4 for legend details.)

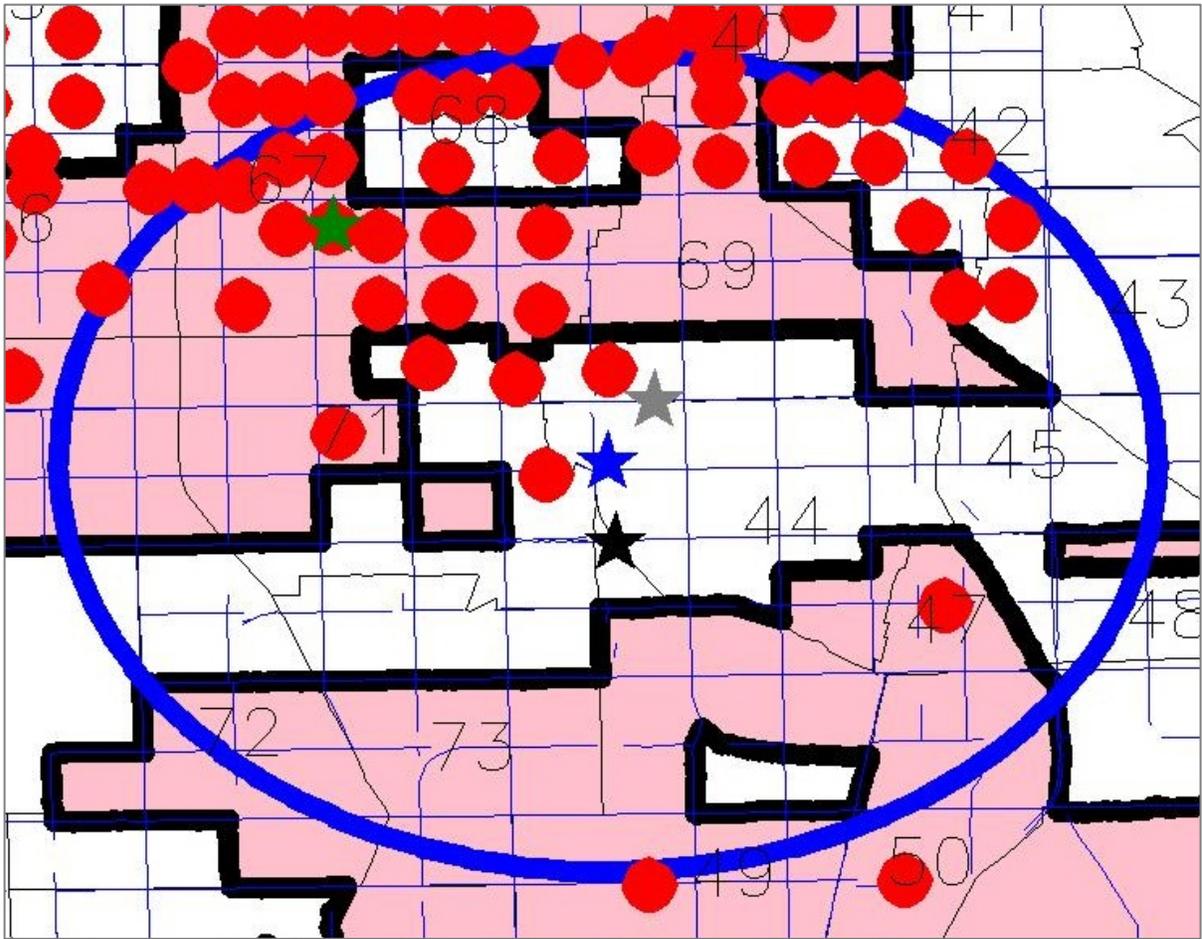
Where would the proposed Wal-Mart be relative to Chicago’s Food Desert and Worst Food Balance areas?

As of our analysis released in June, 2006 with new 2008 overlay information regarding the proposed Wal-Mart and surrounding three mile ring .

DOES NOT INCLUDE THE FOLLOWING MARKET EVENTS WHICH TOOK PLACE SUBSEQUENT TO JUNE, 2006, NAMELY:

1) Chatham Dominick’s closes, 2) Chatham Cub Foods closes and 3) Food-4-Less opens (7030 S. Ashland), which is not in Chatham, but which could affect the detailed analysis of the larger area around Chatham.

- Denotes general area where Dominick’s and Cub Foods were previously located.
- Blue circle denotes three mile ring around the proposed Wal-Mart.



Where would the proposed Wal-Mart be relative to mainstream grocer changes since the June 2006 MG 'Food Desert' study?

