# PORTLAND DEVELOPMENT CORPORATION
## Board Meeting

**DATE:** June 15, 2017
**TIME:** 4:00 p.m.
**LOCATION:** Room 209, 2nd Floor
Portland City Hall

## A G E N D A

1. President's comments.

2. Review and accept Minutes of May 25, 2017 meeting.

3. Loan Items:
   a) Review and vote on new loan request from Wallace James Clothing Co., 54 Cove Street;
   b) Review and vote on new loan request from New England Touring Co.; and,
   c) Loan monitoring for Poplar & Co. LLC loan.

   **NOTE:** The Board will go into executive session pursuant 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A to discuss and monitor proprietary information for the above.

4. Review and vote to recommend to City Council proposed amendments to the Development Action Grant Program Guidelines

5. Treasurer's Report – May 2017 – Tim Agnew
   a) Monthly Administrative Budget Report
   b) Loan Receivables Report
   c) Cash Management Report
   d) Listing of Grants approved through the BAP Program and PEDPIP for FY2016.
   e) Confidential Delinquency Report - **Note:** Pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A, the Board may go into executive session to discuss/monitor any of the loans listed on the Report.

6. Other items to be discussed/brought up by Board Directors.

7. Next Meeting Date: July 20, 2017.

Drew Swenson, Board President

# Portland Development Corporation

## May 25, 2017

A meeting of the Board of Directors of the Portland Development Corporation was held on Thursday, May 15, 2017 at 4:00 p.m. in Room 209 of Portland City Hall. Present from the Board were Board President Drew Swenson and Directors Tim Agnew, Shelley Carvel, Jed Harris, Jere Shaw, Barry Sheff, and Mayor Ethan Strimling. Directors Jon Jennings, Dennis Martin, and Heather Sanborn were not able to attend. Present from the City staff were Associate Corporation Counsel Michael Goldman, Business Programs Manager Nelle Hanig, Economic Development Director Greg Mitchell, and Senior Executive Assistant Lori Paulette. Also present was PDC loan underwriter Vin DiCara.

**Item #1: President's Comments**

President Swenson described the process to the loan applicants in that the Board would first hear presentations in public session, then go into executive session to review proprietary information, and then come out of executive session and vote.

**Item #2: Review and accept Minutes of previous meeting held on February 16, 2017.**

On motion made and seconded, the Board voted unanimously to accept the Minutes as presented.

1. **Item #3: Loan items:**
    a. **Review and vote on new loan request from Union Bagel, 147 Cumberland Avenue and 46 Veranda Street;**
    b. **Review and vote on new loan request from Bar Method, 1 Dana Street;**
    c. **Communication on Brownfields Program; and,**
    d. **Review and vote on new Brownfield grant request from Children's Odyssey for Reed School project, 19 Libby Street**

**Note: Pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A, the Board may go into executive session to discuss these loans and grant request.**

***Item #3(a): Union Bagel Loan Request***

Ms. Hanig noted that the Union Bagel Company LLC is requesting a loan of $46,000 for refinancing existing debt, leasehold improvements on its recently acquired second location, and working capital. Union Bagel, in existence since 2012, has been growing and there is a need for larger production space to meet customer demand. The second location at 46 Veranda Street can accommodate additional production space, along with wholesale and retail sales. Ms. Hanig then introduced business owner Paul Farrell.

Mr. Farrell thanked the Board for its consideration of the loan request. The business has grown phenomenally, and with the new location, wholesale would be moved to Veranda Street; the original space will be for retail sales. The loan proceeds, as Ms. Hanig indicated, would be used for refinancing and for leasehold improvements to Veranda Street, which is half done now. He noted that his employment level, not counting himself or his wife, is 5 full-time and 4 part time.

In response to Ms. Carvel, Mr. Farrell noted that he has 20 wholesale customers and a few restaurants. He has also met with Maine Medical Center and St. Joseph's College, and IDEXX recently contacted him. Mr. Farrell said that he would like to say yes to them right away but needs more capacity. Right now, everything is done by hand but may automate with bigger clients, and Mr. Farrell would let them know when he can do that.

Mr. Agnew asked about expense and competition. Mr. Farrell noted that a used bagel machine could cost anywhere between $6,000 and $10,000. Regarding competition, he is the only one that uses organic flour, as well as cooking them New York Style, so he has that niche.

