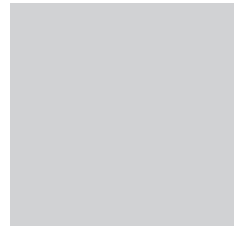
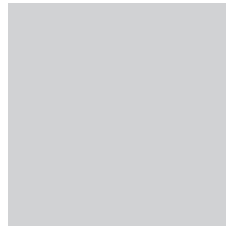
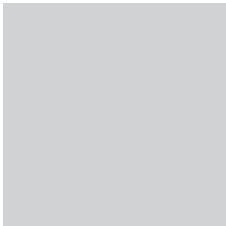
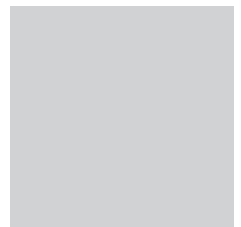
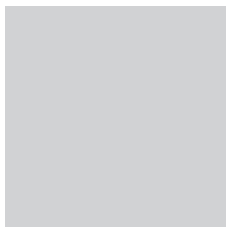
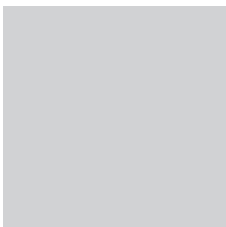
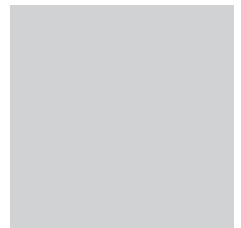
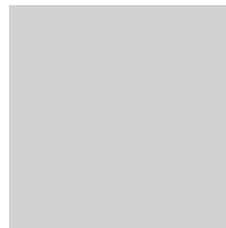
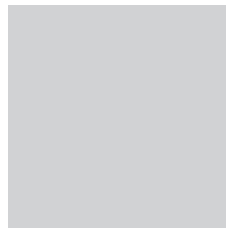
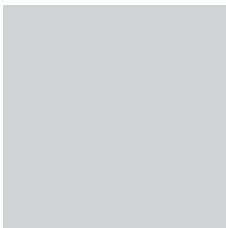
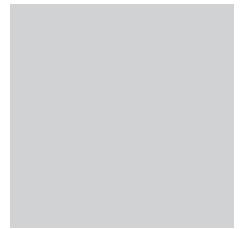
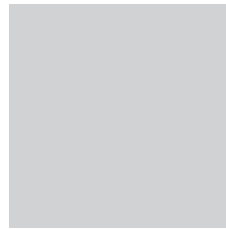
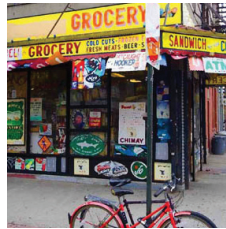
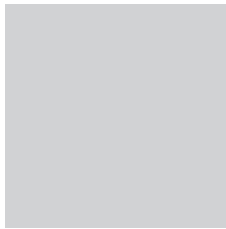
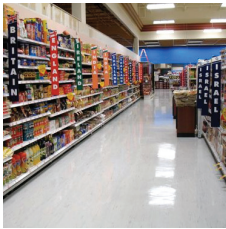


# FOOD FOR THOUGHT:

## A CASE STUDY OF WALMART'S IMPACT ON HARLEM'S HEALTHY FOOD RETAIL LANDSCAPE

NOVEMBER 2011



Office of the Manhattan  
Borough President

**Scott M. Stringer**  
Manhattan Borough President



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## EXECUTIVE SUMMARY

Recent media coverage suggests that Walmart, the world's largest retailer, is interested in expanding into New York City.<sup>1</sup> Proponents of Walmart argue that their stores create jobs and increase consumers' buying power through low-priced goods. However, research on communities where Walmart operates tells a more complicated story – one typically marked by job loss, depressed wages, store closures, and increased burdens to local taxpayers.

This study focuses on one aspect of the economy that Walmart might affect should the company open stores in New York City: the food economy. The company has positioned itself as a leading grocery outlet, selling \$132 billion in groceries in Fiscal Year 2010.<sup>2</sup> Walmart's reliance on food sales suggests that any Walmart store would compete directly with existing New York City fresh food retailers.

Presently 700,000 New Yorkers suffer from diabetes, 43 percent of elementary school students are obese or overweight, and approximately three million city residents live in areas without adequate access to healthy food. Any consideration of Walmart's potential impact must consider the effect on New York City's precarious food landscape, as well as the public initiatives designed to improve these dynamics.

City advocates and government entities alike have been working diligently to create a more sustainable food system with increased access to healthy and fresh food. The current Administration's Food Retail Expansion to Support Health (FRESH) program, aimed at increasing the number of grocery stores in underserved areas, and the Healthy Bodega Initiative (HBI), designed to increase the amount of healthy food sold at bodegas, are prime examples.

**This report models the impact of a potential Walmart store on existing fresh food retailers, using academic research on the experience of other localities, combined with original survey data from the area surrounding a potential Walmart site at West 125th Street and Lenox Avenue in Harlem. The report concludes that Walmart's entrance into the New York City market could severely undermine - if not reverse - the progress made by FRESH and HBI.**

Survey data collected from 304 licensed food retailers in Harlem within a 1-mile radius of West 125th Street and Lenox Avenue identified 24 supermarkets, 17 green grocers, and 157 bodegas selling fresh produce. This data was analyzed through the lens of a 2009 study from Chicago that tracked, over a three year period, business closures within a four mile radius of a newly opened Walmart store in the West Side of Chicago. **That study found that 25 percent of all competing businesses within a one-mile radius of the new Walmart had gone out of business within the first year. By the second year, the closure rate was 40 percent.**<sup>3</sup>

Based on survey data and the experience of retailers in Chicago's West Side, this study projects:

- Within the first year of a Walmart moving into the vacant lot at West 125th Street and Lenox Avenue, anywhere from 30 to 41 fresh food retailers could go out of business, representing a loss of approximately 110,300 to 126,300 square feet of fresh food retail space. **This loss would negate between 50 to 57 percent of the fresh food retail square footage added citywide by the Food Retail Expansion to Support Health (FRESH) program through a commitment of \$4.2 to \$4.8 million in public financing.**<sup>4</sup>

