

Gonzaga Economic Study of Sprague Avenue Businesses and Property Owners

Prepared By Evan Marques

Introduction

This is an in-depth study of data acquired from business owners and property owners along Sprague Avenue in order to ascertain a possible economic impact on those parties as a result of Sprague Avenue converting from a 2-way street to a 1-way heading westbound with a 1-way couplet (Appleway) heading eastbound. The Spokane Valley Business Association (SVBA) hired Gonzaga University student Evan Marques to conduct the study under the supervision of Dr. Scott Bozman, Professor of Marketing at Gonzaga University. Evan Marques, a Senior Political Science Major and Business Administration Minor conducted the study under little supervision by the Spokane Valley Business Association. The only help he received from the SVBA was access to their list of all business and property owners along Sprague. This information is deemed accurate and the conclusions of the report are the personal observations of Evan.

The importance of this study is to determine the economic impact on Sprague businesses as a result of the street changing from a 2-way to a 1-way four years ago. The Spokane Valley recently incorporated in 2003, so it is not only necessary that the main street through the city be accessible, but also, that the economic vitality of the city be driven by the commercial success of its business district. Sprague Avenue is the business district of the Spokane Valley and the success of Sprague businesses is directly responsible for the economic success of the city.



Historically, businesses along Sprague Avenue have provided a tax base for Spokane County and it is important for the city to be guaranteed that its tax revenue be generated from the business district. The contention of business owners and property owners, especially those of the SVBA, is that sales have declined significantly. Consequently property values have considerably declined. For the Valley to be viable economically a constant base of tax revenues needs to be

received. If both sales and property values have declined, then sales taxes and property taxes will not support the necessary improvement projects and growth the city has projected. Thus, it is crucial to determine if there has been an overall economic impact, positive or negative, on businesses as a result of Sprague becoming a 1-way, and if so, suggest potential solutions that can rebuild the economic successes of Sprague businesses.

It is obvious that the road change was a traffic engineer's decision and not a business decision. Many Valley residents, as the City has determined through its study, find Sprague to be convenient, devoid of traffic, and free flowing, making it easy for commuters to get to and from the Valley. A problem, however, is that the businesses are along the going-to-work 1-way route, when consumers do not make convenience purchases, and are bypassed by the Appleway couplet in the afternoon, when likely consumers would be making their purchases. Most people would rather cruise past businesses that are inconvenient to stop at while traffic is flowing quickly, and make their purchases east of University, when traffic slows back down at the 2-way.

The street changing to a two-way may not be directly responsible for the economic impact on the businesses and therefore, this study must be qualified. At about the same time as the street changed, the economy began to seriously decline and this sentiment was confirmed by a number of business owners as the cause of their decline in business (multiple locations of those businesses had seen similar declines). Others attribute the loss to the increase in traffic on I-90 as a result of widening the interstate, and thus a decrease in traffic along Sprague. Others, who also attribute the loss to road construction during the change, feel that their sales have rebounded. They argue that finishing the project (extending both Sprague and Appleway as one-ways) will revive business along Sprague, as people may be avoiding the area because of the confusing road situation. All these contentions aside, the general belief among a majority of owners is that the road has impacted businesses and the results of this study intend to show just how large the impact has been.

By directly talking to business owners and property owners along Sprague between Fancher and University, where Sprague is a one-way, the economic impact can be accurately and quantitatively determined. This study will show the results of the market research that was conducted through one-on-one meetings with business owners and property owners.

Ultimately, this study should be used by decision making officials and the public in order to take into account what has happened along Sprague Avenue and guide those individuals as they make decisions for the future. While the City decides what it will do with the project, it is necessary to realize the effect the road has had on businesses. An educated decision can be made for the future of Sprague, taking into account both the traffic impact and the economic impact. Unlike when the impact was unknown while the original plan was being devised, this study suggests that extending Sprague as a 1-way when the couplet is extended to Sullivan will similarly impact businesses East of University.

