

## Rajendra Jain

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**From:** "Rajendra Jain"  
**To:** "Leonard Abbatiello" ; ; "Jane Miller"  
 "David Mosby" ; "Willie Golden"  
 "Louise (Lou) Dunlap" ; "Tom Beehan"  
 "David Bradshaw"  
**Cc:** "O'Connor, James" ; "Jenkins, Steve"  
**Sent:** Friday, February 16, 2007 10:27 AM  
**Attach:** Sales and leakage analysis for Anderson County - Oak Ridge.pdf; 2-14-07 per TVA Leakage for Anderson County TN.pdf  
**Subject:** Sales and leakage analysis for Anderson County / Oak Ridge.

### CrestPoint Development - Demand side analysis

On February 14<sup>th</sup> 2007 I received "Estimated In/Out Retail Trade Leakages" study from Mr. Hardy at the Chamber of Commerce. According to Mr. Hardy this study is obtained from TVA.

This analysis determines the sales available for capture by Crest Pointe development from residents of Anderson County and Oak Ridge. In other words this analysis looks at what additional new sales is possible if retail purchase made outside of Anderson County and Oak Ridge are "loyally" made at Crest Pointe by its residents.

#### Anderson County - Sales and Leakage Numbers

Description	Sales (Thousands Of Dollars)	Estimated Leakage	Available for capture by CrestPointe as new sales
<b>Total retail sales - \$967,921</b>			
<b>Food and beverage stores</b>			
Grocery stores	\$193,242	\$79,877	
Other food and beverage stores	\$7,531	(\$26,096)	
<b>Food service and drinking places</b>	<b>\$93,330</b>	<b>(\$6,398)</b>	<b>(\$6,398)</b>
<b>General merchandise</b>			
Department stores	\$103,053	(\$6,931)	(\$6,931)
Other general merchandise stores	\$42,418	(\$7,414)	(\$7,414)
<b>Clothing and clothing accessories</b>	<b>\$45,896</b>	<b>(\$3,012)</b>	<b>(\$3,012)</b>
<b>Furniture, home furnishings, electronics and appliances</b>			
Furniture and home furnishings stores	\$11,518	(\$14,895)	
Electronics and appliance stores	\$8,903	(\$7,382)	(\$7,382)
<b>Motor vehicles and parts</b>	<b>\$216,907</b>	<b>(\$19,871)</b>	
<b>Gasoline service stations</b>	<b>\$53,156</b>	<b>(\$59,946)</b>	
<b>Building materials and garden equipment</b>	<b>\$47,200</b>	<b>(\$36,991)</b>	

Health and personal care stores	\$83,123	\$30,244	
Other retail stores	\$61,644	(\$12,667)	(\$12,667)
<b>Anderson County Total Sales 2005</b>	<b>\$967,921</b>	<b>(\$91,482)</b>	<b>(\$43,804)</b>
Oak Ridge Total sales 2005	\$439,524		
Oak Ridge Sales as Percentage of Anderson County	45%		
		at 45%	(\$19,890.99)
Sales Tax Realized 0.5 * 2.75% on \$40 million			\$602.31

The net sale in Anderson County is \$968 million (nearly a billion dollars). There is an in-leakage of \$110 million attributed to food and health products, both an artifact of the big-box grocery stores that do not exist in some of the surrounding counties. The out-leakage is to the tune of \$202 million. The major components (big ticket items) of out leakage are:

- Gasoline \$60 million
- Building Supply \$37 million
- Other (specialty) foods \$26 million
- Automobiles \$20 million
- Furniture \$15 million

This totals to about \$158 million out-leakage that cannot be serviced at Crest Pointe Power Center. The balance of approximately \$43 million is available for capture by Crest Pointe as new sales. The \$43 million represents out-leakage for the whole of Anderson County. Prorating that to Oak Ridge at 45% will be approximately \$20 million. The sales tax revenue realized by the city of Oak Ridge will be **\$602,000** (on \$43 million) and **\$270,000** (on \$20 million) respectively.

One can argue that we can capture sales from residents across the Postma Bridge. By the same token one can also argue that Crest Point cannot capture 100% of the leakage of Anderson County.

Though the "Estimated In/Out Retail Trade Leakages" study numbers are an extrapolation based on some model available to the TVA, I trust these numbers with a higher degree of confidence for the following reasons. Out of the annual \$2 billion (assuming post federal tax) that people in Anderson County earn they spend \$1.2 billion (app \$1 billion within the county and \$200 million outside) on retail. That constitutes 60% of their earnings. Typically 30% goes towards housing and the balance 10% to 15% is used towards other needs such as servicing personal debt, education, doctors, utilities, lottery tickets, etc. These numbers are also used by the Chamber of Commerce to entice potential new business into Oak Ridge.

As a side note, what stands out is the fact that something needs to be done about the \$60 million we lose annually on gasoline. Like food gasoline is a fact of life and has a very short life cycle. If possible we need to reduce our sales tax on gasoline or give the gas stations in Oak Ridge/Anderson county incentives to be competitive with Knox County.

Thanks

Raj Jain

For your convenience attached please find a pdf version of this e-mail and "2-14-07 per TVA Leakage for Anderson County TN.pdf" (original TVA study)

**Rajendra Jain**

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**From:** "Jenkins, Steve"  
**To:** "Rajendra Jain" ; "Leonard Abbatiello" <>; "Jane Miller" ; "David Mosby"  
 ; "Willie Golden" ; "Louise (Lou) Dunlap"  
 "Tom Beehan" ; "David Bradshaw"  
**Cc:** "O'Connor, James"  
**Sent:** Friday, February 16, 2007 11:26 AM  
**Subject:** RE: Sales and leakage analysis for Anderson County / Oak Ridge.