Mayor Strimling asked about the need for the loan and starting wages, and Mr. Farrell indicated to refinance a high interest loan, as well as further leasehold improvements for the new Veranda Street location. Mr. Farrell said that the starting wage is $11/hour and dependent on skill level; he hoped to offer benefits in the future.

Mr. Harris asked if Veranda Street was open, and Mr. Farrell estimated that it would be open in 4 to 6 weeks.

Mr. Shaw asked about the square footage of Veranda Street, and Mr. Farrell noted that it was 600 sq. ft.

President Swenson asked about his participation in the Scale Up program, and Mr. Farrell said that he is in the program and has two more weeks of it. It has been a good experience and can reach out to his contacts there when needed.

***Item #3(b): Vandelay Ventures LLC, d/b/a The Bar Method***

Ms. Hanig introduced this loan request saying that Vandelay is seeking a $39,500 loan to assist in starting up a new fitness studio, offering barre-based exercise classes. Ms. Saroya Vronski, here today, is the sole owner and certified instructor of The Bar Method, practicing barre exercise since 2008. She will teach classes at the studio along with one other certified instructor. A part-time employee will manage reception and other administrative duties.

Ms. Vronski thanked Ms. Hanig and the Board. Mr. Vronski said that she is originally from Maine and relocated from the West Coast last Summer, noting the California has quite a few of these fitness studios. She credited the bar method for her being able to finish a half marathon, and with no injury, and described the bar method. Ms. Vronski closed saying that with this last piece of gap financing from the PDC, she could move forward with the business.

Ms. Carvel asked about parking for her clients, and Mr. Vronski originally did want to have parking but people are accustomed to not have parking in the dowtown. Ms. Vronski also noted that many classes will be in the early morning and at Noon, so people could walk from their place of business.

Mr. Agnew asked about costs for her clients and were they comparable to other gyms, as well as marketing for the business. Ms. Vronski confirmed that her costs would be comparable, and would market through her own network, as well as social media for the most part.

Mayor Strimling asked for clarification regarding employees, and Ms. Vronski said that it would be herself and, in the Fall, one other instructor.

Mr. Sheff asked if the market was saturated, and Ms. Vronski said that a direct competitor was going to open in Portland but that is now not going to happen, so she indicated the bar method she was opening was unique and that there was enough of a market here.

President Swenson suggested that the hotels in the area may have in interest in this kind of fitness studio, and also noted that they may have space in their parking garages.

***Item #3(c): Communication on Brownfields Program***

Ms. Hanig said that this a communication to advise the Board that the Department has received much interest in the Brownfield funds, and her memo and matrix details that interest and how the Brownfield funds may be used up soon for loans and grants. New Brownfield funds can only be used for clean up; closed out funds can be used for both site assessments and clean-up. Total from both closed out funds and new funds is just over $1 Million.

In response to Mayor Strimling, Ms. Hanig provided details about set asides for each pools of funds, which are to be used for QEPs, legal, underwriting, staff attendance at trainings, marketing materials, and any unanticipated costs.

Mr. Mitchell said that the City may apply for additional funding based on the demand that is being seen.

Mayor Strimling asked about prioritizing Brownfield projects, and Mr. Mitchell said that the priority is on track for these projects.

Mr. Harris asked how often can the City apply for additional Brownfield funds, and Ms. Hanig said that she anticipated that there may be another round for applications in the Spring next year.

President Swenson asked if this is the first time there has been so much need, and Ms. Hanig answered in the affirmative. Mr. Mitchell noted that there is more awareness of this kind of work that needs to be done, and there are many projects/developments going on in Portland now.

Mr. Sheff appreciated the heads-up and the listing of potential projects for the fund.

***Item #3(d): Brownfield Grant Request from Children's Odyssey for Reed School Project***

Mr. Sheff said this his employer, Woodard and Curran, is a QEP with the City so will recuse himself from voting on this item.

Ms. Hanig said that Developers Collaborative (DC) is the developer for the Reed School, and Children's Odyssey is seeking a grant as a non-profit. USEPA has approved this grant request.

Mike Lyons of DC thanked the Board for taking up this request. Originally, the plan was to develop the former school into 45 residential units but the neighborhood was opposed. Now a new plan, that the community supports, includes Children's Odyssey, and he described ownership phases in order to have Brownfields funds assist with the project.