Background

It was assumed, at the start, that all businesses have seen a change in sales over the last four years, regardless of the cause or whether the impact was positive or negative. It was therefore not believed that all Sprague Avenue businesses have seen a negative impact since the street changed, and perhaps many businesses experienced positive growth. The purpose of this study was to determine which types of businesses, whether from the clientele or location, have seen corresponding impacts, and why. Although, the SVBA voiced their concerns about the road and the impact that it has had on their businesses and properties, it was unclear what has actually happened to business since Sprague became 1-way. This study therefore depicts what a majority of business owners have seen by quantifying the overall impact on business.

The method used in gaining this data was one-on-one interaction with business owners and property owners, either in person or over the phone. Although it was difficult to track down many absentee owners, the ones that were present at their business' location were usually very cordial and cooperative with the study. Enclosed with the study are both the letter of introduction (pg. 14) that was read by every business owner before the survey was distributed, and a copy of the survey itself (pg. 15). Business owners and property owners were assured confidentiality if they completed the survey and guaranteed that no information would be released connecting their survey responses to their business.

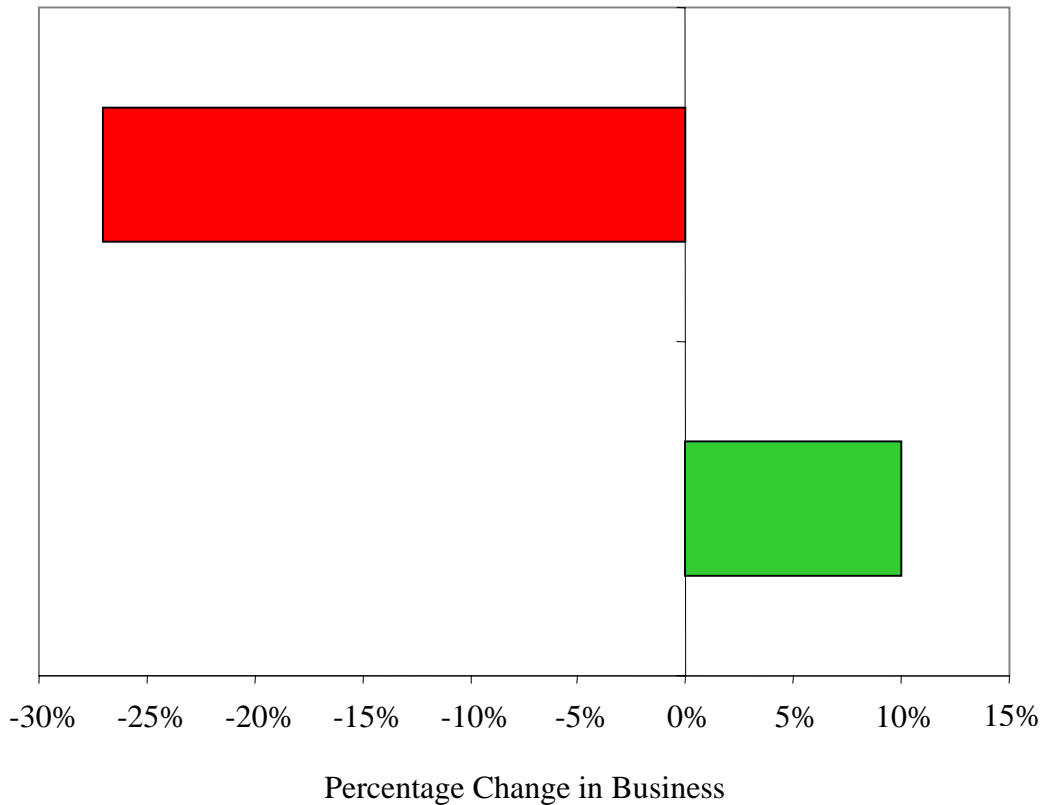
The study itself is a census of Sprague businesses and the population was the entirety of 130 businesses along Sprague Avenue between Fancher to University. Every business was contacted either through a walk-in introduction or a telephone call and thus, the response rate for the study was high at eighty percent. Thirteen percent of the business owners (16 businesses) completely refused to comment or did not return multiple phone inquiries, and the other seven percent (9 businesses) either had no comment because they had begun business along Sprague after it had become 1-way or felt their business was not retail and therefore not impacted by traffic flows. The other 105 business owners were extremely helpful with this study, and as you will see by the data, overwhelmingly supportive of a change back to a 2-way Sprague.

