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**PAT's White Elephant Deep in the Red**

Two years ago, upon announcing a contract with a firm to operate the new \$21 million garage at South Hills Village Mall, the former Chief Executive of PAT noted that "Our business is not operating parking garages. Our business is operating a transit service".

The Authority sure has fooled us. It seems that they are doing a lot more than operating a transit service. Its mission has crept so far that it is now running a tunnel that serves automobile traffic (in direct competition with its buses) and is putting together plans to oversee retail and residential development at points along the light rail stops in the South Hills in addition to being the owner of the region's largest parking garage. Nothing like trying novel approaches to increase demand, even though they are a huge departure from the Authority's mission.

Things have not gone well with the garage thus far. Business has been so slow that the upper floors are closed to the public. Attempting to boost usage, the Port Authority plans to enter into a lease arrangement with the Village Square Giant Eagle to take up to 300 spaces for an annual lease rate of \$56,000. Opening up 300 spots for Giant Eagle means that instead of four floors of the garage being shuttered, only three floors will be shut down.

Though seen by some as a positive step, the arrangement with Giant Eagle will not do much for the garage's long-term success.

Consider the imposition on Giant Eagle employees in asking them to park at the garage. It is a three-quarter mile hike from the garage to the store along a pedestrian unfriendly route. It will be easy to understand why we'll never see the full component of employee cars parked in the garage. Weather, traffic, and time will reduce the willingness of employees to use the garage. Instead, look for them to find parking spaces closer in other nearby retail lots. Maybe managers will lead the way and park at the garage, but we suspect not.

One would have thought that the Port Authority would have learned from its own experience the lengths some will go to avoid parking in the garage. Following its completion, there are still 600 free spots in an adjacent park and ride lot. Many trolley riders use this lot as a way to avoid paying the daily fee. In addition, there are likely many people who used to park at the lot that are either blending in to other mall parking, or going to other park and ride lots. To think that Giant Eagle employees won't do the same is naïve. For those that do park at the garage, the foot traffic might lead to the creation of a "free" PAT shuttle between the garage and the store, especially in the harsh weather months.

Also consider the economics of the deal. Giant Eagle will pay \$56,000 under the terms of the lease. Right now, there are probably 200 cars are parking at the garage for 300 days a year at \$2

per day, meaning the authority is getting \$120,000 per year for those vehicles. Thus, revenues for the garage will be about \$180,000 per year.

Now look at the cost side. The garage cost \$21 million to build. Conservatively, the annual opportunity cost of invested capital is \$1.2 million a year. Then too, we must factor in yearly operating and maintenance costs. PAT has a contract with a private operator, Parkway Parking, for \$250,000 a year for operations, security, and maintenance. All told, the true cost of the garage is about \$1.5 million a year.

Taking into account the meager revenues, the garage is sustaining a \$1.3 million yearly loss for the taxpayers who subsidized the building of the garage.

Of course, none of this has dissuaded the Authority from planning to construct another three-story garage in North Fayette for people using the West Busway. It will be interesting if this chapter in the Authority's history comes to light when the state's transportation commission announces its recommendations for funding mass transit.

As we have noted previously, the management of the Port Authority is incompetent by any meaningful standard. The lack of management accountability has led to the Authority's extraordinarily high cost and extremely poor investment decisions. The Legislature's and Governor's lack of oversight and insistence on performance has allowed the Port Authority to continue its egregiously bad decision making.

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