Map # 6B (zoomed-in version of map #5 with additional data)

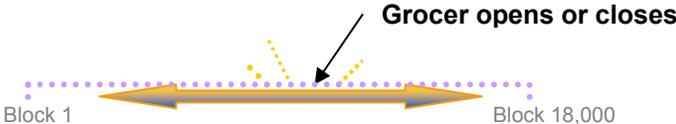
- ★ 1) Chatham Dominick's closes
- ★ 2) Chatham Cub Foods closes
- ★ 3) Food-4-Less opens
- ★ 4) Proposed Wal-Mart Supercenter & ○ three mile ring

NOTE: For simplicity, the city's street grid is shown as straight lines with all north-south streets intersecting all east-west streets at right angles. The shape of the earth (it is an "oblate spheroid" – a slightly squashed sphere) means that these streets are in fact curved in reality. When distances are calculated between points on the city grid, it is necessary to take account of this curvature (using the "Haversine Formula" rather than the simpler "Pythagorean Formula"). When a circle or ring with a given radius is imposed on the city's grid, we can either (1) show the circle as a "normal" circle and show the curvature of the streets; or (2) show the streets as "normal" (i.e. straight lines) and show the circle as appearing "squashed" (i.e. as an ellipse). We have chosen to keep the streets straight and squash the circle in this case. For this reason, the circle or ring looks different in this map than in the preceding maps.

Our previous Food Desert study is a static picture: one moment in time in the history of Chicago (June, 2006). However, we are able to track the impact of different types of stores opening and closing block-by-block. To do so we must recalculate the distance scores for all of Chicago's 18,000-plus non-zero population blocks each time. Clearly, a grocer opening or closing has the most effect on the blocks closest to it, but there are ripple effects up and down the continuum of blocks. This is why it is both possible and relevant to calculate the potential food access and public health impact of the Wal-Mart Supercenter or any other grocer on 1) the Chatham community and 2) the nearby Food Desert.

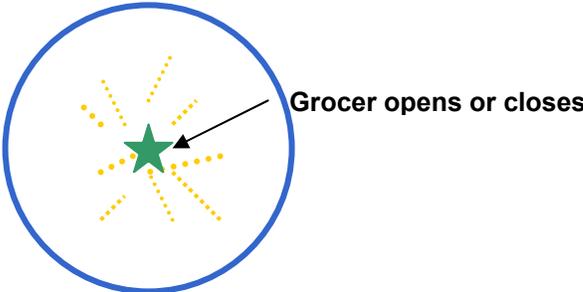
Illustration #7A

The Ripple Effect along the Continuum of Food Access Scores for Chicago Block-by-Block



The yellow arrow shows the ripple effect along the continuum. Mathematically, we can understand this as a linear equation (Illustration #7A). In the real world of the market, the continuum is not a straight line but is instead multidirectional, pushing outward from the center. This is why we draw a ring around the proposed Wal-Mart and not a line or another shape (Illustration #7B).

Illustration #7B



Here we show the sequence of grocer market events and impacts since our 2006 study in the three mile ring around the potential Chatham Wal-Mart Supercenter.

- 1) Food-4-Less opens a full line grocery store in the Food Desert on South Ashland Avenue. The new store improves the food access scores of 307 blocks in the Food Desert.