Results

When asked for the change in business over the last four years, most business owners responded by providing a percentage change, either annually or since Sprague became one-way. The data was then separated by increase or decrease to show that some business did see increased sales even though a majority declined. 70 of the 105 businesses provided a percentage change over the last four years (See **GRAPH #1**). The other 35 said they either were unable to provide that information or did not know it. 22 businesses reported either an increase in business or stagnant sales, with an average increase of 10% over those respondents. Businesses in this category consisted generally of car dealerships and businesses relating to the car business. Only two purely convenience or impulse businesses saw increases over the last four years and their increases were unique to their location; at the end of the couplet at University where they have two-way access. The remaining 58 businesses reported declines with the average decline at about 27%.

GRAPH #1

Decrease or Increase in Business Along Sprague Avenue



GRAPH #2 shows the average change in business (increases, decreases, and no change averaged together) to show that regardless of the type of business, the impact has been varied, trusting that lost sales is comparatively experienced by similar establishments. Convenience businesses are generally sustained through impulse purchases that provide a good that was not originally sought out. 31 businesses fit within this category and they saw an average decline of about 30%. Shopping businesses are ones that are researched and compared by consumers. 39 businesses fit within this category and had an overall decline of about 10.9%. This separation shows that businesses that provide goods that require inquiry are not hurt as bad by the traffic flow as businesses dependent on impulse shoppers. People that are seeking a new car or a specific good will get to the location where they can make their purchase regardless of the way the streets are set up. However, a fast food restaurant that requires a lot of impulse purchases from consumers returning from work are devastated when the going home traffic does not pass in front of their store.