1 selection: <http://www.npr.org/2011/02/04/133483848/new-york-city-officials-to-walmart-keep-out>; <http://www.crainsnewyork.com/article/20110110/FREE/110119981>; [http://articles.nydailynews.com/2011-02-03/local/28534518\\_1\\_small-retailers-big-box-retailer-walmart](http://articles.nydailynews.com/2011-02-03/local/28534518_1_small-retailers-big-box-retailer-walmart); [http://articles.nydailynews.com/2011-07-29/local/29844330\\_1\\_gateway-ii-walmart-spokesman-steve-restivo-community-board](http://articles.nydailynews.com/2011-07-29/local/29844330_1_gateway-ii-walmart-spokesman-steve-restivo-community-board)

2 <http://www.bloomberg.com/news/print/2011-05-17/WalmartWalmart-first-quarter-earnings-from-continuing-operations-98-cents-share.html>

3 Julie Davis, David Merriman, Lucia Samyoo, Brian Flanagan, Ron Baiman, and Joe Persky. "The Impact of an Urban Walmart Store on Area Businesses: An Evaluation of One Chicago Neighborhood's"

4 The majority of the financing, \$8.03 million, is available over a 25 year period.

- In the second year after the opening, an additional 18 to 25 stores could shutter for a total loss of 48 to 66 stores and a loss of approximately 176,530 to 202,000 square feet of fresh food retail. **This represents an 80 to 91 percent loss of the gains made through FRESH and between \$6.8 and \$7.7 million in public investment.**
- If Walmart were to open their largest format urban store of 120,000 square feet in Harlem, the addition would still not be enough to offset the ensuing store closures: **the new Walmart would mean a net loss of anywhere from 56,500 to 82,000 square feet of fresh food retail in the surrounding one-mile radius.** For many New Yorkers in this one-mile radius who walk to buy groceries, the new Walmart would be an inconvenient option.

As evidenced by the findings of this report, Walmart has the potential to have an immensely negative impact on New York City. Though municipalities have little leverage when it comes to private companies operating on as-of-right sites, programs and systems can be created that mitigate potential damage.

- **Pro-Active Planning:** If Walmart selects a site in New York, the city should create a proactive planning process that would include an analysis of the healthy food infrastructure and potential downward pressure on residents' healthy food options; steps that can be taken by the City to limit the negative ripple effects of a Walmart store; and an opportunity for public input. Further, as recommended in the Manhattan Borough President Office's 2009 *Planning for Healthy Neighborhoods*, healthy food infrastructure should be added to the City's Environmental Quality Review, the state mandated analysis of potential negative impacts for development projects that require discretionary approval.
- **Expand FRESH:** In order to provide support for existing and struggling fresh food retail, FRESH could be expanded. The expansion would include fresh food retailers under 6,000 square feet, the current FRESH limit, and would provide incentives not just to retailers wishing to expand or open new stores, but to retailers who need a reduction in their tax burden or financing to stay in business.
- **Provide Permanent Funding for the Healthy Bodegas Initiative (HBI):** Funding for HBI is renewed on an annual basis leaving the program in limbo each year. The Administration should baseline funding in DOHMH's budget for this important initiative. Additionally, as in the pilot phase of the program, HBI could provide incentives to bodegas to improve their healthy food offerings.
- **Support the Creation of Farmers' Markets:** Farmers' markets are a critical component of any healthy food system. The MBPO continues to advocate for expanded City support of all types of farmers' markets, as detailed in the office's reports *Red Tape*, *Green Vegetables: A Plan to Improve New York City's Regulations for Community-Based Farmers Markets* and *FoodNYC: A Blueprint for Sustainable New York*.
- **Increase the Number and Quality of Indoor Food Markets:** As recommended in *FoodNYC*, City agencies should evaluate vacant and underused space, buildings, and lots in order to identify appropriate locations for new indoor markets.
- **Make Urban Farming a City Priority:** As recommended in *Red Tape*, *Green Vegetables* and *FoodNYC*, the City should make urban food production a priority. Two strategies for encouraging urban agriculture are ensuring the permanence of community gardens and creating an urban agriculture program.

## INTRODUCTION

For the second year in a row Walmart has ranked No. 1 atop the Fortune 500 list and remains the most dominant retailer in the world. In Fiscal Year 2011, the company had \$421.8 billion in revenue and \$16.4 billion in profits, securing its status as the world's largest employer with 2.1 million employees worldwide – 1.4 million of whom work in the US.<sup>5</sup> One critical area of sales that has propelled this bottom line is food. In Fiscal Year 2010, Walmart sold \$132 billion in groceries, with more than half of the company's U.S. sales coming from food.<sup>6</sup>

Recent news stories suggest that Walmart has its sights set on expanding into New York City.<sup>7</sup> As the company focuses on expansion, it is fair to assume that growing its food enterprise will be a critical component. **This report employs academic research on other cities, in combination with local survey data, to model the impact on existing fresh food retailers if a Walmart store were to open on a currently vacant parcel land at West 125th Street and Lenox Avenue in Harlem.**

Because of its dominance over the nation's retail sector, Walmart has the power to influence labor practices, supply chain dynamics, the price of consumer goods, and the ability of smaller firms to compete in the marketplace. Its sway over the marketplace belies another seemingly contradictory fact: Walmart's same store sales have declined for nine consecutive quarters. Many experts ascribe this dip to Walmart's saturation of rural markets nationwide. Though some have predicted an upswing in sales, there is still enormous pressure on Walmart to grow its consumer base and expand into urban markets like New York.<sup>8</sup> Walmart has not confirmed which locations it is considering, but many have speculated that a vacant lot

at the corner of West 125th and Lenox Ave in Harlem is under serious consideration.<sup>9</sup>

Proponents of Walmart argue that stores create jobs and offer consumers greater buying power through competitively priced goods. However, research and the experiences of communities where Walmarts operate tell a more complicated story – a story typically marked by job loss, depressed wages, store closures, and increased burdens to local taxpayers. In order to evaluate whether the opening of a Walmart would be a boon or bane for New York's economy, it is critical that policy-makers consider the experiences of other localities and what those experiences could mean for New York City should Walmart break into the market.

