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Take a Gander at a Company That Deserves Applause

There's a major retailer that rejects taxpayer subsidies? As strange as it might seem in Pennsylvania, it's true. Gander Mountain—a major retailer of outdoor sporting goods—opposes tax breaks for retailers and is critical of those who accept them. The nation's third largest outdoor retailer, behind Cabela's and Bass Pro Shops, has launched a national campaign to oppose government subsidies in the retail industry. Gander's CEO says that government handouts are “anti-competitive and fundamentally inappropriate.” Too bad more retailers, developers and government officials don't subscribe to these sentiments.

Instead we see retailers and developers going to elected officials asking for whatever subsidies they can get, all the while touting the economic benefits they will bring as a result. Local officials have bought these arguments and doled out taxpayer subsidies to many projects—from Lazarus and Southside Works to Deer Creek Crossing and Pittsburgh Mills. The latest local development, Victory Centre in Washington County boasts one of Gander Mountain's competitors, Bass Pro Shops.

Bass Pro Shops has been very adept at netting state funds. According to the Tax Increment Financing Plan for the Victory Centre Development Project from July 2005, Bass Pro Shops had received a formal commitment from the Commonwealth of Pennsylvania for \$15.5 million. The argument from Bass Pro, as well as other retailers angling for public funds, is that their store will be a “destination” drawing customers from miles and miles around. The Plan mentions that the closest Bass Pro is in the state's capital of Harrisburg.

But the argument becomes weaker as more of these “destinations” spring up around the area. For example, even though the nearest Bass Pro is approximately four hours away, there is a Cabela's destination outdoor retailer (subsidized with a \$35 million grant from West Virginia) just across the border—less than one hour by interstate highway. How many stuffed animals and aquariums will customers look at before they have enough? Is it worth \$15.5 million in taxpayer money to find out?

Subsidies for retailers do not bestow the benefits promised. All too often projections of economic activity, employment, and “spin off” development never materialize. One needs to look no further than the Lazarus department store in Pittsburgh. Sales and

employee levels fell far shy of predictions and surrounding development never took place. After the minimum required five years in the building, the store closed.

Early returns from the Deer Creek Crossing development—a TIF recipient—are also not promising. Deer Creek has seen two developers back out of the project. Prospective tenants are moving to the Pittsburgh Mills mall location instead. Competition between the two subsidized malls may have driven one off the drawing board. As we have noted repeatedly, new retail developments just chase dollars around the county or region—they rarely bring in net new economic activity.

While the Bass Pro Shops plan is expansive, its true economic effects may never be known. With Cabela’s so close to the proposed development, it may not draw the visitors they are projecting. What happens when the novelty wears off? Will this project be economically viable after five, ten, or twenty years (the length of the subsidy) later? History shows that retail is faddish and consumers will move on to the next big development—that will no doubt require even more subsidies.

Clearly, the nation would be better off if there were more retailers like Gander Mountain. They have quietly built themselves up to the number three outdoor retailer in the nation and have done so without taxpayer subsidies. Gander Mountain has invested in Pennsylvania with eleven stores across the state including four in the Pittsburgh area. They are already competing with existing sporting goods retailers that have received subsidies and now must contend with more heavily subsidized competition in the form of Bass Pro Shops at Victory Centre.

It cannot be repeated too often. State and county development officials should stop subsidizing retailers. The benefits promised by developers almost never materialize and taxpayers are often left to pay for another failed development. In common parlance this is known as a “lose-lose” situation. Of course in a state where job growth is anemic, throwing money at retail is what passes for economic development.

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