Tina Cannon, Director of Operations of CO, said that CO has been in operation since 1992 when it opened a pre-school for children with developmental challenges. She discussed their funding sources, including Department of Education and Maine Care and how it works, noting that CO does not charge the parents anything. She also noted that this expansion is crucial for CO. CO has outgrown its space and has been looking for a new location for the past five years. They currently have 65 children and 24 staff. With the expansion, they will be adding infant and toddler programs and additional full-time employees. In about a year and a half, once moved in, CO will sell the former location.

There was discussion about the total cost of cleanup being up to $300,000, and Ms. Hanig noted that the City grant funds would be available up to $180,000.

There was also discussion about ownership phases, with both DC and CO noting a shared partnership for this development to go forward.

Mayor Strimling asked if the Board would open the meeting for public comments, and Mr. Goldman noted that this is not required by the PDC Bylaws.

Mayor Strimling recommended that public comment be taken, as the Board is spending public money.

President Swenson asked if there was any public comment.

George Rheault of Bayside commented that this is a convoluted project and poor use of funds. He asked about the equity in CO’s current location, noting that the Board should look into that.

There being no further public comment, the public comment session was closed.

On motion made and seconded, the Board voted unanimously to go into executive session at approximately 5:17 p.m. pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A to review proprietary information for the two loan requests and the Brownfield grant request. At approximately 5:55 p.m., the Board came out of executive session.

***Union Bagel***

On motion made by Mr. Sheff, seconded by Ms. Carvel, the Board voted unanimously to extend the loan on the terms and conditions as recommended by the loan underwriter.

***Vandelay Ventures, LLC, d/b/a The Bar Method***

On motion made by Mayor Strimling, seconded by Ms. Carvel, the Board voted 6-1 (Shaw opposed) to extend the loan on the terms and conditions as recommended by the loan underwriter.

***Brownfields Grant Request by the Odyssey School***

On motion made by Mr. Shaw, seconded by Ms. Carvel, the Board voted 6-0-1 (Sheff abstained) to approve the grant request on the terms as recommended by staff.

**Item #4: Review and vote on PEDPIP Grant Requests received from:**

**a) Women United Around the World**
**b) Maine College of Art**
**c) Growing Portland**
**d) Portland Downtown**
**e) Greater Portland Council of Governments**

President Swenson said that there remains $18,676 available for PEDPIP Grant Funding for FY2017. The five grant application requests total $42,100. A PDC Committee met to review the applications for a recommendation to the full Board to fund the highest priority.

Ms. Hanig said that the Committee is recommending two options, as all three members did not favor one option. Both options recommend funding the same three projects, Option A awards the Women United project a little more and the MeCA project a little less, and Option B is the just the opposite. Funding for the GPCOG project remains the same in both Options.

Mr. Sheff said that he appreciated the work for the matrix to compare the projects and the recommendations by the Committee. He said that the Board should honor it and pick Option A or B; discussion then took place about the Options.

President Swenson noted that representatives of Portland Downtown (PD) and Growing Portland were in attendance and asked if they had any comments.

Casey Gilbert, Executive Director of PD, and Amy Geren, Downtown Liaison of PD thanked the Board and described their project. Ms. Geren noted that the ED Plan identifies PD "as the entity to lead Downtown economic development efforts". This project is to work on the street, as well as with social service organizations, to identify overlaps of services, opportunities for collaboration, and gaps – particularly for those most in need, and discussed homeless issues, panhandling, and the opioid crisis. These issues are preventing repeat visitation to Portland. The effort could result in engaging the businesses with outreach tools for this population.

President Swenson suggested that they talk with MEREDA as well about the program.

John Spritz of Growing Portland noted that Growing Portland was partly funded by a PEDPIP Grant of $40,000 a few years ago and has not come back with a grant application until this one for "Walk the Working Waterfront", now in its 4th year and held the day before the Old Port Festival. He said that most people do not know the working waterfront exists, and this event is the only showcase for the working waterfront. Mr. Spritz said that sponsors for the event include Maine Coastal Program, Waterfront Alliance, and Gorham Savings Bank, and he thought it appropriate for this grant application request.

Mr. Mitchell noted that the Portland Chamber, as fiscal agent for Growing Portland, had applied for the previous PEDPIP Grant Mr. Spritz had referred to.

Mr. Sheff noted the PEDPIP Guidelines were recently updated, and focuses now on current Work Plan first, then the ED Plan, and then other projects this Board deems beneficial for Portland. These are all great projects, and, with limited Grant funding each year, it would be better if they were identified in the Work Plan and could be prioritized as such.

A motion was made by Mr. Harris, seconded by Mr. Sheff, that Option A be approved. President Swenson asked if there was discussion.

