

POLICY BRIEF
An electronic publication of
The Allegheny Institute for Public Policy

August 8, 2005

Volume 5, Number 31

Terminate the Stadium Authority

The City needs all the help it can get to climb out of distressed status. A step in the right direction would be to sell assets owned by the Urban Redevelopment, Parking, Water and Sewer, and Stadium Authorities and use the money to retire City debt. This is especially true for the Stadium Authority, which has not had a stadium to manage since the demolition of Three Rivers. It does however, own prime acreage between the two new stadiums—the sale of which could provide millions for a cash-starved City.

But, according to a study prepared for the Intergovernmental Cooperation Authority (ICA), selling this land to benefit the City is not possible. The study also rejects the notion of merging the Stadium Authority with the City-County controlled Sports and Exhibition Authority (SEA) claiming that the administrative costs of doing so would offset any savings. To be blunt, this is a red herring.

The Stadium Authority should have been shuttered when Three Rivers was demolished. The real reason the Authority continues to exist is to permit the Mayor to maintain control of development between the stadiums. Interestingly, the ICA funded study somehow totally ignores this point, which undoubtedly colors the entire report and its conclusions. In an agreement with the Steelers and Pirates, the Stadium Authority retained ownership of about nine acres of land in the area between the two new stadiums and has the final say over North Shore development. This land—valued conservatively at \$4 million—was transferred from the Urban Redevelopment Authority to the Stadium Authority at no cost and is on the Stadium Authority's books as having no value.

To date, two parcels have been sold for the DelMonte and Equitable projects. However, under the development agreement any proceeds from the sale of land cannot be given to the City. Instead, they are deposited into a Stadium Authority redevelopment fund. Those funds are being held by the SEA and are to be used to develop the parcels—continuing the unending chain of subsidies to the North Shore. Likewise, any parking revenues that are generated by the unsold land (about 5,000 spaces) are directed into this fund. This is a cozy relationship that guarantees that the City, through its agencies, will subsidize whatever development takes place.

Why aren't Stadium Authority revenues from land sales and parking being remitted to the City? After all, the ICA study notes that the Stadium Authority owes the City \$22.8 million for a grant and another \$10.2 million in a long-term note. This is fascinating since these Authority liabilities are not carried on the City's books as assets. Thus, any Authority payment on these loans is like found money. Evidently, the City has opted to forgive the Stadium Authority's \$33 million debt, much like the URA is in the process of forgiving \$60 million in loans to the Pirates. With such shrewd financial practices, no wonder the City is in financial distress.

Moreover, the study's claim that merging the Stadium Authority and the SEA would not save the City money is irrelevant. They shouldn't be merged. The Stadium Authority should be eliminated. From a management perspective they are already merged since they have the same executive director and board chairman. As noted earlier, the real purpose of the Stadium Authority is to allow the Mayor to control development between the stadiums. The only credible obstacle to closing down the Authority is a \$2 million balance outstanding on a bond issue. However, the \$4.7 million the Authority receives annually from the RAD board can easily pay that off. After that, the annual RAD contribution to the Stadium Authority can be shifted to other agencies.

The study notes that in comparing the SEA to "similar entities" in other cities—St. Louis, Denver, Seattle, Cleveland, and Baltimore—there are "no unusual differences or practices that the Pittsburgh area authorities could adopt to their benefit." Calls to these cities revealed one big difference—the cities mentioned above have only *one* authority devoted to sports arenas and stadiums. Pittsburgh is the only city with *two stadium related authorities*—a major difference that should have been corrected five years ago. This has been made more necessary by the fact that the Stadium Authority has no stadium to manage.

Further undermining its usefulness and objectivity, the study inexplicably digresses into the convention center's financial situation. According to the report, a similarity between the Pittsburgh convention center and centers in other cities is they are not profitable and require public subsidies. But the report goes even further to suggest that a decades old agreement, in which the City and County would subsidize any budget deficits on a 50/50 basis, is not fair to the City and should be reworked so that 75 percent of any shortfalls would be picked up by County taxpayers. The reasoning behind this argument is that presently Pittsburgh accounts for only 26 percent of the County's population and has approximately 19 percent of its income.

Built largely with state and County tax money, the convention center relies heavily on the County's hotel tax for funding. Meanwhile, the City appoints three SEA board members, the county appoints three and they jointly appoint a seventh. Would the City be willing to let the County appoint three fourths of the board in exchange for shifting the funding ratio to 75 percent and 25 percent?

To return to the main point, the ICA funded study's attempt to rationalize maintaining the Stadium Authority status quo notwithstanding, the next mayor needs to correct this nonsensical situation by selling authority assets and terminating the Stadium Authority.

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