

Store says tax a deal-breaker threatens to pull out

Monday, August 28, 2006

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Cabela's, the outdoor equipment company that seemed set to open a megastore in Scarborough, may not come to Maine after all, threatening an ambitious commercial project.

Developers spent the past year crafting the \$75 million proposal that would define Exit 42 of the Maine Turnpike. A 125,000-square-foot Cabela's retail store anchors that deal, with restaurants, banks, offices and a five-story hotel nearby. Scarborough town officials have tried for years to jump-start development there, and have opened their arms to Cabela's. But a debate over taxes could make the whole deal vanish.

Cabela's does not want to collect sales tax on catalog purchases by Maine customers, and has asked for an advisory ruling from Maine Revenue Services, the state agency that advises companies on tax laws.

Cabela's argues that its retail business is separate from the catalog business.

In the 19 states where Cabela's has requested similar exemptions, all were granted. There appears to be more opposition in Maine, though. Several companies, led by L.L. Bean of Freeport, say Cabela's is seeking an unfair advantage, and appears to be using its promise of jobs and revenue to force the state's hand.

"It is not about competition; bring the competition on," said Rich Donaldson, spokesman for L.L. Bean, which sells outdoor gear through catalogs and retail stores. "It is about playing by the same rules."

As they wait for the ruling, both sides have turned up the pressure, enlisting prominent Maine lobbyists and political consultants.

Ted O'Meara, campaign manager for U.S. Sen. Olympia Snowe, R-Maine, is working for New England Expedition LLC, the developer seeking to bring Cabela's to Scarborough. Dennis Bailey, who orchestrated anti-casino efforts in Maine, has spoken against a ruling for Cabela's. Leaders of the Maine Chamber of Commerce, Maine Municipal Association and the state chapter of the National Federation of Independent Business signed an opposition letter to Gov. John Baldacci on Aug. 15. L.L. Bean staffers helped draft the letter, which urges the governor to oppose any special tax deals.

George Smith, head of the state's largest sportsmen's group, the Sportsman's Alliance of Maine, has asked Baldacci to find a solution that satisfies both companies.

What started out as a local development proposal has turned into a high-stakes game at the state level, played at the intersection of business and politics.

In materials provided to town officials, Cabela's has promised a huge economic impact. It projects 3 million visitors the first year, generating \$55 million in sales at the store, with up to 35 percent coming from out-of-state shoppers. The store would employ 180 full-time workers and 140 part-timers. The total project on 65 acres, including the hotel, restaurants and offices, could create about 800 jobs.

Cabela's is apparently prepared to immediately withdraw its plans for Scarborough if the state does not agree with its tax proposition.

"It is a dealbreaker for Cabela's," said Gene Beaudoin of New England Expedition LLC. "This project would not go forward without a favorable ruling."

The Maine Revenue Services ruling could be released any time, and players on both sides are not sure what the verdict will be. The legal issues are complex, and Cabela's has been asked several times to provide more information, Beaudoin said.

Cabela's representatives were in Augusta last week, according to Beaudoin and Jack Cashman, commissioner of the state Department of Economic and Community Development.

"I am in favor of Cabela's coming in, but not preferential treatment," Cashman said. "The question is: Would they be providing treatment to Cabela's that they have refused to others?" Much more hangs in the balance than the initial \$75 million project. Scarborough town officials and economic developers have pinned their hopes on Cabela's, and losing the project would be a major setback.

Last year, the town finished a \$10 million infrastructure project from the turnpike exit to Route 1, along the connector known as the Haigis Parkway. They're looking for the first project to send a ripple effect down the length of the parkway.

The individual property owners also have a stake. They have signed purchase agreements with New England Expedition LLC, and would return to square one if the deal falls apart.

"I don't even want to think about it," Beaudoin said of that possibility.

At the town level, the Planning Board is expected to hold a workshop tonight on the project and review preliminary design work. The full application could go to the Planning Board for approval as soon as next month, Beaudoin said. The town appears ready to grant Cabela's a needed zoning change.

Town Manager Ron Owens was on vacation last week and could not be reached for comment, but noted his support for Cabela's in an interview last month. "Overall it's a wonderful project," Owens said. "Scarborough would be known for the Cabela's exit."

Headquartered in Nebraska, Cabela's specializes in hunting, fishing and camping gear. Most of its profits come from catalog sales, but the company is in the midst of a rapid retail expansion, with 16 megastores already completed, and another dozen either under construction or in the late planning stages.

The huge stores are marketed as tourist attractions, with museum-style displays, aquariums, archery ranges and restaurants offering meals of wild game. Cabela's receives about 165,000 catalog orders from Maine every year, for about \$10 million, Beaudoin said.

Donaldson, the L.L. Bean spokesman, said the company has no problem with Cabela's coming to Maine. It simply opposes any inconsistency in the tax laws. When Bean's establishes retail stores outside of Maine, Donaldson said, the company does not try to avoid taxes in those states. "It's a matter of fairness and principle," he said.

O'Meara, the consultant for Cabela's, said the L.L. Bean argument is not valid. The separation of Cabela's retail from Cabela's catalog allows for different tax applications, he said. "Every other state in which they have built a store has looked at the facts and said how they operate is OK," O'Meara said. "All of these tax rulings lead back to the constitution. The company is not trying to dodge paying taxes."

Most of the other states have offered incentives for Cabela's to build, O'Meara said. Earlier this month, the Connecticut Development Authority announced a \$9.9 million state grant to help with construction of a new Cabela's store in East Hartford. The company sought similar help in Maine, but there are no programs available for retail development, Cashman said. George Smith, executive director of Sportsman's Alliance of Maine, said everyone will lose if the state can't find a way to bring in Cabela's.

"Our members would be quite enthusiastic," said Smith, who has spoken to Baldacci on the topic. "A lot of us are Cabela's customers, and we are also L.L. Bean customers. We would hope in the ideal world, Cabela's could come to Maine, and both companies would feel they are being treated fairly."

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