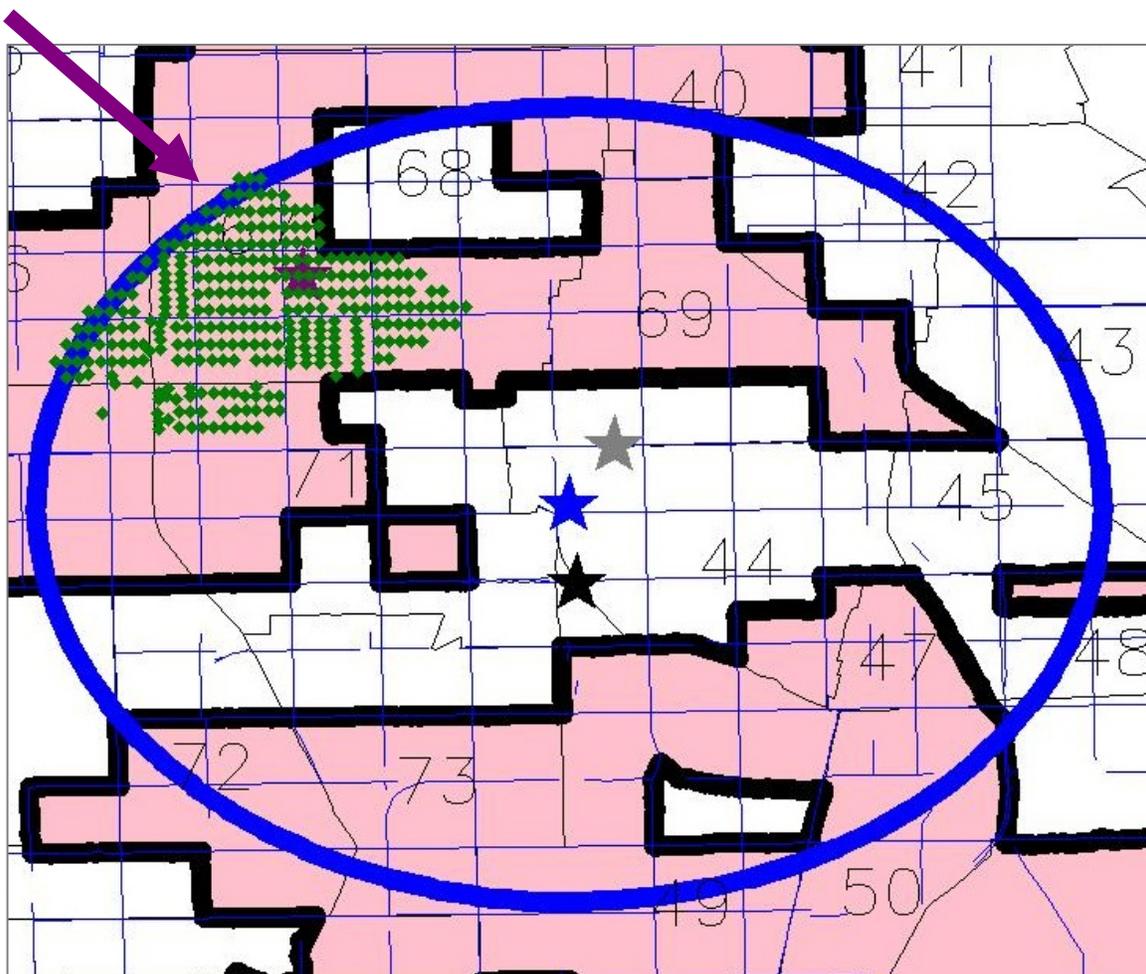
Details of blocks whose food access scores improved:

Number of blocks that improve:	307
Total population in those blocks:	40,712
White:	355
African American:	39,824
Hispanic:	378
Number of children 18 and under:	13,626

Positive Food Access Impact of Food-4-Less Opening

Map # 7 (zoomed-in version of map #5 with a recalculation of blocks that improve shown in green dots. Here the Food-4-Less is shown in purple so that it can be seen.)

★ Food-4-Less opens



2) Dominick's and Cub Foods both close their full line grocery stores in Chatham. The store closures have a negative impact on food access scores.

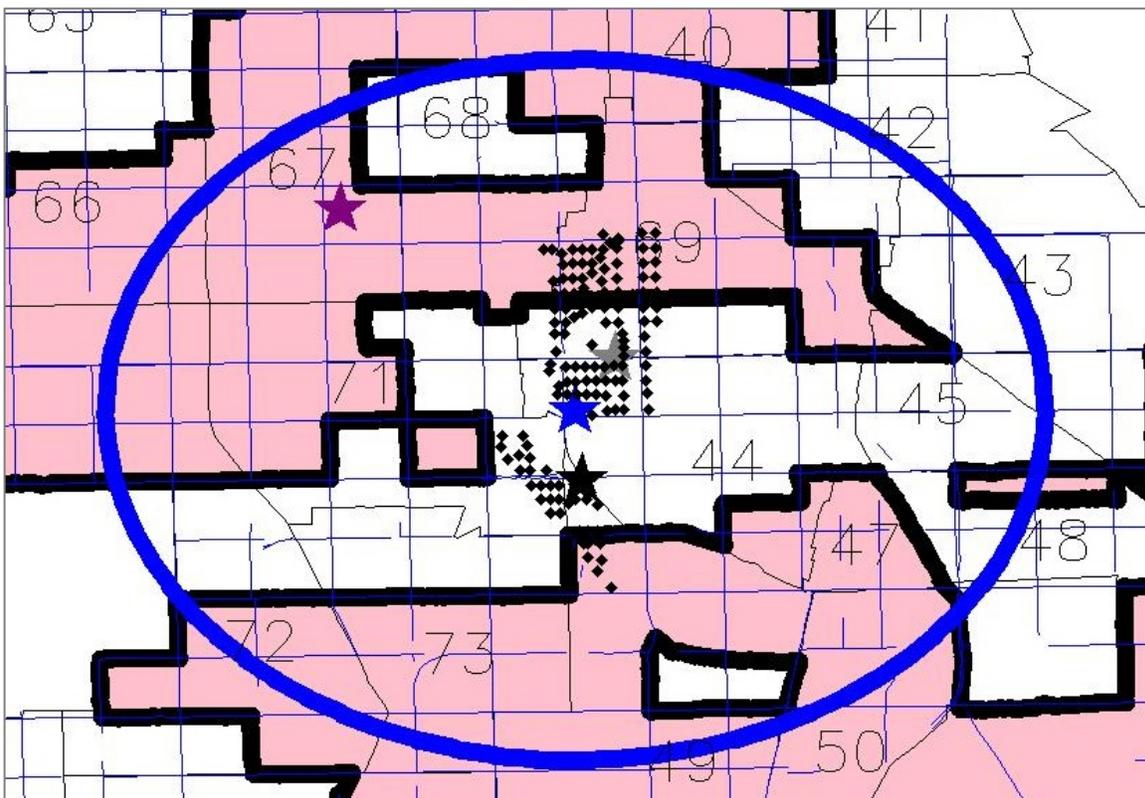
Details of blocks whose food access scores worsened:

Number of blocks that worsen:	142
Total population in those blocks:	16,032
White:	53
African American:	15,791
Hispanic:	114
Number of children 18 and under:	4,804

Negative Food Access Impact of Dominick's and Cub Foods Closing

Map # 8 (zoomed-in version of map #5 with a recalculation of **blocks that worsen shown in black dots** as a result of the closure of Dominick's and Cub Foods. Negative food access impacts seen in both Chatham and some Food Desert areas).

- ★ Food-4-Less is open for business, but...
- ★ Chatham Dominick's closes & ★ Chatham Cub Foods closes
- ★ Proposed Wal-Mart Supercenter



3) Positive food access impacts IF the Wal-Mart Supercenter opens:

Details of blocks whose food access scores would improve:

Number of blocks that improve:	45
Total population in those blocks:	4,662
White:	23
African American:	4,598
Hispanic:	28
Number of children 18 and under:	1,174

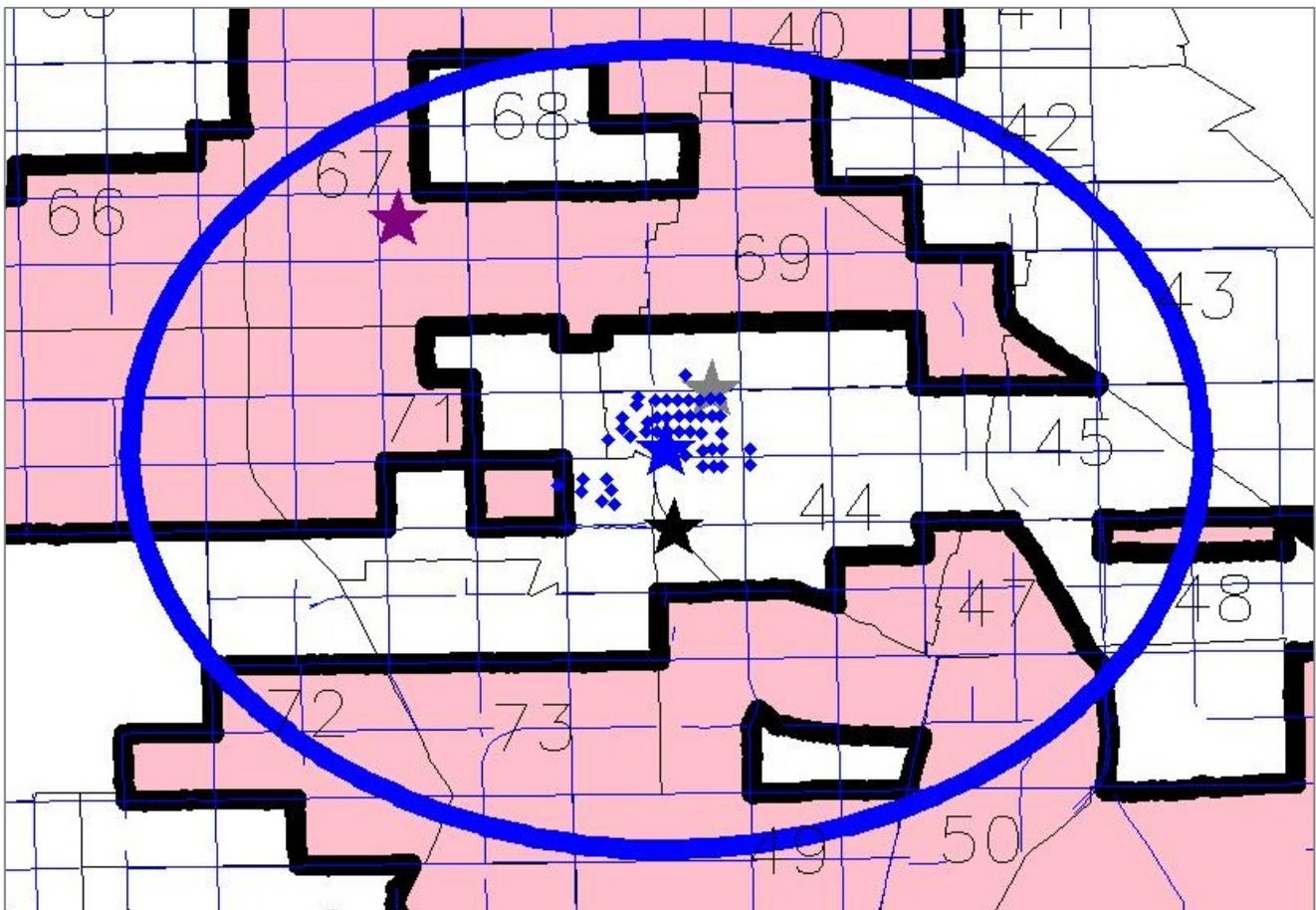
Positive Food Access Impact of Wal-Mart Supercenter Opening

