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No subsidies for replacement Hill grocery

By Colin McNickle

There are troubling hints that a replacement grocery store for the heavily subsidized and now-closed Shop ‘n Save in Pittsburgh’s Hill District might be in line for more public subsidies.

But a new analysis by a scholar at the Allegheny Institute for Public Policy reiterates that subsidies for that store were dubious to begin with and subsidies for a new store would be just as inappropriate.

“If officials are bullish on the development of the (nearby) former (Civic Arena) site and the population and activity it will attract, an operator looking to sell groceries ought to jump at the chance without more public involvement,” says Eric Montarti, research director at the Pittsburgh think tank (in *Policy Brief Vol. 19, No. 13*).

The much-ballyhooed Shop ‘n Save opened in October 2013, the result of a push by government and neighborhood activists to end a decades-long, full-service-grocery-store “drought” in a neighborhood characterized as a “food desert.”

But the new store was a hard sell to prospective grocers. Until, that is, government and other subsidies were dangled. In fact, about half of the cost came from government sources. About \$1.7 million came from philanthropic foundations.

Critically telling in the financing package, however, was that a mere \$1 million came from the store owner. Such a dearth of private risk capital suggested the project organizers were “probably not concerned about any profits,” the Allegheny Institute noted a year before the store finally opened.

The store failed in less than six years. Why remains a point of debate. Did the nonprofit owner of the plaza hosting the Shop ‘n Save not maintain the property, as the owner who eventually

stopped paying rent claimed? Or was there an insufficient customer base to begin with at the site, as another business owner claimed?

Be that as it may, the search has commenced for a new grocer. And while Pittsburgh Mayor Bill Peduto has said many of the bricks-and-mortar costs have already been taken care of, he also said officials now must figure out the financials of having a new operator move in.

“On the operator’s side, the financials have to include what it would take to produce revenue to pay for keeping the store up and running and fully stocked,” says Montarti. “On the public policy side, it likely involves crafting some type of incentive or subsidy to attract and retain a store operator, which would be poor public policy.”

Compounding the challenges for any successor store is that the shopping complex hosting it is in arrears on its property taxes by nearly \$200,000 dating to 2015, only two years after the Shop ‘n Save opened. Liens are outstanding. Penalties and interest have accumulated.

“Would any of the local taxing bodies entertain a subsidy for a new store operator to move into a space while being owed delinquent property taxes?” Montarti asks.

The short answer is that there should be no public subsidies for such endeavors. For as Montarti concludes, “There is something to be learned about the public involvement and what that meant for the viability of the undertaking.”

But whether that lesson has been learned remains the operative question.

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