Mayor Strimling made a motion to amend the main motion to move some funds from the GPCOG project to the PD project. Mr. Sheff seconded the motion for discussion purposes.

Mayor Strimling said that the PD project may not have been a priority before in the Work Plan but the issues do exist, noting that the PD is in the Plan to lead downtown economic development efforts. If PD comes back in the next round of funding in FY18, time will be lost and there will be an economic impact.

Mr. Shaw said that the Guidelines allow for projects that make sense.

Mr. Agnew noted the PEDPIP Guidelines have the 1st priority be items in the Work Plan; 2nd priority be those in boxes in the Vision; and, the 3rd priority be for projects that make economic sense. He also noted that although the epidemic is a priority, this project would not solve the problem; it would be a down payment on a larger problem.

Mr. Mitchell noted that the Council recently appropriated $100,000 that will come from the sale of the City's Cotton Street parking lot to go the Milestone Foundation, nothing that the City recognizes the issue. In addition, nine years ago, the City allocated $100,000 to establish the Home Team.

Mayor Strimling said that if the PD project was started, more people would get engaged and there would be a ripple effect.

Seeing no further discussion, President Swenson asked for a vote on the amendment to the main motion, and it failed 2-5 (Agnew, Carvel, Harris, Swenson, Sheff opposed).

President then asked for a vote on the main motion and it passed 6-0-1 (Carvel abstained).

President Swenson thanked all, noting that all were good projects, and Ms. Gilbert said that they will keep moving forward.

(Mayor Strimling had to leave the meeting at this time.)

**Item #5: Treasurer's Report – April 2017**

Mr. Agnew, given the time, asked if there were questions and there were none. He reported that the Delinquency Report is relatively low.

**Item #6: Other items to be discussed/brought up by Board Directors.**

President Swenson asked what Board Directors thought about public comment, with Messrs. Agnew and Sheff saying that they were okay with public comment being taken, and Ms. Carvel, Messrs. Harris and Shaw not so much in favor of it being taken.

President Swenson said that if staff receives input from anyone to let the Board know, and Ms. Hanig suggested that this public comment issue be placed as Agenda item at a future meeting.

Councilor Agnew also suggested that the minimum wage issue being tied with loans also be placed on a future Agenda. Mr. Sheff said that this issues applies now to BAP, not for loans.

Mr. Mitchell noted Board directors being termed out 9/30/2017, namely Messrs. Shaw, Sheff, and Swenson and requested Board assistance to fill those vacancies. He will advise the Board when the City Clerk intends to advertise for the positions.

Mr. Mitchell also requested the Board to begin thinking about the annual business awards and provide staff with any businesses to consider for the awards. A Committee of the Board would review suggestions and make a recommendation to the full Board.

Seeing no further business, the meeting adjourned at approximately 6:55 p.m./LJP

Economic Development Department
Gregory A. Mitchell, Director

**To: PDC President Swenson and Board Members**

**From: Nelle Hanig, Business Programs Manager**

**CC: Greg Mitchell, Economic Development Director**

**Date: June 8, 2017**

**RE: Portland Development Action Program:**
**PDC Committee Recommendations for Modifications to Guidelines**

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## BACKGROUND

A PDC Committee composed of volunteer board members Tim Agnew, Barry Sheff and Chip Martin met to review and discuss various issues that have been raised about the Development Action Grant (DAG), a component of the Portland Development Action Program that provides grant assistance for public infrastructure. The other component of the Program is for loan assistance through project-specific bond issues to stimulate major development projects on the Peninsula. It has been used only once to assist the Maine College of Art with its acquisition of the Porteous Building on Congress Street.

## PROGRAM FUNDING

At this time there is $48,000 remaining in the DAG budget. The Committee did not take up the issue of funds availability for future DAG projects if/when the $48,000 runs out.

Funding History: Funding for the DAG was originally capitalized in 1993 with $100,000 from the City's Capital Improvement Program (CIP). There were subsequent CIP recapitalizations. When those funds dried up, in 2002 UDAG loan funds of $128,000 recapitalized the program. Then again in 2014, $56,000 in UDAG funds was moved from the Unrestricted fund into the DAG. This most recent recapitalization was done by the PDC rather than the City Council. The reason is because in 2011 the City Council approved the consolidation of PDC loan and grant monies into two fund pools, a Restricted Fund and an Unrestricted Fund, giving the PDC the ability to move monies as needed within each fund pool.