Map # 9 (Zoomed-in version of map #5 with a recalculation of blocks that improve shown in blue dots as a result of the Wal-Mart Supercenter opening).

★ Food-4-Less is open for business but ★ Chatham Dominick's closes & ★ Chatham Cub Foods closes

AND

★ Proposed Wal-Mart Supercenter OPENS



18. How should local governments assess incentives and subsidies? Would the proposed Chatham Wal-Mart Supercenter receive an incentive or subsidy?

Before allocating incentives and subsidies, there should be this same level of “below the radar” market analysis of untapped opportunities for grocers. Custom data development and market sizing will reveal the level to which mainstream grocers can be supported in the Food Desert. Additional statistical analysis will also reveal where grocers are greatly needed for public health reasons but the market cannot support them through traditional efforts. These additional costs, both on the health care industry and on human life, can be measured. In our opinion, once these potential economic and public health impacts are quantified across the city as a whole, city-resources should be prioritized and distributed on that empirical basis for mainstream grocers only. In our opinion, fringe food purveyors – while not inherently bad – do not improve the local retail environment or public health and should not receive incentives or subsidies. MG, working in partnership with the newly formed National Center for Public Research and its Blue Ribbon Business Committee, has committed to updating its Food Desert and Food Balance scores and boundaries, and releasing a listing of mainstream and fringe food providers, by June of 2008. The National Center for Public Research recently declared June as National Food Desert Awareness Month.

Regarding the proposed Chatham Wal-Mart Supercenter, as of this date, we have no knowledge of any attempts, plans, or intentions for incentives or subsidies.

Conclusion

The Chatham Wal-Mart Supercenter, which includes a mainstream grocery store, would improve food access scores in the Chatham community in 45 blocks with a total population of roughly 4,600 people, 1,100 of whom are children. Increases in access to mainstream grocery stores correlate with improved public health. A Wal-Mart Supercenter at the proposed location would help counter the negative impacts that resulted from the recent closing of the Chatham Dominick’s and Chatham Cub Foods. Grocer agglomeration in Chatham is currently going in the wrong direction, and this can have negative impacts on the viability of the local grocer environment overall. From a retail and public health perspective, this concerns us. The Wal-Mart Supercenter also has the ability to positively impact the more distant and newly built Food-4-Less full service mainstream grocery store which is located in the Food Desert; we stress that our opinion is that this is *possible*; it is not assured. The opening of the Food-4-Less has had a dramatic and positive impact on food access scores and thus will likely have a positive impact on public health over time if the store remains open and viable. However, we know that grocers do better in a competitive environment and they do worse in an isolated environment. The Wal-Mart Supercenter improves the potential to expand and strengthen the more distant grocer environment within the three mile ring area that includes the Food-4-Less and portions of the Food Desert. If the Wal-Mart Supercenter is built and opens, and another mainstream grocer locates between the proposed Wal-Mart and the Food-4-Less, a healthy level of competition could be beneficial to those and other local grocers, consumers, and community health.