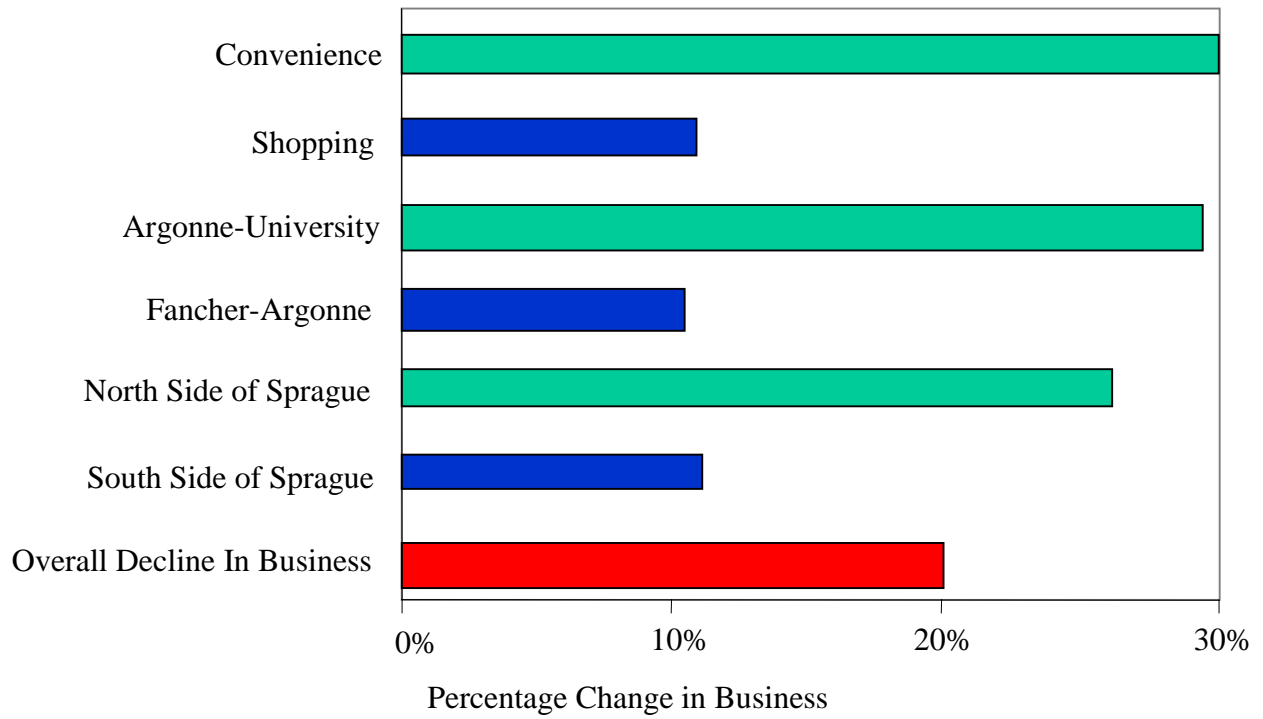
The next four segments are based upon the business' location. First the businesses were separate by their East-West orientation along Sprague, either East of Argonne or West of Argonne. Those between Argonne and University saw a decline of 29.5% (32 businesses) and those between Fancher and Argonne saw a decline of 10.7% (38 businesses). This shows that businesses located around the car dealerships between Fancher and Argonne benefit from the traffic flow that is brought in by those businesses. They are generally tailored to the auto industry and benefit from having auto dealers around them. Furthermore, traffic figures have shown that these businesses see more traffic, on both Sprague and Appleway as consumers are usually entering the Sprague corridor from Dishman-Mica or Argonne in the morning and are turning off of Appleway before or at Argonne or Dishman-Mica in the evening. (Traffic numbers from Spokane County Engineering and Roads show that businesses between Francher and Argonne have 19,698 cars pass in front of their stores a day while between Argonne and Farr only 14,617 cars drive by, and between Farr and University only 13,585 cars drive by.)

Finally the businesses were differentiated by their North-South orientation. This shows that businesses on the North side of Sprague, where they are less visible on Appleway, are more impacted by the one-way traffic. The 34 North side businesses reported an average loss of 27.0% and the 36 South side businesses reported a loss of 12.1%. They are also less convenient than businesses that have access all the way through to Appleway and also those businesses that are on the cross streets that connect the couplet to Sprague.

The final statistic on the graph is the average overall loss of business reported by the 70 businesses. That loss is a staggering 20% and although a few of the businesses reported that they cannot attribute that to Sprague being one-way, it is apparent that something has seriously impacted these business owners over the last four years.