## SUMMARY OF COMMITTEE'S MAJOR RECOMMENDATIONS

The Committee's recommendations to the PDC are provided in redlined format attached to this memo. A fuller explanation of each of the issues was addressed in an Oct. 28, 2015 memo to the Committee, and is also attached.

**Public Infrastructure Definition**
Recommendation that "infrastructure in the public right of way" be the term used in the guidelines in place of public infrastructure. This would mean that whether infrastructure is owned by the City or by a utility, the Development Action Program could provide assistance.

**Grants for Infrastructure Serving General Public**
Recommendation that grant funds be available only for infrastructure in the public right-of-way that provides an amenity that is fully accessible to the general public. This would include, for example, sidewalks, streetlights and street trees, but not, for example, sewer and water lines or fiber optic cable. Loan funds would be made available for the latter, addressed in the following paragraph.

**Loans for Infrastructure Not Serving General Public**
The recommendation is to create an infrastructure loan in the Development Action Program, unlike the Project-Specific Bond Issue loan, for the purpose of funding infrastructure in the public right-of-way that is not accessible by the general public. This would include, for example, sewer and water lines, electric lines and fiber option cable. The requested loan amount could not exceed 50% of the cost of the infrastructure improvements in the public right-of-way or $100,000, whichever is less. Funds would be lent at below market interest rates.

**Infrastructure Whether or Not Required By City**
Recommendation is to provide program assistance for infrastructure in the public right-of-way whether or not that infrastructure is required by the Planning Authority (Planning Board or Planning Director). While large projects generally involve Planning review and requirements for infrastructure, smaller ones would not, such as those that will undergo interior fit-up below 10,000 sf. However, those smaller projects still need to meet City codes. For example, a recent DAG assisted with the installation of a water line from the main to support a sprinkler system required by the City's Fire Inspector. To date, the City does not require the installation of fiber optic cable, though, in many instances having this infrastructure will help to boost economic development and increase good paying jobs.

**City-Wide Access to Program**
Recommendation is that the program be open to projects that are anywhere in the City of Portland, not just on the Peninsula. The Committee felt it would be of value to expand the program's reach.

**Eligibility for Project-Specific Bond Issue**
Recommendation is that bond issue loans be for non-profit projects only. The current guidelines do not specify whether these loans are accessible to for profit or non-profit entities.

**Needs Test for Funding**
The current guidelines, in the Application Review Criteria section, state "Necessity of public funds to make the project economically feasible." The recommendation is to address in the underwriting analysis whether this is case with a particular funding request.

**Attachments**

Redlined Development Action Program Guidelines
Memo to PDC Committee Dated Oct. 28, 2015

# Portland Development Action Program

As amended by Portland City Council on 7/15/02.
As amended by Portland City Council on 10/17/11.

**Program Goals**

Provide ~~public infrastructure~~ matching grants and below market rate interest loans for infrastructure in the public right-of-way in support of private commercial developments in the City of Portland ~~on the Peninsula~~;

Provide loan assistance through bond issues for project specific development activity to stimulate major development ~~on the Peninsula~~ and improve the area's regional competitiveness.

**Program Objectives**

- Encourage major rehabilitation of prominent buildings;
- Promote new construction in support of job retention and creation;
- Expand worker and shopper populations in commercial and mixed use areas ~~districts~~ ;
- Create incentives for private investment in commercial ~~districts~~ areas.

**Program Description**

The Portland Development Action Program ~~is program~~ is designed to encourage economic development in Portland's commercial ~~districts~~ areas ~~on the Peninsula~~ - by providing matching grants and below market loans for needed ~~public~~ infrastructure in the public right-of-way and~~/or~~ loans through the issuance of a bond ~~loans~~ ~~to~~ for projects meeting program criteria. Projects may be eligible for more than one ~~both~~ component~~s~~ of this program. This program's focus is to ~~will~~ improve the economic feasibility of significant commercial projects ~~on the Peninsula~~, but not where a project's unfeasibility is the result of self-created economic hardship.

Development Action Grant: ~~Public infrastructure i~~Needed improvements to infrastructure in the public right-of-way ~~required~~ as part of ~~a~~ development projects, that are amenities accessible to the general public, for example, ~~such as sewer and storm water lines,~~ ~~and~~ ~~new~~ sidewalks, streetlights and street trees; ~~construction,~~ .