It is particularly critical to analyze how Walmart stores might affect the fresh food retail landscape. New York City is faced with a health crisis: 700,000 New Yorkers have diabetes and over 3.1 million residents are obese or overweight, as are 43 percent of elementary school students. One recent national survey ranked the South Bronx as having the worst hunger problems in the nation. Further, 37 percent of New Yorkers lack the necessary resources within their neighborhoods to improve their diets; approximately three million New Yorkers live in areas without adequate access to healthy food.<sup>10</sup>

In order to combat these epidemics, advocates and government entities alike have been working diligently to create a more sustainable food system with increased access to healthy and fresh food. The City of New York has rightly identified fostering a diverse array of fresh food retailers in underserved neighborhoods as a key strategy. The current Administration's Food Retail Expansion to Support Health (FRESH) program, aimed at increasing the number of grocery stores in underserved areas, and Healthy Bodega Initiative, designed to increase the amount of healthy food sold at bodegas, are prime examples of public

5 <http://money.cnn.com/magazines/fortune/global500/2011/performers/companies/biggest/>

6 <http://www.bloomberg.com/news/print/2011-05-17/Walmart-Walmart-first-quarter-earnings-from-continuing-operations-98-cents-share.html>

7 selection: <http://www.npr.org/2011/02/04/133483848/new-york-city-officials-to-walmart-keep-out>; <http://www.crainsnewyork.com/article/20110110/FREE/110119981>; [http://articles.nydailynews.com/2011-02-03/local/28534518\\_1\\_small-retailers-big-box-retailer-walmart](http://articles.nydailynews.com/2011-02-03/local/28534518_1_small-retailers-big-box-retailer-walmart); [http://articles.nydailynews.com/2011-07-29/local/29844330\\_1\\_gateway-ii-walmart-spokesman-steve-restivo-community-board](http://articles.nydailynews.com/2011-07-29/local/29844330_1_gateway-ii-walmart-spokesman-steve-restivo-community-board)

8 <http://articles.latimes.com/2011/may/23/business/la-fi-walmart-20110523>

9 selection: <http://therealdeal.com/newyork/articles/harlem-locals-protest-prospective-walmart-at-125th-street-and-lenox-avenue>; <http://www.dnainfo.com/20101112/manhattan/walmart-renews-push-for-manhattan-locations-report-says>

10 Going to Market: New York City's Neighborhood Grocery Store and Supermarket Shortage New York City, Department of City Planning, NYC City Health, NYC Economic Development Corp.



initiatives that are helping to create a healthier and more sustainable New York City.

As such, it is necessary to consider Walmart's potential impact on existing fresh food retailers and on the city's on-going and developing efforts to support and expand these businesses. This study aims to answer the question: How would the opening of a Walmart store affect small-scale fresh food purveyors in an underserved neighborhood?

## WALMART COMES TO TOWN: EXPERIENCE OF OTHER REGIONS

### *Burden to Tax Payers*

A typical Walmart associate can expect to earn just over \$15,576, more than 30 percent below the federal poverty line for a family of four.<sup>11</sup> This should be of concern to tax payers and policy-makers alike. When companies pay workers poverty wages, publicly funded anti-poverty programs fill the gaps.

In Ohio, out of all the employers in the state Walmart has the greatest number of associates and dependents enrolled in Medicaid. In 2009, this cost the tax payers of Ohio \$44.8 million.<sup>12</sup> A 2004 audit conducted by the state of Georgia found that one in four children of Walmart employees was on PeachCare for Kids, the state's health insurance program.<sup>13</sup> And, a study released the same year found that for each of the state's 44,000 Walmart employees, California taxpayers were spending \$730 on health care and \$1,222 on other forms of assistance, such as food stamps and subsidized housing. The total price tag was \$86 million a year. The study also found that Walmart workers in California earn 31 percent less than the average for workers at other large retail companies and require 39 percent more in public assistance.<sup>14</sup>

11 <http://walmartwatch.org/blog/archives/category/working-at-walmart/wages/>

12 Ohio Department of Jobs and Family Services. "Ohio Medicaid Recipients by Employer." September 2009.

13 [http://www.salon.com/technology/how\\_the\\_world\\_works/2006/01/23/georgia/index.html](http://www.salon.com/technology/how_the_world_works/2006/01/23/georgia/index.html)

14 Arindrajit Dube, Ph.D. and Ken Jacobs. "Hidden Cost of Walmart-Walmart Jobs: Use of Safety Net Programs by Walmart Workers in California." UC Berkeley Labor Center. August 2004. Page 5.

### *Walmart and Wages*

Many studies have found that Walmart's low wage standards depress retail wages industry-wide as other companies struggle to stay competitive. For example, one study found that each Walmart opened in a county reduced general merchandise and grocery store workers earnings by 1.3 percent. That means three Walmart stores in one county would translate into a 3.9 percent wage reduction for workers at other stores. Further, the study estimated that in 2000, the presence of Walmart stores reduced retail workers wages nationwide by \$4.7 billion.<sup>15</sup>

A 2011 report by the Center for Labor Research and Education at the University of California, Berkeley modeled what would happen if Walmart paid employees a living wage of \$12 per hour. The study concluded that even if Walmart passed the entire wage hike onto consumers, prices would increase by only 46 cents per shopping trip, or \$12.49 a year for the average shopper.<sup>16</sup>

### *Threat to Local Business*

A Walmart store's entry into a community not only dims the prospects for low-wage earners by depressing wages, as outlined in the previous section, but also negatively affects existing businesses. In 2003, Germany's highest court determined that Walmart was selling items below cost, a pricing strategy that violated the country's anti-trust laws designed in part to protect small business. Shortly after the court issued its order, Walmart pulled out of the German market.<sup>17</sup>

Domestically, similar charges of predatory pricing have been leveled against the company. In 2001, Walmart settled out of court a suit brought by the Wisconsin Department of Agriculture, Trade, and Consumer Protection.<sup>18</sup> The complaint alleged that Walmart was selling dairy and other staple goods

15 Arindrajit Dube, Ph.D., Barry Eldin, Bill Lester. "Impact of Walmart-Walmart on Earnings throughout the Retail Sector in Urban and Rural Counties." Institute of Industrial Relations Working Paper Series. 2005. Page 1.

16 Ken Jacobs, Dave Graham-Squire, and Stephanie Lucie. "Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers" Center for Labor Research and Education, University of California Berkeley. April 2011. Page 3.

17 <http://www.newrules.org/retail/news/german-high-court-convicts-walmart-predatory-pricing>

18 <http://www.newrules.org/retail/news/walmart-settles-predatory-pricing-charge>



below cost in order to shutter competitors. Similarly, Walmart settled a suit brought by Crest alleging predatory pricing at a Supercenter in Edmond, Oklahoma.<sup>19</sup>

A study from Mississippi paints a picture of how Walmart affects food retailers. Researchers analyzed the impact of Walmart Supercenters on the sales of existing businesses in local trade areas throughout the state of Mississippi. **Sales at stores selling food dropped ten percent in the first year after a Supercenter opened and 19 percent five years later.**<sup>20</sup> The supermarket industry operates on very thin margins; one to two cents on the dollar can mean the difference between profit and loss. That fact taken in combination with prominence of grocery sales in Walmart's business model makes this study's findings particularly alarming. It should be noted that the effects seen in Mississippi cannot be directly translated to an urban region like New York City. However, even a fraction of that effect could devastate existing food retailers, as this study will show.