GRAPH #2

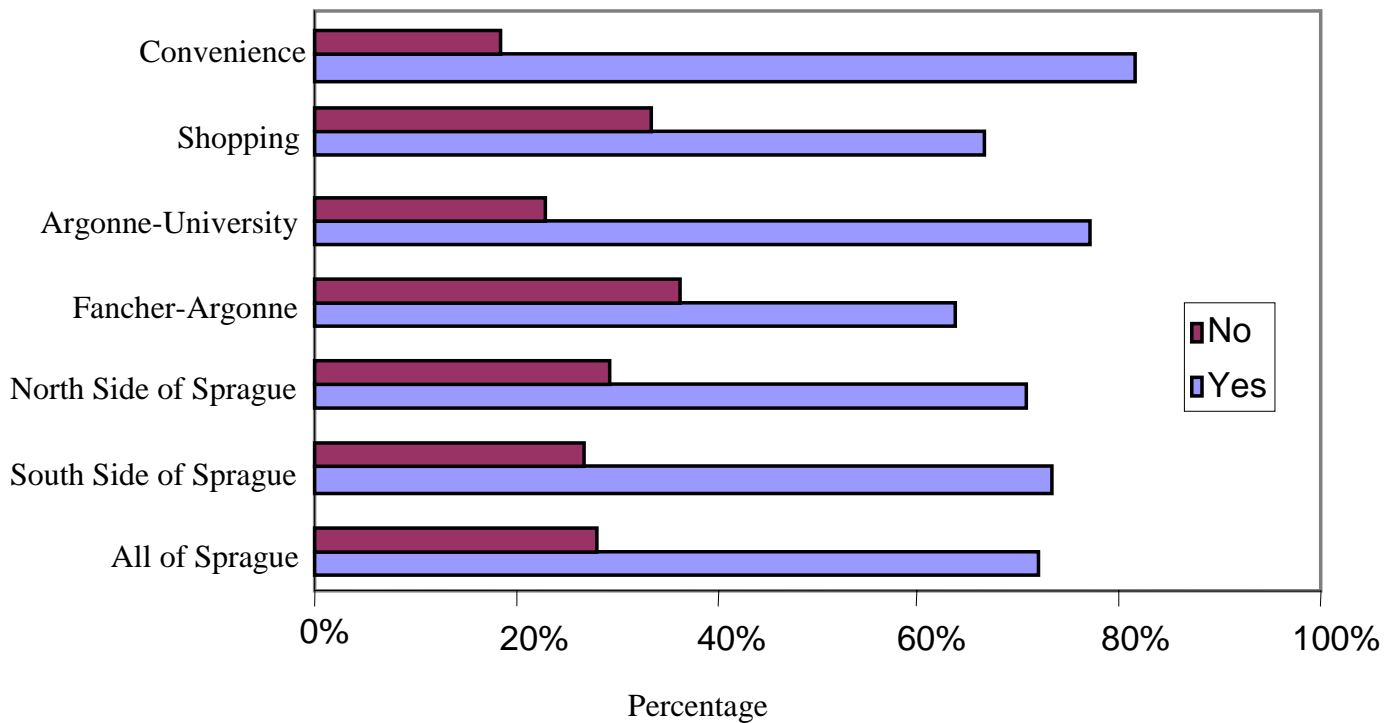
Overall Declines in Business By Segment



GRAPH #3 shows the segmented distribution of businesses that do or do not want to see Sprague return to a 2-way street. Obviously, there is an overwhelming majority of businesses that would like the road to return to the way it was. 94 responded to this inquiry on whether or not they would like Sprague to return to a 2-way. 36 convenience businesses responded positively to a return to 2-way (81.8% of convenience businesses) while only 8 convenience businesses responded negatively (18.6%) and those primarily existed at the end of the couplet on University. The responses from shopping business were less separate as only 32 businesses wanted the road to change back (66.7%) while 16 businesses wanted it to stay 1-way (33.3%). Argonne to University responded 37 in favor of a return (77.1%) and 11 opposed (22.9%). Fancher to Argonne responded 31 in favor (64.6%) and 17 opposed (35.4%). The South side of Sprague responded 35 in favor (71.4%) with 14 opposed (28.6%) while the North side responded 33 in favor (73.3) with only 12 opposed (26.3). Finally the overall trend of businesses in favor of Sprague returning to a 2-way was 68 businesses (72.3%) versus 26 (27.7%) opposed.

