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The problem with Pittsburgh's 'Esplanade' project

By Colin McNickle

Local and state governments have joined forces to weave an incredibly tangled financing web to help a private company build a much-touted $740 million dollar entertainment/retail and "affordable housing" complex on the north shore of the Ohio River near the West End Bridge.

But researchers at the Allegheny Institute for Public Policy not only have serious questions about the efficacy of the public helping to finance such a project but its chance for success and its ability to bolster the moribund local economy.

"Pittsburgh's problems will not be solved by shiny new venues," say Jake Haulk, president-emeritus of the Pittsburgh think tank, and Frank Gamrat, executive director there (in *Policy Brief Vol. 25, No. 10*).

Piatt Companies is behind the much-touted 15-acre "Esplanade" project that began life with a price tag under $600 million. The commonwealth has already committed $35 million to the project. The developer has committed $71.8 million. But there is no explanation as to where the rest of the $740 million in funding will come.

And through the creation of a Transit Revitalization Investment District (TRID), only 25 percent of the resulting increased city property tax will go to city coffers. The remaining 75 percent will be used to fund site infrastructure and its housing component.

And each for an outlandish TRID term of *40 years*. Talk about a perpetual subsidy.

Note that the taxable value of the completed project is estimated to be only $260 million and at current tax rates will result in only $4.7 million annually for the project developers.

Curiously, there's no transit "revitalization" component (although a legislatively revised TRID law allows for economic development only).

While Pittsburgh City Council approved the tax diversion in February, Allegheny County and Pittsburgh Public Schools (PPS) have yet to do so. The TRID also would retain 75 percent of future parking and amusement taxes.

But Haulk and Gamrat, Ph.D. economists, say several issues arise in contemplating additional tax revenue redirection to the project.

"First, taxpayers have been asked to provide support for projects that promised to create economic gains that failed to materialize," they remind. "For example, the city and county have not seen significant population or employment gains as promised by advocates of new stadiums."

And, indeed, Downtown office buildings are seeing taxable values decrease. Once thriving shopping, dining and entertainment areas are no longer thriving.

"How will a new massive development along the Ohio River help these areas that are struggling now?" Haulk and Gamrat ask.

Additionally, the think tank scholars remind that Pittsburgh Public Schools and Allegheny County are having their own budget issues. If they will be amenable to forgoing 75 of the new tax revenues to be generated by the Esplanade project remains to be seen, Haulk and Gamrat say.

And then there's the fact that the heavily subsidized project will be competing with other non-subsidized shopping, recreation and entertainment venues elsewhere in the city that might be struggling already.

Haulk and Gamrat remind that the city, county and region have been in a slow- or no-growth mode for a long time.

"New stadiums, a new hockey arena and casino gambling have done little or nothing to address the root causes of long-term population loss and very anemic job growth," they say.

"PPS, for the most part, academically operates at very sub-par levels and deter growth of enrollment and drive families with school-age children away," they add.

"[Pittsburgh] must face up to the reality of its high cost and taxes of government and schools, the declining property values of Downtown buildings and the reality that low-paying retail and entertainment jobs" – the kind of jobs the Esplanade will bring – "are not the key to real future progress," the think tank researchers conclude.

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