Finally, a 2009 study from Chicago is particularly instructive. The study tracked, over a three year period, store closures within a four mile radius of a newly opened Walmart store in the West Side of Chicago. **The study found that 25 percent of all competing businesses within a one-mile radius of the new Walmart had gone out of business within the first year. By the second year, the closure rate was 40 percent.** The study found that a single Walmart can negatively affect businesses as far away as four miles.<sup>21</sup> Given that the Chicago study analyzed the impact of Walmart in an urban setting not unlike New York's, this report relies heavily on its findings.

19 <http://www.momandpopnyc.com/campaigns/walmart/articles/Predatory%20Pricing/CrestSues,%20Oklahoman,%2010.27.00.pdf>

20 Kenneth E. Stone, Georgeanne Artz and Albert Myles. "The Economic Impact of Walmart Supercenters on Existing Businesses in Mississippi."

21 Julie Davis, David Merriman, Lucia Samyoya, Brian Flanagan, Ron Baiman, and Joe Persky. "The Impact of an Urban Walmart Store on Area Businesses: An Evaluation of One Chicago Neighborhood's Experience." Center for Urban Research and Learning, Loyola University Chicago. December 2009. Pages 17-18. [http://luc.edu/curl/pdfs/Media/WalMartReport21010\\_01\\_11.pdf](http://luc.edu/curl/pdfs/Media/WalMartReport21010_01_11.pdf)

## NEW YORK CITY FRESH FOOD LANDSCAPE: AN INCOMPLETE PICTURE

Access to fresh food is a critical element to the health of any neighborhood. In 2008, the Department of City Planning (DCP), the Economic Development Corporation (EDC) and the Department of Health (DOH), undertook an evaluation of food access across the city's community districts. The results were summarized in their report *Going to Market: New York City's Grocery Store and Supermarket Shortage*. The report discovered that only two community districts met an ideal ratio of grocery stores to people. All of Harlem was deemed a high need area, with access issues particularly stark in East and West Harlem.<sup>22</sup> Designations were based on population density, rates of diet-related disease, and the number of existing grocery stores with a footprint greater than 10,000 square feet.

Healthy neighborhood food systems require a diversity of fresh food purveyors, especially in New York. Because of the unique pressures on real estate that exist in New York City, smaller format fresh food retail outlets play an important role given the challenge of finding space for full-line grocery stores. Additionally, a large portion of New Yorkers rely on public transportation and walking when doing errands. This dynamic translates into an urban ecology where neighborhood-based shops that offer household essentials, like fresh food, are critical. Beyond that, each fresh food retailer represents jobs, tax revenues, and an essential ingredient to neighborhood character.

It is important to understand how a Walmart would affect both the supply of fresh food, as well as the establishments that sell it. With its focus on supermarkets with a 10,000 sq. ft. or larger footprint, the *Going to Market* study did not paint a complete picture of the landscape of existing fresh food retailers.

22 *Going to Market*, p. 12

## FIGURE 1: SURVEY AREA



Source: New York State Department of Agriculture & Markets, 2011;  
 NYC Department of Information, Technology and Telecommunications, 2007;  
 New York City Department of City Planning, 2010

## CASE STUDY: WEST 125TH STREET AND LENOX AVENUE

The Manhattan Borough President's Office (MBPO) does not question the importance or necessity of increasing the number of large format grocery stores. However, in evaluating the potential impact of a Walmart on fresh food options in Harlem, the office believes it is critical to take a more comprehensive view of the current fresh food retail landscape in the neighborhood; one that includes stores above and below 10,000 square feet. To this end, the MBPO surveyed all food retailers below 10,000 sq. ft. within a one-mile radius of a potential Walmart store to determine which sold fresh food.

### *The Site: West 125th Street and Lenox Avenue*

Walmart has not disclosed potential sites for development and, as such, it is impossible to know with certainty whether they have intentions of moving into Harlem. However, there are several factors suggesting that the retailer may have an interest in the site on the southwest corner of West 125th Street and Lenox Avenue.

First, the site is as-of-right, meaning developing there would not require Walmart to pursue any discretionary actions, such as Uniform Land Use Review Process (ULURP). Without ULURP, Walmart does not need approval from the City Council and other community stakeholders to begin development. Advocates and experts familiar with Walmart believe that it is highly unlikely that the company would invite the kind of scrutiny and broad public debate that would be required for any project that was not as-of-right.<sup>23</sup>

Second, the current zoning would allow for approximately 210,000 square feet of commercial development before any density or floor to area ratio bonuses are leveraged.<sup>24</sup> Walmart has four different

format stores ranging in size, with the largest having an average footprint of 185,000 square feet and the smallest 15,000 square feet.<sup>25</sup> Walmart is planning to open several stores in Washington, D.C. that will offer full grocery selection, as well as a full service pharmacy and a wide variety of general merchandise. These stores, slated to open in 2012, will be between 80,000 and 120,000 square feet.<sup>26</sup> Though it is unlikely that all 210,000 sq. ft. of the site would be available to Walmart, it is likely that the company could obtain the 80,000 - 120,000 sq. ft. necessary to open one of their larger format stores.

Lastly, though ESmith Legacy Inc. and Wharton Properties, the development companies with plans to build a hotel and retail space on the site, have yet to announce the remaining commercial tenants, ESmith has publicly stated that grocery retailers "at a good price point" and "several other national retailers are interested in space at the intersection."<sup>27</sup>

### *The Survey Area*

As mentioned earlier, the Chicago study found that competing businesses within a one-mile radius of the newly opened West Side Walmart store had a 25 percent chance of closing within the first year of the store's opening and 40 percent chance of closing in the second year after the opening. As such, this study focuses on the one-mile radius surrounding the site.

MBPO surveyed all retailers within a one-mile radius of the West 125th Street and Lenox Avenue site (the "site") that have a footprint of less than 10,000 square feet and are licensed to sell food by the New York State Department of Agriculture and Markets (NYSDAM). Data on larger format supermarkets provided by the NYSDAM is utilized to quantify a potential Walmart's impact on the totality of fresh food retail choices. The goal of the survey was to determine which of the licensed retailers sold fresh food. A map of the survey map and locations is included in Figure 1.