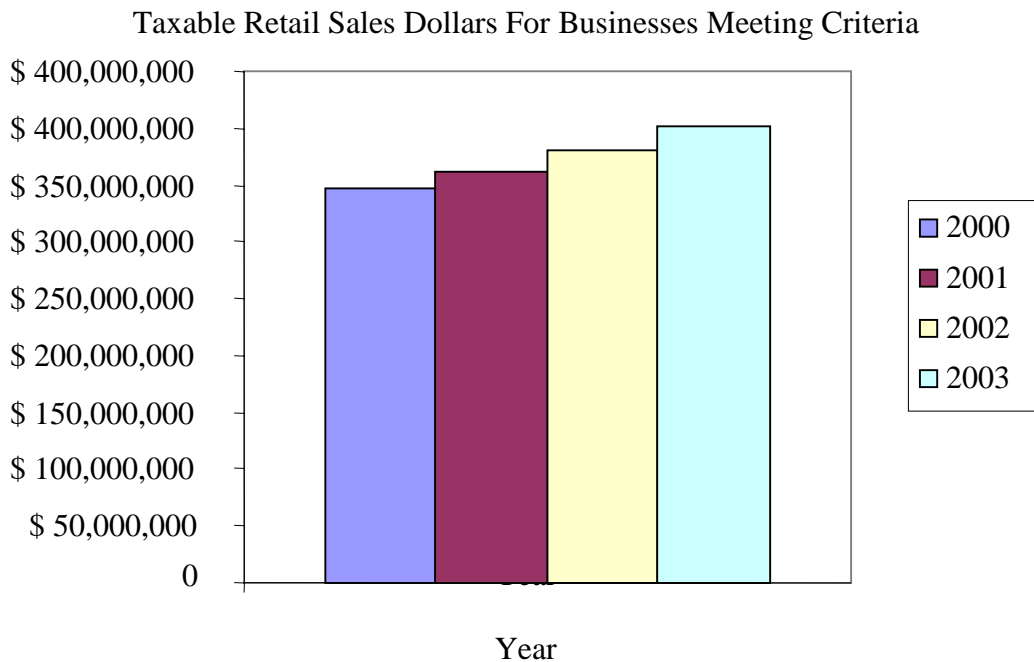
GRAPH #3

Change Sprague Avenue Back to a 2-way?



GRAPH #4 shows the taxable sales dollars of the 97 businesses that are along Sprague Avenue. The data was gathered through the Department of Revenue in Washington State by researching the UBI Tax Registration Numbers for all those businesses. Some were excluded because: 1) they were either owned outside of the state and therefore did not have tax information in Washington’s Department of Revenue; 2) they were within a larger corporation that owned multiple locations, which would skew the data; 3) their business was listed under a different name and thus the UBI could not be tracked down; 4) or their tax information was recent and would not show 4 years of change. This information is therefore accurate for the businesses that were researched and shows the trend of sales dollars over the last four years. In 2000, taxable sales dollars of businesses along Sprague meeting the above criteria was \$347,456,158; in 2001, \$361,629,172; in 2002, \$361,629,172; and 2003, \$400,592,412. The reason that sales dollars have increased over the last four years while business has declined is because the car dealerships have experienced a large increase in revenues that has compensated for all the other businesses that have decreased. When asked to separate the car dealers and destination businesses from the rest, the Department of Revenue declined because of confidentiality restrictions. This data thus shows that in the last four years, businesses that have through access to Appleway have not only compensated for the loss of business along Sprague but have also been responsible for an increase in sales in the last four years. Furthermore, closed businesses are not included in this graph, and the inclusion of their sales data might show a lesser increase or even a decline in sales over the last four years.

GRAPH #4



Finally, the decline of business along Sprague has caused many businesses to close their doors and at last count there were 39 vacancies along the 1-way of Sprague. Many of the vacancies are previous businesses that closed their doors in the last four years because they were unable to make revenues consistent with staying in business. Furthermore, 17 other businesses that were contacted along Sprague reported that they were considering moving to a different location, were considering closing, were moving, or were closing. This would possibly bring the vacancy total to 56 along Sprague Avenue. This also represents a depletion of the livelihood of the business owner who has to close down their business; sometimes destroying something they spent their entire life building. Furthermore, the closing of a business also impacts other workers who are forced to seek other employment. Businesses that responded said that there has been a net decrease of 40 jobs along Sprague. Assuming that each of the 39 vacancies employed an average of 4 employees (based on the average number of employees at small retail establishments on Sprague), the total estimate of job loss along Sprague would be 196 jobs in the last four years. That is an average of 1.87 jobs lost per business along Sprague. Also, using information from the 2000 census, the per capita income of Spokane County in 1999 was \$19,233. Using that figure, the lost job income on Sprague over the last four years would be an estimated \$3,769,688 a year. The per capita income estimation is lower than the actual figure because it is total income divided over the entire population of Spokane County, which spreads the income over a larger population than just the working population. Household income could have been used in this situation, but that figure would have overstated the lost income, as that figure includes households with multiple workers. Either way, the overall loss in income is significant no matter which way it is calculated.