Mr. Jain

Your estimate is a \$20,000,000 potential gain just from Anderson County. What you did not include is the potential gains from Roane, which houses about 10 percent of Oak Ridge, Morgan, Loudon, Scott, Campbell, or Knox Counties and other areas. When you add the potential from all of these areas, which Target and other retailers have already done, you make a really good case (even better than my analysis) for locating a high quality regional shopping center in Oak Ridge.

By the way I think your estimate for Anderson County is a little low, but it works. You only need about \$30 million for the City to break even and the schools will still gain

Thanks for your efforts in this matter.

Steve Jenkins

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**Anderson County - Sales and Leakage Numbers**


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**Cc:** "O'Connor, James"  
**Sent:** Friday, February 16, 2007 1:04 PM  
**Subject:** Response to Mr Jenkins concerns - Sales and leakage analysis for Anderson County / Oak Ridge.

Hello Mr. Jenkins;

From the explanation given to me by Mr. Hardy from the Chamber of Commerce, there are receipts at cash register located in Oak Ridge and Anderson County. The only cash register in Oak Ridge in the Roane County section of the city is at the bar at the Country Club golf course and a few home based businesses. According to Mr. Hardy this small revenue is insignificant. The 10% Oak Ridge residents that live in the Roane county portion of the city pay at the cash registers in Oak Ridge and is captured in the TVA study. So I don't see your point.

The \$20 million represent 100% consumer level retail out-leakage for Oak Ridge. This is 4% loss of retail sales to Knoxville at the margins; this out-leakage is on an approximate \$500 million annual retail sales realized in the city of Oak Ridge. I am sure we are not establishing a guard tower at exit points in Oak Ridge to force residents to shop at Crest Pointe. People are still going to shop at Knoxville just from the fact that there will be more economic diversity and variety to choose from. They will also go to Knoxville for entertainment and have a good time.

Oak Ridger's will continue to go to Knoxville because there is no way we can have a dozen computer stores, a dozen electronics store, a dozen furniture store, a dozen craft stores, a dozen boutiques, a dozen toys and hobby stores, or hundreds of restaurants to choose from at Crest Pointe. Stealing Mr. O'Connor's phrase "this is a fact of life". We will always remain a suburb of Knoxville.

With regards to "potential gains" from Morgan, Loudon, Scott, Campbell, or Knox Counties and other areas - earlier I have already presented time-distance and personal income studies which have been widely accepted (<http://oakridgetn.net>). I haven't received any factual challenge from the city though I have received plenty of opinion. The city does not have numbers to justify specific potential capture by our Crest Pointe which will be competing with Turkey Creek, Clinton Highway Schaad Road shopping center and the new proposed shopping center on Farragat and Lenoir City line for that market share.

Your settling for \$30 million additional sales revenue from Crest Pointe is a far cry from the \$142 million potential additional sale figures that the City has been canvassing. These \$30 million sales will only realize additional sales tax revenue of about \$400,000 annually. I cannot see how we can realize \$850,000 needed to service the debt annually. Maybe property taxes from this development could cover the shortfall. If breaking even is the goal then that's okay, but that's not going to help our schools. Neither is it going to help maintain our property taxes at the current level nor promote any reduction.

The risks involved are too high and if this gamble does not materialize then the residents of the

city will end up paying to service the debt from the funds badly needed for our school system. Similar to what is happening with past projects promoted by the City, where much needed funds are used to service debt while the school budget is tightened year after year.

I hope this clarifies. Let's continue looking at data.

Thanks

Raj Jain

additional analysis and information at <http://oakridgetn.net>

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"Tom Beehan" ; "David Bradshaw"  
**Cc:** "O'Connor, James"  
**Sent:** Friday, February 16, 2007 5:03 PM  
**Subject:** RE: Response to Mr Jenkins concerns - Sales and leakage analysis for Anderson County / Oak Ridge.

Mr. Jain

Your choice means that you are forcing every Oak Ridger to spend more and more of their hard earned money in Knoxville, which ultimately guarantees a higher tax bill for all Oak Ridgers including you. I am sure Knoxville appreciates your support for the Knox County Schools instead of the Oak Ridge and Anderson County schools. I can assure you they are cheering for your opinion to prevail.

Why should we do more analysis? Your own analysis shows that this happening at least 20,000,000 more times than it should just for Anderson County. I believe you are as accurate as you want to be, but I also believe that your analysis is low. We also agree from this perspective, no retailer would locate in Oak Ridge based on our economy alone. Where we differ is, unlike your time distance analysis, I am positive that the City will gain market share from the surrounding counties, including a large portion from Knox. Wouldn't that be a twist, Knoxvilleans supporting Oak Ridge and Anderson County schools instead of you supporting the Knoxville schools. In addition, I do not believe that your analysis will ever be as accurate as Target. They believe there is a market here, and they are not in a habit of moving to a site that is destined to fail. This can be argued forever and I can espouse as many statistics as you can. The point is that there is a risk. The absolute maximum risk is \$2.50 per month for the average Oak Ridge home owner, and the only way to know the outcome for sure is to locate a Target in Oak Ridge. It is pretty simple, either the community is willing to take that risk or they are not.

The balance is made up from property tax revenues of approximately \$500,000 from the site. I wish to thank you for putting words in my mouth - I never said anything about settling for \$30,000,000, I said that it would take that amount for the City to break even and even then the schools will gain about \$100,000 annually.

I must assume from your analysis that there should never be any new retail in Oak Ridge, because it is doomed to failure. It is sad that you think so little of your local community.

I also think that from this point that we should agree to disagree.

Steve Jenkins

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