It should be noted that of the locations surveyed for

<sup>23</sup> <http://tuskstrategies.com/index.cfm?objectid=DEFD9B0C-0D4D-11E0-AC43000C296BA163>; <http://www.cityhallnews.com/2011/06/boxed-in/>

<sup>24</sup> The site is located at the Southwest corner of Lenox and 125th street. Its block 1909 and lots 24, 25, 26, 27, 28, 29, 129, 30, 31, 32, 33, 38 and 39. The total lot foot print would be 45,414 SF. It has split lot zoning between a C6-3 and a C4-4D and could allow roughly 211,932 SF of commercial development.

<sup>25</sup> <http://walmartstores.com/AboutUs/7606.aspx>

<sup>26</sup> <http://dc.about.com/od/shopping/a/Walmart-Locations-Near-Washington-DC.htm>

<sup>27</sup> <http://174.129.17.12/20110622/harlem/emmitt-smiths-125th-street-hotel-moving-ahead>

this study, only five out of 304 were between 6,000 and 10,000 square feet. These findings are relevant because they reinforce the case for the Food Retail Expansion to Support Health (FRESH) program, an initiative stemming from the *Going to Market* study that provides zoning and financial incentives to property owners, developers and grocery store operators in areas of New York City currently underserved by grocery stores. FRESH incentives are only available to potential fresh food retailers that are 6,000 square feet or larger. As less than 2 percent of the sample met these criteria, it is clear that there is a need for larger format stores. Since the inception of FRESH, the program has succeeded in securing \$8.5 million<sup>28</sup> in financing for 222,000 square feet of fresh food retail space spread across Brooklyn, the Bronx, and Queens.<sup>29</sup> To date, the program has had no impact on the food retail landscape of Manhattan.

### The Survey

Surveyors performed a visual evaluation of 304 licensed food retailers with footprints of less than 10,000 square feet.<sup>30</sup> Retailers were placed in one of the following four categories: Supermarket, Green Grocer, Pharmacy or Bodega. If the location could not be classified into one of those four categories, it was classified as “Other.” Data was collected on the types of fresh fruits, vegetables, and perishables sold. Some of the items catalogued in the survey included: apples, oranges, bananas, leafy greens, other types of fruits and vegetables, low-fat dairy, and eggs.

The goal was to ascertain the range of healthy and fresh food being sold, as well as the number of retail outlets. For a list of all the data points collected, see a copy of the survey included as Appendix A.

<sup>28</sup> Email exchange with New York City Economic Development Corporation, October 5, 2011

<sup>29</sup> [http://www.nyc.gov/html/misc/html/2009/fresh\\_projects.shtml](http://www.nyc.gov/html/misc/html/2009/fresh_projects.shtml)

<sup>30</sup> 5 percent or 15 of all the locations were not surveyed.

## FRESH FOOD RETAIL SNAPSHOT: SURVEY RESULTS

The survey revealed a diverse retail landscape and a multitude of fresh food outlets, including 24 supermarkets, 17 green grocers, and 230 bodegas, many of which sold fresh food.

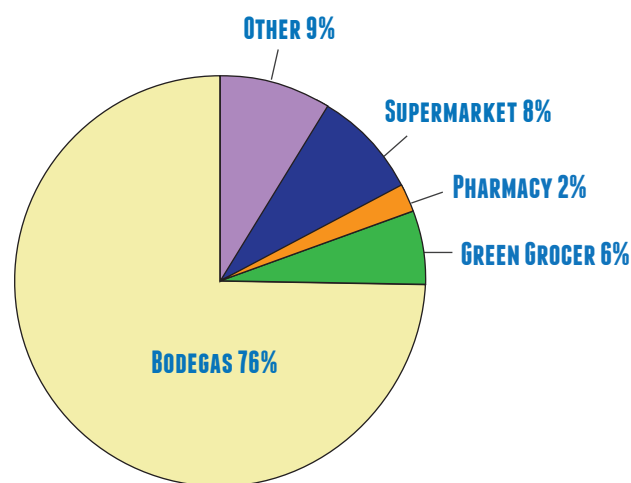
Table 1 and Figure 2 provide detail on the types of establishments in the one-mile radius.

**TABLE 1: OVERVIEW OF FOOD RETAILERS BY TYPE, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**

Type	Number
Supermarket	24
Pharmacy	6
Green Grocer	17
Bodega	230
Other	27
Total	304

Source: MBPO survey data

**FIGURE 2: TYPE OF RETAILER BY PERCENTAGE, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**



Source: MBPO survey data

### ***Retail Square Footage***

The “Going to Market” study defined food access partially through a ratio of supermarket square footage to people. Similarly, this report considers not just the potential loss of fresh food retail outlets, but also fresh food retail square footage should a Walmart move into Harlem. It should be noted that there is no precise way to estimate the amount of space allocated to the sale of the food. As such this study, like the “Going to Market” study, treats the entire square footage of the retailer as addressing the issue of food access.

Table 2 outlines the amount of fresh food retail square footage provided by small format supermarkets and green grocers identified in the survey.

**TABLE 2: FRESH FOOD RETAILER SQUARE FOOTAGE, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**

Retail Type	Total SQFT	Average SQFT
Supermarkets*	76,400	3,183
Green Grocers	21,306	1,253

Source: MBPO survey data

\*less than 10,000 sq ft

### ***Fresh Food Retailers Revealed***

The survey revealed that a significant number of retailers licensed to sell food were selling fresh produce and perishables. It was clear that the supermarkets and green grocers stock healthy food items. What was less clear prior to conducting the survey was the extent to which the 230 bodegas had fresh options as well. The results of the survey were encouraging. Of the 230 bodegas, 69 percent, or 157 locations sold at least one type of fresh fruit and a significant proportion sold other perishable grocery items. Table 3 and Table 4 offer a detailed analysis of available items.

**TABLE 3: FRESH PRODUCE AT BODEGAS, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**

Fresh Produce	# Locations	Percent
At least 1 type of fruit	157	69%
3 to 5 types of fruit	84	37%
6 to 10 types of fruit	12	5%
At least 1 type of vegetable	119	52%
3 or more types of vegetables	53	23%

Source: MBPO survey data

**TABLE 4: PERISHABLES AT BODEGAS, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**

Perishables	#Locations	Percent
Whole Milk	194	85%
Skim and/or 1% and/or 2% Milk	152	66%
Eggs	114	50%
Yogurt and/or Cottage Cheese	59	26%

Source: MBPO survey data

Though our survey identified many fresh food retailers not captured in the “Going to Market” study, MBPO again reiterates its strong belief that these findings do not in any way undercut the foundation for the FRESH program.

