

## RETAILER BAIT

### CITIES LURE BASS PRO SHOPS AND CABELA'S WITH CASH AND TAX BREAKS

By Joel Groover

"We're very happy we landed the big one," quipped Sarpy County Commissioner Tim Schram at the March ground-breaking of a 125,000-square-foot Cabela's store on Interstate 80 in La Vista, Neb. When the \$40 million store opens this fall, it will contain not just fishing, hunting and camping gear, but also a freshwater aquarium, an indoor archery range, some wildlife displays, and even a replica mountain, complete with a trout pond and some streams and waterfalls. Cabela's plans to hire about 275 locals, says Schram, but the store's power to boost tourism could spur growth that creates many more jobs throughout the county.

"We've got miles and miles of I-80 through Nebraska," Schram said. "We need something to hold people overnight who are driving through our state."

For public officials in a growing number of communities, "landing the big one" actually means angling to hook one of two fast-expanding retailers in the outdoor-recreation sector: Sidney, Neb.-based Cabela's or Springfield, Mo.-based Bass Pro Shops. Efforts to dangle the shiniest lures - taxpayer-funded incentives worth up to \$98 million - can be as controversial as they are expensive.

Even as some in government eagerly chase deals with Cabela's and Bass Pro, others question the wisdom and fairness of using public money to do so. In April the threat of a filibuster helped kill a Nebraska bill that would have allowed officials to funnel some \$35 million in sales taxes back to the Sarpy County Cabela's, says state Sen. Pam Redfield. The Omaha lawmaker, who sits on the revenue committee, warns against creating a climate in which retail chains routinely play one community off another to win lucrative subsidies. "You would eliminate your tax base," she said. "Manufacturers can go anywhere, so states are dependent on some kind of mechanism to draw them. Retailers have to go where the customers are."

Among the critics of such subsidies are retail interests large and small. Minnetonka, Minn.-based Oppidan Investment Co., which builds stores for St. Paul, Minn.-based outdoor sports retailer Gander Mountain and others, launched a nationwide campaign aimed at persuading government officials to stop giving money to Bass Pro and Cabela's. Gander Mountain's 98 stores offer 70 percent of the same merchandise as its two competitors, but without the stuffed trophy animals and trout-stocked ponds, says David Ewald, the consultant running the campaign.

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Gander Mountain neither asks for nor receives public funds for its relatively no-frills stores, Ewald says, so it feels at a competitive disadvantage in markets where Bass Pro and Cabela's receive millions in subsidies. "They are fine companies," said Ewald. "We just believe government shouldn't be giving them money to compete against our folks, or any other people in the camp-fish space."



*Illustration: Scott Pollack*

The incentives packages in fact put governments in the position of choosing one retailer over another, critics say. Last October Oppidan cancelled a contract to relocate a Gander Mountain store to a 17-acre site in the Milwaukee suburb of Germantown. The developer backed out after failing to get officials to nix \$11 million in subsidies for a proposed Cabela's, according to Michael T. Ayres, Oppidan's COO.

"We can compete with Cabela's and Bass Pro," Ayres said. "But when cities, states and counties choose to get into the outdoor lifestyle business as a partner with them, we can't compete with that." Small-business owners across the country, such as the boat dealer who helped persuade Kentucky lawmakers to kill a Cabela's incentives bill in April, have lodged similar complaints.

These opponents, however, fail to acknowledge the manifold public benefits of bringing a major tourist attraction to town, says Michael Callahan, senior vice president of retail operations and marketing at Cabela's. With its huge aquariums and museum-quality taxidermy, the Sidney Cabela's store draws 1 million visitors a year and is the No. 2 attraction in Nebraska. "Shoppers on any given weekend will come from as much as 250 miles away," Callahan said. "We get tourist buses that stop, Boy Scout troops coming and going."

An anti-subsidy Web site Ewald created on Gander Mountain's behalf, [sayno2outdoorsretailsubsidies.com](http://sayno2outdoorsretailsubsidies.com), furnishes a time line of Cabela's progress from a catalog business in 1961 to a Wall Street name that posted \$1.6 billion in revenues in

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2004 (\$1.8 billion last year) and displays a penchant for accepting public funds. Among the largest amounts, according to the site, are \$98 million in Wheeling, W.Va., for a store and distribution center; \$61 million in Buda, Texas; \$40 million in Fort Worth, Texas; \$40 million in Dundee, Mich.; and \$31 million in Kansas City, Kan.

