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A look at SEA's new allocation from RAD

Summary: In 2019 the Sports and Exhibition Authority (SEA) received money from the Regional Asset District (RAD), which distributes funds generated by the 1 percent add-on sales tax, to pay for a multi-facility reserve fund for capital repairs and improvements. But taxpayers have paid more than enough for these facilities. It is past time for the teams to pay for all repairs and improvements.

According to the 2019 grant application submitted by the SEA to RAD in July 2018, the SEA requested $1.16 million in general operating support for a multi-facility reserve fund for SEA's "ongoing capital repair and improvement responsibilities" at Heinz Field, PNC Park (both opened in 2001), the David L. Lawrence Convention Center (opened in 2003) and PPG Paints Arena (opened in 2010). The combined construction cost of the four facilities was $1.2 billion.

In December 2018 the RAD board approved an annual operating grant of $800,000 "for the SEA's obligated capital repairs and improvements." Of the 95 annual operating grants awarded in 2019 ($13.1 million total) the SEA grant was tied for the fourth highest in dollar amount. A $3 million grant to the Port Authority topped the list.

RAD's overall 2019 budget (contractual, annual, multi-year and special grants and administration) was $108.6 million. Besides the $800,000 for the multi-facility reserve fund there was another installment in the multi-year award of $13.4 million for debt associated with the "Regional Destination Financing Plan," known as "Plan B." Thus, the SEA received $14.2 million, or 13 percent of the total budget.

RAD Distributions to SEA

Years	Award Type	Status	Purpose	Cumulative Amount
1997-2018	Multi-Year	Complete	Civic Arena Debt	$43,755,355
2000-2020	Multi-Year	Ongoing	RDFP Debt	$281,400,000
2007-2010	Annual	Complete	Convention Center until gaming money started	$5,750,000
2019-2020	Annual	Ongoing	Multi-Facility Reserve Fund	$1,600,000

Based on the SEA's close-out report for the operating grant submitted to RAD, of the 2019 approved funds it used $120,000 for fire alarm strobes and transponders at Heinz Field (total project cost of $283,996) and $680,000 for a green roof replacement project at the Convention Center (total spent in 2019 was $2.6 million).

We noted the SEA has "very little in the way of facility-generated revenues." SEA's 2018 audited financial statement details the money it received that year from the team leases as follows: from PNC Park, $100,000 in base rent and $780,847 in ticket surcharges; from Heinz Field, $746,548 in NFL ticket surcharge revenue, $703,783 in non-NFL ticket surcharge revenue and $24,778 from a percentage of non-sporting event revenue. Both venues have a provision in their leases for "statutory rent" of $25 million per 10-year period. But that can be reduced by applying credits to offset the payments. Under a 2014 Heinz Field lease amendment rent of $2.1 million per year is used to pay debt service on a bond. Rent paid at PPG Paints Arena, $5.6 million in total per year, is used to pay debt service on two bond issues from 2007 and 2010.

Each venue has a capital reserve fund that receives annual deposits based on surcharges on tickets, parking or rent and that is either a fixed amount or increases with inflation. The SEA's 2020 application to RAD noted that in June 2019 the "uncommitted amounts in the individual capital reserve funds" for the teams were $2.6 million (Heinz Field), $2.3 million (PNC Park) and $6.0 million (PPG Paints). Based on SEA audits from 2010 to 2018 there was some fluctuation in the Heinz Field and PNC Park fund balances. The SEA contracts for operations and handles all costs associated with the convention center and has established a fund into which it makes annual deposits; the uncommitted amount was $3.6 million. The application stated that spending from the individual funds "outpaced deposits in recent years on the older facilities."

One would think that the logical place to go for funding capital repairs and improvements would be to seek increases to rent or the amounts required for the capital reserve funds as the facilities age. Or for the convention center to attract more events and grow its revenue to pay for repairs and improvements.

After being granted funding for 2019 and this year, the SEA will likely be returning to request funding (in a December 2018 news article the RAD chairman said the $800,000 amount would not be "going to go up"). Keep in mind that the $13.4 million multi-year grant has another 10 years to go and that may be up for grabs by many current and not yet thought of regional assets.

Since the stadiums and the arena are owned by the SEA they are exempt from property taxes. Combined assessed value for the three facilities is $1.2 billion. Based on 2020 millage rates (Pittsburgh Public Schools, Allegheny County and the City of Pittsburgh, including the special levies for libraries and parks) there would be a combined $29.8 million in taxes generated. Combined with the $14.2 million in RAD dollars that amounts to an effective $44 million total taxpayer subsidy each year. That should have been a consideration when deliberating this new arrangement.

We have made the argument repeatedly—and we make it again today—that since the teams have benefited from sweetheart leases, are granted naming and advertising rights and taxpayer dollars went toward construction of the facilities, that the costs of capital repairs and improvements should have been factored into lease agreements.

Instead the request was made to the RAD board and that request was granted, thus adding more taxpayer dollars into the mix.

Eric Montarti, Research Director

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: AlleghenyInsti1