### ***Healthy Bodegas Initiative***

The Healthy Bodegas Initiative (HBI), run by the New York City Department of Health and Mental Hygiene (DOHMH) has worked with bodegas in East and Central Harlem, the South Bronx and Central Brooklyn to increase access to and promote healthy foods. When the program began, HBI focused on helping bodegas to sell fresh fruits and vegetables and low-fat milk and dairy products. The data collected for this report provides an update to the initial survey work that laid the groundwork for HBI.



In 2007, the DOHMH evaluated healthy food options at bodegas in Central and East Harlem. The area of study for the DOHMH study and this study greatly overlapped. The overlap includes sections of following zip codes: 10026, 10027, 10029, 10030, 10035, and 10037.<sup>31</sup>

In the five years since the DOHMH study, more bodegas are carrying a greater number of healthy items. The DOHMH study revealed that only 35 percent of bodegas were selling reduced fat milk. Now, according to MBPO's survey data, 66 percent do. In 2007, only 18 percent sold yogurt or cottage cheese; now 26 percent do. Similarly, at the time of that study only 33 percent of bodegas carried any fresh fruit and only 25 percent carried three or more types. Now the numbers are 69 percent and 42 percent, respectively. Finally, the DOHMH study also found that only four percent of East Harlem and two percent of Central Harlem bodegas carried any leafy greens. MBPO's results found 23 percent that did.<sup>32</sup> The findings suggest that consumers are now demanding healthier options and bodega owners are making tangible efforts to meet the demand.

## METHODOLOGY: CALCULATING WALMART'S POTENTIAL IMPACT

This study extrapolates from the experience of retailers on the West Side of Chicago to project several possible scenarios of what might happen to the network of fresh food retailers should a Walmart open at the West 125th Street and Lenox Avenue site. Namely, estimates of the potential loss of fresh food retailers are derived from the pattern seen in Chicago: 25 percent of competing businesses closed in the first year after the Walmart opened and 40 percent closed during the second year. As established earlier in the

report, any Walmart opening in New York City will likely sell food and therefore be in competition with existing fresh food retailers. Therefore, it is appropriate to use the Chicago study to examine Walmart's impact on competitor businesses.

Quantifying the number of fresh food retailers is the foundation for modeling what would happen if a Walmart moved into Harlem. In order to calculate the closure rate as a result of a new Walmart, a simple equation was developed based on the findings in the Chicago study.

**Year 1 Closures** = Number of Supermarkets/  
Green Grocers \* 25%

**Year 2 Closures** = Number of Supermarkets/  
Green Grocers \* 40%

The same calculation was employed to determine the loss of fresh food retailer square footage.

**Year 1 Losses** = Total Supermarket/Green  
Grocer Square Footage \* 25%

**Year 2 Losses** = Total Supermarket/Green  
Grocer Square Footage \* 40%

The Chicago study notes that only retailers whose product mix overlapped with the Walmart's closed at a differentially higher rate. Among the bodegas included in the survey, there was a great deal of variability in the amount and type of fresh food sold. In order to calibrate the projections to this variability and because the Chicago study did not clearly define a threshold for what qualified as a competing business, two different scenarios were devised to predict the potential impact of a Walmart on bodegas in the one-mile radius.

Scenario A creates a lower competition threshold by including as candidates for closure bodegas that sell at least three types of fruits and/or vegetables. Scenario B sets the bar higher by creating a more restrictive criteria – only bodegas that sell at least three types of fruits/or vegetables as well as three other types of perishables were included.

31 New York City Dept. of Health and Mental Hygiene. "Eating Well in Harlem: How Available is Healthy Food?" May 2007. Page 3. However, this study does not cover the entirety of all zip codes and also did not include 10039 but did include 10025.

32 "Healthy Bodegas Initiative, A Program of the Department of Health and Mental Hygiene (DOHMH): CEO Internal Program Review Report."



- **Scenario A:** bodegas selling at least three types of fresh fruits and/or vegetables were included as candidates for closure.

**Year 1 Closures** = Scenario 1 Qualifying Bodegas \* 25%

**Year 2 Closures** = Scenario 1 Qualifying Bodegas Grocers \* 40%

**Year 1 Losses** = Total Scenario 1 Qualifying Bodegas Sq. Ft. \* 25%

**Year 2 Losses** = Total Scenario 1 Qualifying Bodegas Sq. Ft. \* 40%

- **Scenario B:** bodegas selling at least three types of fresh fruits and/or vegetables in addition to three of the following four types of perishables:

Whole Milk, 1%/2%/Skim Milk, Cottage/Yogurt, and/or eggs were included as candidates for closure.

