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What's next for Hill District grocery?

Summary: Allegheny Institute research as far back as 2008 documented the attempts to get a grocery store built in Pittsburgh's Hill District. While there was interest from several operators, the decision was made to go with a Shop 'n Save store. Recent news coverage detailed disputes between the store operator and its landlord (a nonprofit organization) over property maintenance, unpaid rent and the larger financial difficulties of the nonprofit.

The Shop 'n Save grocery store in the Hill District's Centre Heldman Plaza officially closed on March 19, less than six years after its October 2013 opening. The plaza was assisted by public, private and foundation funding. There was a significant delay in getting the project started. Despite the store's closure and renewed efforts to get another store into the plaza, there are unpaid property taxes and the proposed sale of other properties owned by the store's nonprofit landlord.

The Centre Heldman Plaza project cost in the range of $11 to $12 million to develop, according to news reports. The Urban Redevelopment Authority (URA) put the project cost at $10.7 million. However, that figure does not appear to include the oft-cited $1 million contributed by the store owner.

According to the URA the funding included $5.9 million in leveraged loan sources, $2.3 million in direct equity sources, $2.2 million in New Markets Tax Credits and $275,800 in URA seller financing, which is the sale price recorded in April 2011 from the URA to Center Heldman Plaza LLC.

As best as can be determined from a breakout of the $8.2 million in loan and equity dollars, $4.4 million (54 percent) can be attributed to government sources, including the URA, Allegheny County, the commonwealth and the federal government and $3.8 million (46 percent) to other sources, including $1.7 million from foundations. The tax credit program involves credits transferred from the U.S. Treasury to local intermediaries called community development entities; investors claim the tax credits after making investments and the entities then lend the money to development projects.

Leading up to the closure, the mayor of Pittsburgh said that there had been discussions with other possible store operators and "a lot of the costs associated with it are brick and mortar and setting up the store [and] are already taken care of." Next would be to "figure out the financials of what it would take to have (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. 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.

If officials are bullish on the development of the former 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. A member of city council stated on the day of the store's closing that a number of grocery store operators have expressed interest but noted it could be six months or possibly next year before another operator takes the space.

If additional public funds are offered here is another sore spot: there are delinquent property taxes on the plaza, which is assessed at $2.1 million. The total owed to the county, city and school district is close to $200,000. The county's real estate website shows unpaid county property taxes from 2015 forward and a tax certification report from the third-party collection agency shows city and school taxes have not been paid since that year either.

Liens have been filed on some of the years (2015 and 2016 for city and school and 2015, 2016 and 2017 for county) and penalties and interest have accumulated. Would any of the local taxing bodies entertain a subsidy for a new store operator to move into the space while being owed delinquent property taxes?

Meanwhile the nonprofit owner of the plaza is seeking bids of no less than $5 million to sell four properties it owns but not the plaza itself (an official of another nonprofit called that decision "perplexing"). The request for proposals is being processed through the URA but the evaluation and selection will be handled by the nonprofit.

The four properties include a mix of taxable and exempt parcels with a total assessed value of $8.6 million. According to the county's real estate website all taxable parcels are current on their county property taxes. The request seeks a closing on the sale by the end of May. Perhaps money from the sale of these properties will be used to satisfy back taxes on the plaza.

There is something to be learned about the public involvement and what that meant for the viability of the undertaking.

In an October 2012 *Policy Brief* we noted "Only $1 million in risk capital has been pledged. Why is there so little private investment? Since there is no significant level of private risk capital, the project organizers are probably not concerned about any profits."

More recently, in reaction to the closure, a state representative stated “I think government was at fault [for providing] a free space basically, and [the store operator] didn’t have any vested interest financially in making this (a grocery store in the Hill District) happen.”

Food for thought as the next step is contemplated.

Eric Montarti, Research Director

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079 * Fax (412) 440-0085
E-mail: aipp@alleghenyinstitute.org