These figures might seem eye-popping, but so are Cabela's extremely high infrastructure and construction costs, says Callahan. Its larger locations can cost up to \$60 million to build and often require extensive public improvements. A high-volume traffic interchange for the Wheeling store cost \$11 million and still proved inadequate. "On busy weekends the exits still back up onto the interstate,"

Callahan said. Replacing a cow pasture with a \$50 million Cabela's, he says, provides a significant boost in property tax revenue, though how significant depends on the structure of the incentives. Of course, Cabela's itself generates considerable sales tax revenue. "Their stores are very productive," said retail analyst N. Richard Nelson Jr., managing director at the Chicago office of Stephens Inc., a Little Rock, Ark.-based investment bank. "They do north of \$350 per square foot."

Moreover, true destination retailers also serve under-retailed communities by generating traffic that in turn draws new tax-generating developments, says Cynthia Stewart, ICSC's director of local government relations. The use of public money to this end may have its critics, but it also has its precedents, she says. Municipalities frequently provide a range of incentives to grocery chains and similar sought-after anchors. Often, the goal is to offset the greater risk these chains take by being among the first to move into a new development. "It is not a giveaway," Stewart said. "When these developments are successful, there is a return on that investment."

Clearly, some communities expect major returns. Buffalo, N.Y., envisions Bass Pro as the anchor of a waterfront remake that could eventually cost some \$1 billion. The proposed project would contain loft housing, a museum, parking decks and extensive retail, such as the Harborfront Market, a boardwalk of shops and restaurants akin to Boston's Faneuil Hall Marketplace. The plan is for Bass Pro to take over the vacant Buffalo Memorial Auditorium by 2008, says Charles F. Rosenow, president of the state entity coordinating the project. When the idea was announced nearly three years ago (it is still under study) the cost of Bass Pro's portion was estimated at \$57 million. "Of that amount, the city, county and state have put up \$35 million to retrofit the building," Rosenow said. "Bass Pro would spend \$22 million on the store."

Free Buffalo and other local critic groups have lambasted the deal as corporate welfare, but defenders point to the fact that downtown Buffalo is desperate for jobs. "The city has given over all of its downtown retail to the suburbs," Rosenow said. "This would re-establish a retail base." Further, supporters cite the success of existing projects anchored by destination retail. Kansas City courted Cabela's in 2003 to add full-time retail to the area around Kansas Speedway. Other developments followed, including restaurants and hotels, a 750,000-square-foot Nebraska Furniture Mart, a Great Wolf Lodge indoor water park and resort, a baseball park and The Legends at Village West, an 805,000-square-foot open-air lifestyle center by RED Development. "Cabela's had a tremendous impact in Kansas City," said Edward T. Krusa, a consultant in Hammond, Ind., who took a fact-

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finding trip to Kansas City on behalf of Hammond officials currently in negotiations with Cabela's.

Bass Pro now operates 33 stores in 21 states and Canada, with about 10 more slated to open by the end of the year. Cabela's operates 14 stores, with 13 in the pipeline and others in negotiation. "We believe there is potential for 50 more of our 150,000-square-foot-type stores or larger," Callahan said. "We also believe there are literally hundreds of opportunities for a smaller format."

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Critics complain that such aggressive rollouts will shrink the trade areas and eventually make the stores more humdrum than special. Retail is notoriously fast-paced, they say, so could Bass Pro suddenly acquire Cabela's, for instance, and start closing stores? "There is no guarantee of longevity," said Sen. Redfield.

Some wonder whether a failure of incentives in a number of communities would cause a crackdown on sales tax rebates, tax increment financing and the like. The fierce public reaction to the U.S. Supreme Court's decision a year ago in *Kelo v. City of New London*, in which the court said public officials could use eminent domain powers for private real estate projects, may be a sign of growing unease about public-private partnerships, says Doyle G. Hyett, chairman of HyettPalma, an Alexandria, Va.-based consulting firm that helps communities revitalize their downtowns. "We hear opposition to offering \$3,000 facade grants to small businesses in downtowns," Hyett said. The U.S. has a history of resistance to coziness between government and business, he says. "It is why Congress changed the tax laws in 1986 to stop communities from bond-financing things like Kmart and Wal-Mart," he said. "It has been serious at times in the nation."

Unless that mood gains force, however, it is likely that the public and private sectors will continue the amicable relationship they've enjoyed - not unlike fishing buddies in the same boat.