**Year 1 Closures** = Scenario 2 Qualifying Bodegas \* 25%

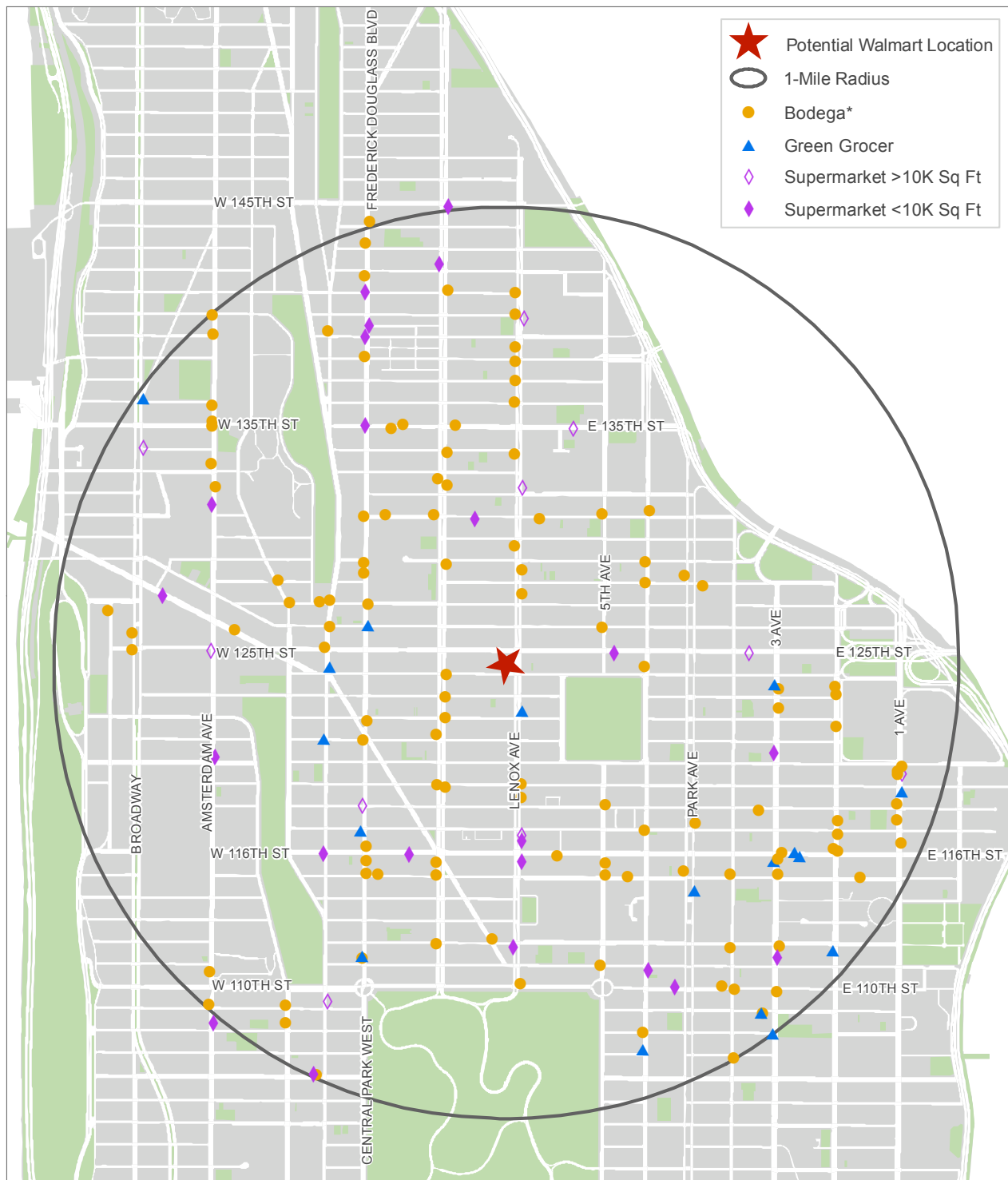
**Year 2 Closures** = Scenario 2 Qualifying Bodegas Grocers \* 40%

**Year 1 Losses** = Total Scenario 2 Qualifying Bodegas Sq. Ft. \* 25%

**Year 2 Losses** = Total Scenario 2 Qualifying Bodegas Sq. Ft. \* 40%

Figure 3 provides a map of all the fresh food retailers that could potentially be impacted.

# FIGURE 3: FRESH FOOD RETAILERS WITHIN 1-MILE OF POTENTIAL WALMART LOCATION



Source: Manhattan Borough President's Office survey data, 2011;  
 New York State Department of Agriculture & Markets, 2011;  
 NYC Department of Information, Technology and Telecommunications, 2007;  
 New York City Department of City Planning, 2010

\* sells at least 3 types of fresh fruits and/or vegetables

## FINDINGS: WALMART'S POTENTIAL IMPACT

New York City policymakers, having identified increasing access to fresh food as a citywide priority, are obligated to consider the potential impact that Walmart would have on existing retailers and current city-led efforts to improve access.

In evaluating the potential impact of a Walmart on New York City's economy and health, policy-makers and community members have the experiences of other localities upon which to draw conclusions. Doing so provides a plausible and, therefore, instructive picture of what might transpire should Walmart open a store in Harlem. Though predicting the future on imperfect analogies has pitfalls, the researchers of this report contend that the exercise has significant value.

### *Supermarkets*

- **Finding 1:** One year after the Walmart opens, six supermarkets under 10,000 square feet, representing approximately 19,000 square feet of fresh food retail, are projected to shutter. After the second year, a total of 10 small format supermarkets are projected to have closed, representing an approximate loss of 30,600 square feet of fresh food retail.
- **Finding 2:** One year after the Walmart opens, approximately 3 supermarkets over 10,000 square feet, representing approximately 57,400 square feet of fresh food retail, are projected to shutter. After the second year, a total of 4 large format supermarkets are projected to have closed, representing an approximate loss of 91,800 square feet of fresh food retail.
- **Finding 3:** After two years of the opening of a Walmart, approximately 14 supermarkets representing almost 122,400 square feet of fresh food retail are projected to go out of business. **This represents 55 percent of the total fresh food retail square footage added to food deserts citywide by the FRESH program, as well as \$4.7 million in financing.**<sup>4</sup>

**That means the addition of one Walmart in Harlem could nearly negate four years of citywide efforts to improve food access for underserved communities.**

### *Green Grocers*

- **Finding 4:** One year after the Walmart opens, four green grocers, representing approximately 5,330 square feet of fresh food retail, are projected to shutter. After the second year, a total of seven green grocers are projected to have closed representing an approximate loss of 8,520 square feet of fresh food retail.

### *Bodegas*

- **Finding 5:** Under Scenario A, which considers as candidates for closure bodegas selling at least three types of fruits or vegetables, one year after the Walmart opens, 29 bodegas, representing approximately 44,400 square feet of fresh food retail, are projected to shutter. After the second year, a total of 46 bodegas are projected to have closed, representing an approximate loss of 71,100 square feet of fresh food retail.
- **Finding 6:** Under Scenario B, which considers as candidates for closure bodegas selling at least three types of fruits or vegetables and at least three other types of perishables, one year after the Walmart opens, 17 bodegas, representing approximately 28,530 square feet of fresh food retail, are projected to shutter. After the second year, a total of 27 bodegas are projected to have closed, representing an approximate loss of 45,650 square feet of fresh food retail.

### *Summary of Findings*

Based on the experience of retailers in Chicago's West Side, within the first year of a Walmart moving into the vacant lot at West 125th Street and Lenox Avenue, anywhere from 30 to 41 fresh food retailers could go out of business, taking with them between approximately 110,300 and 126,300 square feet of fresh food retail space. **The closure of these stores would represent a loss of 50 to 57 percent of the fresh food retail square footage added by**

**the FRESH program and between \$4.2 and \$4.8 million in financing.** In the second year after the opening, an additional 18 to 25 stores could shutter for a total loss of 48 to 66 stores and approximately 176,530 to 202,000 square feet of fresh food retail. **This represents an 80 to 91 percent loss of the gains made through FRESH and between \$6.8 and \$7.7 million in investment.** Table 5 details the potential loss.

As in the case of the FRESH program, the introduction of a Walmart is at cross-purposes with the City’s Healthy Bodega Initiative; it threatens to put out of business the very bodegas that have adopted the practices promoted by this important program.