Analysis

The analysis section of this study will primarily be providing the unique responses that businesses provided for the open ended section (Questions 13-15 on the survey) and the reasoning for their responses. The car dealerships are isolated in this section because their experiences have tended to be different than the rest of the businesses. Now that the 1-way of Sprague has become synonymous with “Auto Row” consumers are aware that auto dealers are located along Sprague and have little trouble finding the specific dealer and making their purchase on Sprague. The dealers that have done especially well are those that have access all the way through to Appleway (these include Appleway Group, Dishman Dodge, Gus Johnson Ford, and Spokane Chrysler). The dealers on the North side of Sprague have had less success than those on the South side. In addition used car dealers (usually an impulse purchase) have done as bad or worse than any of the other businesses along Sprague.

If the road were to stay 1-way, some owners feel that the only way to improve the business climate on Sprague would be to provide more access for large signage along Appleway. Currently, there are only small signs along Appleway placed by the county, for a single flat fee that allow businesses to indicate where drivers can turn to access their business. A major contention is that access to Appleway is essential for businesses that rely on the going-home consumer. If they are unable to effectively advertise their business to those impulse shoppers then their business will be bypassed.

Another trend observed is that because of higher speed limits and timed traffic lights, consumers tend to skirt the businesses that they would have previously stopped at and refuse to turn around because of the inconvenience. At some locations along Sprague it takes over a mile for a driver to go around the block if they miss the business on their first pass. Furthermore, because of the five-lane width of Sprague, there is hardly enough traffic or a constant flow of traffic to provide convenience businesses with the necessary traffic they need to be successful. Also it is inconvenient for businesses to give directions so that consumers can access their store. Therefore, some suggest lowering the speed limit on both the couplet and Sprague so that consumers will be more attracted to shop instead of flying by and bypassing the business district. Businesses are also moving farther East because where Sprague is a 2-way, traffic flows slowly and drivers would rather turn off to do their business.

Another contention is that the area along Sprague is not aesthetically pleasing and does not compel new businesses to locate on Sprague. Because Sprague Avenue is the main street for the Valley, it is necessary that it become more pedestrian friendly. In the three weeks it took to collect this data, not once was there a pedestrian seen walking along Sprague to do business. Sprague is a commuter road, not a pedestrian road, and some argue that if business along Sprague is to return, things need to be done to create more pedestrian friendly access. Others feel that renovating businesses and buildings to create a more attractive area might also entice new businesses to the area.

Some business owners feel that nothing can be done, that people need to evolve, and that business along Sprague needs to change as the conditions effecting business change. Those people believe that Sprague itself, the economy, and Spokane has changed in the last 4 years. If

businesses hope to be successful, then they need to make the necessary changes to guarantee that they remain a quality business and provide a unique product or service that consumers will continue to seek.

To most businesses, something has changed along Sprague in the last 4 years and clearly the road situation has adversely impacted many businesses. Business owners are seeking remedies in order to create a more healthy economy along Sprague Avenue. Something needs to be done to invigorate the economy along Sprague that will compel business owners to remain, to revive and rebuild the income that has been lost in the last four years, and to encourage new businesses to join in a healthy business district along Sprague

Conclusions

The data gathered in this study and the analysis of the economic impact to Sprague businesses can be used in order to reason on the positive and negative consequences of the three possible futures for the Sprague project: 1) Leave it the way it is; 2) Extend Sprague as a 1-way as the couplet is extended; and 3) Return Sprague to a 2-way. Although purely speculation, these conclusions are based on what business owners reported and Evan's own analysis, and therefore is only a conjectured economic impact analysis of the future of Sprague.

