

# ***POLICY BRIEF***

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## **Fiscal Irresponsibility Reigns in Pittsburgh as Well as in Washington**

Despite the stumbling economy and rising concerns over government budget shortfalls, political leaders are still planning to throw substantial sums of taxpayer money at projects that should be built with private financing. Two examples locally illustrate how public money is being used to develop bigger and glitzier projects than would have been developed with private funds—if they could be justified at all.

First, a proposed \$8.4 million Kuhn's grocery store on Center Avenue is in line for \$5.35 million in public money: \$2.1 million could come from Federal New Markets tax credits—whatever that is—with another \$2.25 million coming from the state (\$1.5m) and Allegheny County (\$750k from Community Block Grant funds). The remaining \$1 million will be contributed by the URA. Oddly, the Hill District development group will pay the URA \$580,000 for the land.

Meanwhile, Kuhn's markets will put up a meager \$1.3 million of the total cost and the Penguins have agreed to \$1 million. The remainder of private funds is in the form of \$1.25 million in grants. In short, this project is almost entirely a government and charitable venture.

What makes the government funding so egregious is that there was a proposal by Sav-A-Lot grocers to build a mostly private financed store on the site. Only the Penguins and URA pledged funds would have been used if this option would have been chosen. The other public funds could have been saved or spent on areas that really need the money.

Originally the project was to cost \$24 million. That proved totally unfeasible so the scaled back version was drawn up. Now we see that even that cannot be done without massive government assistance. But in these days when Washington is proposing a trillion dollars in additional spending, it is little wonder local officials can plan on grabbing a few million to waste and have no compunction about doing so.

In a second example of wrong-headed thinking the door is apparently still open for the developer of a North Shore amphitheater to grab a \$4 million state subsidy even though there will be a similar venue built right on the other side of Downtown without a handout. What is wrong with this picture?

The state would likely argue that the projects are not the same—the one on the North Shore will be a year-round entertainment structure while the one on the South Side will be open only in the summertime. That’s likely why the Governor’s spokesman compared the two venues to “restaurants on...corners of a busy intersection. The more variety, the more people come around to make their choices”.

The only problem is the variety that the spokesman holds in high regard has come about because of the state dangling a subsidy in front of the developer for so long. Recall that in a previous *Policy Brief (Volume 8, Number 53)* we chronicled the short history of this development. As originally conceived, and as described in a newspaper account in December of 2002, the North Shore amphitheater would have been privately financed so as to avoid “the type of controversies that accompanied the building of PNC Park and Heinz Field”.

Even more important was that with the amount of private financing the project had attracted the developer could afford to build an open sided “fabric roof amphitheater”. The general manager of Heinz Field said that the project “would compete for concerts with the white roofed Amphitheater at Station Square...” Sounds like the projects would have been nearly identical and could have battled it out on a level playing field.

But as the project moved from a self-sustaining version to one that would be the recipient of public money, the open air design morphed into a closed venue, and at various times included additional retail and dining accompaniments. On paper it is now a \$12 million year-round complex.

And the subsidy is there for the taking—amazingly—in order to offer “more entertainment options [that] will simply attract more people into the city” according to the spokesman. How many more entertainment options financed by taxpayer dollars does the City need to turn the corner? Two stadiums, a convention center, a new hockey arena underway, and a bevy of heavily subsidized cultural attractions aren’t enough? And remember the casino is scheduled to open this year.

We’ve noted on many occasions that subsidizing retail and entertainment is a loser. All it really does is shift jobs around and unfairly creates competition with those not receiving favorable treatment. The two situations discussed here are but two recent examples. At a time when state-wide programs are being cut and employees are being furloughed and the economy and tax base are shrinking, one would think that public officials would be looking more carefully at how scarce resources are being used. But that doesn’t appear to be the case in Pittsburgh.

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