If Walmart were to open their largest format urban store of 120,000 square feet in Harlem, the company would be adding a substantial amount of fresh food retail square footage to the area. However, the addition would still not be enough to offset the ensuing store closures over a two-year period: **the new Walmart would mean a net loss of anywhere from 56,500 to 82,000 square feet of fresh food retail in the surrounding one-mile radius.** For many New Yorkers in this one-mile radius who walk to buy groceries, the new Walmart would be an inconvenient option. Not only would Walmart result in a net loss of fresh food retail space in Harlem, it will also cause the loss of jobs and neighborhood character.

**TABLE 5: TOTAL FRESH FOOD RETAIL AND SQUARE FOOTAGE LOSS, 1-MILE RADIUS AROUND W. 125TH AND LENOX AVE.**

	TOTAL LOSS (Scenario A: Lower competition threshold)		TOTAL LOSS (Scenario B: Higher competition threshold)	
	SQFT	Establishments	SQFT	Establishments
Year 1	126,248	41	110,335	30
Year 2*	201,996	66	176,536	48

\*cumulative

## MITIGATING IMPACT: RECOMMENDATIONS

As evidenced by the findings of this report, Walmart has the potential to have an immensely negative impact on New York City. Municipalities have little le-

verage when it comes to private companies operating on as-of-right sites. However, programs and systems can be created that mitigate potential damage.

### Pro-Active Planning

If Walmart selects a site in New York, the City should create a proactive planning process to assess and mitigate the potential downward pressure on residents’ healthy food options. Such a process should include an analysis of the healthy food infrastructure; steps that can be taken by the City to limit the negative ripple effects of a Walmart store; and an opportunity for public input. Further, as recommended in MBPO’s 2009 *Planning for Healthy Neighborhoods: Include Food Infrastructure in the City’s Environmental Review*, healthy food infrastructure should be added to the City’s Environmental Quality Review, the state mandated analysis of potential negative impacts for development projects that require discretionary approval.

### Expand FRESH

FRESH is an innovative and effective strategy for increasing the amount of fresh food retail square footage in targeted neighborhoods. However, it is tailored to larger-format stores. As the survey data in this report shows, there are many small-format fresh food retailers in areas identified as food deserts. Therefore, the City should develop a two-pronged strategy: help attract new development while simultaneously supporting existing retail that may be in jeopardy. As such, FRESH could be expanded. The expansion would provide incentives to retailers who need financing or a reduction in their tax burden to stay in business. Additionally, the program would be open to fresh food retailers with a footprint of less than 6,000 square feet. This expansion would reflect the reality that many retailers need help stabilizing their business before they are in a position to expand.

### Provide Permanent Funding for the Healthy Bodegas Initiative

The Healthy Bodegas Initiative rightly identified bodegas as a critical component in the urban food landscape. Unfortunately, funding for HBI is renewed on an annual basis, leaving the program in limbo each year. The Administration should baseline funding in

DOHMH's budget for this important initiative. Additionally, as in the initial pilot phase of the program, incentives should be provided for bodegas to improve their healthy food offerings.

### ***Support the Creation of Farmers Markets***

Farmers markets are a critical component of any healthy food system. They provide - at the neighborhood level - fresh, affordable, healthy produce while also supporting regional and urban farmers. The Office of the Manhattan Borough President continues to advocate for expanded support of all types of farmers markets, as detailed in the office's reports *Red Tape Green Vegetables: A Plan to Improve New York City's Regulations for Community-Based Farmers Markets* and *FoodNYC: A Blueprint for Sustainable New York*. Specifically, the City should support existing community-based farmers markets and promote the establishment of new ones by eliminating red tape, reducing the cost of permitting, and creating procedures for market parking. The City should also ensure viability of outdoor farmers markets by offering long-term leases and appropriate infrastructure to host farmers markets on public spaces. Public support should involve constructing permanent infrastructure, such as displays, fences, and electrical outlets, which can be left in place and reduce the set-up and break-down time for farmers. This investment would be a tangible demonstration of the City's support for the long-term viability and success of these markets.

### ***Increase the Number and Quality of Indoor Food Markets***

The Essex Street, Moore Street, La Marqueta and Arthur Avenue Markets, rooted in the history of the city, compliment traditional grocery stores and create space for local food artisans. As recommended in *FoodNYC*, the New York City Council should enact

legislation requiring City agencies to evaluate vacant and underused space, buildings, and lots for the purpose of identifying appropriate locations to new, standalone indoor markets. Such sites identified by the City should be subject to a public planning process for determining market locations and whether a market could be combined with additional uses to meet neighborhood needs.

### ***Make Urban Farming a City Priority***

Retail is not the only avenue for increasing a community's access to healthy food. As recommended in *Red Tape*, *Green Vegetables* and *FoodNYC*, the City should make urban food production a priority. Two strategies for encouraging urban agriculture are ensuring the permanence of community gardens and creating an urban agriculture program modeled after Capital Growth, London's campaign to plant 2,012 growing spaces by the 2012 Olympics by connecting people to land, providing funding, and offering practical guidance on how to grow food.

## **CONCLUSION**

New York is a city of neighborhoods – neighborhoods defined in part by the health of their residents and the vibrancy of their retail corridors. The city Administration has crafted programs and invested significant resources to improve these dynamics with respect to diet related disease and fresh food access. The results of this study suggest that if Walmart stores open in New York City, there is a real threat that these initiatives and the policy goals they support could be jeopardized. Should Walmart enter the New York City markets, public officials will need to take measures to protect small scale fresh food retailers and the residents who rely on these stores to help maintain their health.

## APPENDIX A: HARLEM FRESH FOOD RETAILER SURVEY

STORE INFORMATION	
Name	
Address	
Type (check one)	
Supermarket	<input type="checkbox"/>
Pharmacy	<input type="checkbox"/>
Green Grocer	<input type="checkbox"/>
Bodega	<input type="checkbox"/>

FRUIT (check all that apply)	
Apples	<input type="checkbox"/>
Oranges	<input type="checkbox"/>
Bananas	<input type="checkbox"/>
# of Other Types of Fresh Fruit	<input type="text"/>
Frozen Fruit	<input type="checkbox"/>

OTHER (check all that apply)	
Whole Milk	<input type="checkbox"/>
Skim/1%/2%	<input type="checkbox"/>
Eggs	<input type="checkbox"/>
Yogurt/ Cottage Cheese	<input type="text"/>
Dried Beans	<input type="checkbox"/>
Canned Beans <i>not refried</i>	<input type="checkbox"/>

VEGGIES (check all that apply)	
Leafy Greens	<input type="checkbox"/>
# of Other Types of Veggies	<input type="text"/>
Frozen Veggies	<input type="checkbox"/>











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