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RAD must reject SEA's request

By Colin McNickle

Taxpayers continue to contribute millions of dollars annually to pay for the construction of Heinz Field and PNC Park. But they should not be expected to underwrite any more costs, says a scholar at the Allegheny Institute for Public Policy.

"The teams that have already benefited enormously from taxpayer money should shoulder the responsibility for any repairs or capital improvements," says Frank Gamrat, executive director of the Pittsburgh think tank (*in Policy Brief Vol. 18, No. 34*).

The Allegheny County Regional Asset district (RAD) is considering a request from the city-county Sports & Exhibition Authority (SEA) for an additional $1.16 million in 2019 to augment individual reserve funds. That money is used for repairs and improvements at not only the baseball park and football field but at PPG Paints Arena, home to the Penguins, and at the David L. Lawrence Convention Center.

The SEA, charged with running the facilities on behalf of the public, says the additional money – which it hopes will become an annual contribution – will be needed as the complexes age. The baseball and football facilities now are 17 years old. The convention center is 15 and the hockey arena is 8.

Of three professional sports franchises, only the Steelers have reacted publicly to the proposal. And, no surprise here, a team that has oft-wrangled with the SEA to fund upgrades, supports this latest dip into taxpayer pockets.

But as Gamrat details in the new whitepaper, the Steelers reap myriad benefits from a sweetheart lease – one that creates a catch-22 scenario – that should proscribe it from receiving additional public dollars.

Not only do the Steelers realize nearly all of the revenues generated at Heinz Field, but because of a complex system of credits, or deductions, its lease payments are minimal.

And, most interestingly, the SEA was not forthcoming when asked what the Steelers paid in rent for the first decade of the lease. Instead, it said a Right-to-Know request must be filed, a process that only delays the release of what is clearly public information. Audited financial statements for 2010-12 provide no indication that a lease payment was made.

"These deductions had the potential to offset a substantial portion, if not all, of the $25 million rent due after the first 10 years," Gamrat says.

Among those deductions? Credits for everything from many taxes paid by the franchise, to the personal income taxes withheld from its employees, to even the taxes withheld from members of opposing teams.

A major sweetener was that the Steelers and Pirates were given development rights to the 25 acres of land between the facilities. The teams, which have the final say on any development of the tract, share with the SEA revenue from the sale or lease of property therein.

(Additionally, the Steelers received a $2.5 million taxpayer subsidy to build and operate what became the Stage AE concert site adjacent to Heinz Field. The team owns the facility and keeps all revenues generated by it.)

Thus, here's that catch-22 kicker:

"The lease between the football team and the SEA was designed for the team to retain the overwhelming majority of the revenues generated at the facility, leaving the authority that owns the building very little in the way of facility-generated revenues," says the Ph.D. economist.

"Of course the stadiums were going to need repairs as they age," he stipulates. "But the SEA isn't in much of a position to pay for them since it doesn't receive much from the operations of the facilities it owns.

"These costs ought to have been factored into the lease agreements," Gamrat adds. "But again this is not a typical lease."

Indeed. And surely there are more worthy beneficiaries of scarce public dollars, such as Allegheny County's struggling parks and the effort to fix the crumbling infrastructure of the Pittsburgh Water and Sewer Authority.

"It's a travesty for an organization (such as the Steelers) with an average pay in the millions that has been a huge beneficiary of taxpayer generosity to be asking for more tax dollars," Gamrat says. "The request to the RAD board for $1.16 million to supplement capital expenditures should be rejected."

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