Solution #1: Leave it the way it is.

If Sprague is left the way it is, it is probable that Fancher to University could become a completely different business environment. Convenience businesses will likely be driven from the area because the drive by volume of customers will be insufficient to support their enterprises. However, the area could be fostered as an auto row and focus its attention on developing a stronger auto district by bringing in new dealers and providing incentives for existing dealers to move their dealerships to Sprague. This could not only increase the taxable revenue on Sprague but also increase property values as more car dealers, and car specialized businesses attempt to move into the auto row district in order to reap the benefits of increased car sales. New car dealers, especially ones on the South side of Sprague with driveway access to both Appleway and Sprague, prefer this solution because they have benefited economically from the couplet. Those dealers have a competitive advantage over any other business on Sprague including used car dealers and car dealers on the North side of Sprague, and therefore prefer no change. As the economy rebounds, the car industry may rebound as well and car dealerships will bring consumers to Sprague. Another benefit of this solution is that no additional costs are incurred, as there would be no radical infrastructure changes to be made. The money that would be used to fund a Sprague road project could then be used to remodel and develop the area along Sprague to make it more attractive to businesses or could be used to solicit businesses into re locating onto Sprague.

Solution #2: Extend Sprague as a 1-way as the couplet is extended.

This is probably the most disruptive decision that could be made, since most convenience shoppers will be driven from the main street of the Valley. Unless signage is increased and access is increased, businesses farther east will be unable to compete or forced to relocate. Furthermore, the cost of construction, purchasing right of way for cross streets, and providing signage for these businesses will not be justified by the low economic benefits. The only thing that will improve and is favorable about this solution is that commuters and traffic will flow more freely through the Valley. Unfortunately this does not justify the cost of construction, loss in business, and the temporary traffic congestion that this project surely will cause. The only rationale that supports this extension is the commuting voters who feel that their time convenience justifies their lifestyle choices. They feel that fast moving lanes in a 1-way arterial is necessary to speed daily commuters from Spokane to Liberty Lake and back to Spokane there by justifying their suburban lifestyle preferences.

Solution #3: Return Sprague to a 2-way.

Although this is the most favored for businesses along Sprague, it also has its downside. Business farther east on Sprague may fight this because their sales have likely increased as sales along Sprague between Fancher and University have decreased. Also commuters will find greater traffic inconvenience on their way to work and may avoid the area completely, which may create losses for some healthy businesses along Sprague. Car dealerships that have access both on Sprague and Appleway may also fight this in order to maintain the access that has provided them a competitive advantage. During construction it is likely that a similar decline, like when the road was first changed, will drive away smaller businesses that rely on only a minimal amount of traffic. However, it is also likely that this could revive many of the businesses that have been lost along Sprague and also motivate property owners to invest into their properties and buildings in order to help attract new businesses to the area. The cost of the switch will be minimal as all that needs to be changed is the traffic lights, the 1-way signs, and the road paint. This will also increase access to convenience businesses and provide afternoon commuters a bypass of the business district.

As one can see, the decisions are difficult and involve many factors. Hopefully this study will shed some light on the economic impact felt by Sprague businesses so that decision makers, regardless of their final decision, can include important relevant information in the future.

SPOKANE VALLEY

BUSINESS ASSOCIATION

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May 28th, 2004

A LETTER OF INTRODUCTION

From the SVBA

Mr. Evan Marques, a student at Gonzaga University, has been contracted to do a study of businesses and property owners in the Spokane Valley. Under the direction of Dr. Scott Bozman, Professor of Business, Gonzaga University, this study is sponsored by the Spokane Valley Business Association.

The SPOKANE VALLEY BUSINESS ASSOCIATION thanks you for your participation and co-operation with this survey.

Sincerely,

**Dr. Philip L. Rudy, DDS, Chairman
Spokane Valley Business Association's
Sprague Avenue Committee**

**R. Terry Lynch, CHA
Chairman & President 2004
Spokane Valley Business Association**

