

# ***POLICY BRIEF***

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## **Amphi-Theatrics, Steeler Style**

It is too bad that the NFL's instant replay rule could not be used to document the amazing twists and turns the Steelers' amphitheater project has taken. It would have come in handy when the developer of the project stated that the structure could not be built without a subsidy. He said "when the project was conceptualized, it was conceptualized with a subsidy. Nothing has changed".

That's quite interesting because in a December 2002 newspaper article titled "Steelers Unveil Plans for 5,600 Seat Amphitheater" officials of the Steelers noted that there would be no subsidy. "The financing for the amphitheater will be private [then vice-president, now President Art] Rooney said, avoiding the type of controversies that accompanied the building of PNC Park and Heinz Field, which involved large amounts of public funding." There is no misleading language in that statement: the project, as originally drawn up, would not seek public help.

Maybe the developer meant when the project was conceptualized after it was approved, delayed, went through a Commonwealth Court case over noise levels, and was delayed again. The development has at various times been an open air venue and an enclosed entertainment district with retail. There's no arguing that the state intended to help the project along. The Steelers had state money in hand once, in 2004, when the Governor delivered \$4 million for the project. That was later transferred to a garage on the North Shore and the team noted it would "pursue the money for the amphitheater at the appropriate time". In February of 2005 the Governor stated that "the Steelers [have] no assurance that they would get any of the money back".

After more delays and redesign, the Steelers applied for \$10 million in state tax dollars for the project in March of 2007. In October of that same year, the Steelers withdrew their application for the money and abandoned the project. This past January they announced plans for a "year-round entertainment complex with indoor seating for 2,000".

Where the project goes from here is anyone's guess. But at least one previously undetermined variable has become clear in the equation: the Steelers and Continental Development now own the parcel on which the project will sit. And they got it at a steep discount.

As was documented in recent news stories, the City Stadium Authority sold the parcel—prime riverfront property—for what amounted to \$8 a square foot. One City Councilman felt that the site would sell for eight times as much based on other sales. This past April the Executive Director of the Stadium Authority stated that "based on the going price for other riverfront parcels between Heinz Field and PNC Park, \$15 a square foot, [the site] would be valued at nearly \$2.5 million". However, an appraisal of the site done at the behest of the Authority produced a valuation of \$1.1 million. An auction for the parcel would have produced the most

clear-cut sale price. But based on the Executive Director's comments, the parcel is worth far more than the Steelers ended up paying. Unfortunately, we may never know what the property was really worth because it was not open to public auction.

So with the land in hand the developer will now proceed to reapply for a subsidy for the project, likely the \$4 million that was moved to the garage in 2004. At the time of the transfer we asked "would the Governor opt to replace the \$4 million for the amphitheater in light of the high level of controversy it has caused?" Certainly the attitude of the Steelers and the developer is that they are only reclaiming what they generously decided to give up four years ago and that the development will produce more benefits in the way of state and local tax revenues than the \$4 million subsidy. Or that at least they aren't pursuing the \$10 million they applied for in 2007.

Regardless, the state should not award the money, and not just because it will be controversial. It should be rejected on the merits of the project, which are severely lacking. The state should not be subsidizing retail and entertainment venues that will create competition with other established businesses. Lots of projects throw off more tax benefits than it cost to build them, and they do it without a handout. The state also should not be subsidizing projects which the principal owners can easily afford to build on their own dime. After all, the franchise has doubled in value, from \$465 million in 2001 to \$929 million in 2007, according to *Forbes Magazine*. Last year's ranking made them the 16<sup>th</sup> most valuable team in the league. Why should taxpayers chip in when the movers of the project seem to have trouble finding the private investors to make it work?

With the amount of public money that went into the stadiums and the infrastructure for the site, and now a massive infusion of Federal, state, and local dollars for the trolley extension to the North Shore, the amphitheater project ought to be able to stand on its own. If the project is not economically viable without a subsidy, it should not be built.

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