Development Action Loan: Improvements to infrastructure in the public right-of-way, as part of a development project, that is not usable by or for the benefit of the general public, for example, sewer and water lines, electric lines, fiber optic cable;

Project-Specific Bond Issue: Authorization of bonds to provide loans to enhance the competitiveness of an eligible non-profit project or projects. The City Council will receive recommendations from the Portland Development Corporation (PDC) for projects and funding levels. The City Council will then review the project, modify or approve the recommended funding level, and authorize the bonds, which may include a referendum vote. Loan terms are to be negotiated on a project-by-project basis.

**Project Threshold Requirements**

1. The project is located in the City of Portland~~on the Peninsula~~;

2. The requested grant amount does not exceed 50% of the cost of the needed infrastructure improvements in the public right-of-way, or $25,000, whichever is less.

3. The requested loan amount does not exceed 50% of the needed infrastructure improvements in the public right-of-way or $100,000, whichever is less. The below market interest rate will be set by the PDC;

4. For a project-specific bond issue, t~~T~~he requested loan amount generally is no more than 25% of the total project cost; ~~or~~

~~2. the requested grant amount does not exceed 50% of the cost of the public improvements as required by the Planning Authority, or $25,000, whichever is less. [City Council approved this amendment on 7/15/02.]~~

~~3.~~5. The project applicant and project property owner (if not the applicant) must owe no outstanding property taxes, fees, judgments, or liens to the City.

**Eligible Entities**

Sole proprietorships, partnerships, limited liability companies, and corporations, including non-profits, which own, lease, or rent commercial property within the program boundaries and are seeking to:

1. Develop or redevelop private commercial property on the Peninsula;

2. Prepare space for lease to new or existing businesses.

**Eligible Bond-Issue Loan Activities**

~~**Activities**~~

1. Land and building acquisition, new construction, renovation, improvement, reconstruction, or restoration, including infrastructure;

2. Soft costs related to a larger project including architectural, engineering, legal, accounting, and other professional services;

3. Equipment purchase;

~~3.~~

~~4. Public infrastructure construction or reconstruction specific to a project.~~

**Ineligible Activities**

Ineligible activities include, but are not limited to,

1. Refinancing existing debt;

2. Working capital;

3. Speculative acquisition; and

4. Financing for work already underway or contracted for prior to PDC approval of public funding.

**Application Review Criteria**

The PDC, with assistance from the Economic Development Department ~~ivision~~, will review project proposals to determine eligibility and negotiate with applicant(s) to determine the least amount of public resources necessary to make the project(s) feasible. In the case of a project-specific bond issue, the PDC will recommend projects and funding levels to the City Council for approval. The Council may, from time to time, instruct the PDC to solicit proposals in anticipation of available funding.

Project review will include, but not be limited to, the following:

- Has a positive impact on creating or retaining jobs and businesses ~~on the Peninsula~~ in Portland;
- Private investment, relative to public dollars, is maximized;
- Necessity of public funds to make the project economically feasible;~~.;~~
- Project has a high potential for economic success;
- Return on public investment in the form of property taxes or, in the case of a tax exempt entity, fees in lieu of property taxes; and, when applicable, appropriate profit-sharing commensurate with the City's risk and investment level;
- Highest level of lease or occupancy commitments;

- Prior to closing on any City loan funds or appropriation of  grant funds, the City must see in place all private investment, leases, ownership of land with marketable title, any other grant funds necessary to the project, and other requirements determined by the City to be necessary.

The following information will be required for consideration of a funding request:

1. Development Action Program application;
2. Statement of project scope, including relevant plans and specifications ;
3. Option on land, title opinion letter, or lease agreement;
4. Letters of commitment for all financing spelling out terms and conditions;
5. Pro forma construction and operating budgets;
6. If applicable, letters of intent from prime tenants to lease with rates and terms;
7. Any available market data demonstrating project economic feasibility including, if necessary, appraisals; and,
8. Appraisals to determine the value of real estate when those assets are securing the loan, if required by the PDC.

Economic Development Department
Gregory A. Mitchell, Director

**To: PDC Issues Committee**

**From: Nelle Hanig, Business Programs Manager**

**CC: Greg Mitchell, Economic Development Director**

**Date: October 28, 2015**

**RE: Development Action Program: Issues to Consider for Updates to Program Guidelines**

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## OVERVIEW

Over the last few years, issues have been raised regarding the component of the Portland Development Action Program that provides grant assistance for public infrastructure. The acronym for this part of the program is known as DAG, short for Development Action Grant. (The other component of the Program is for loan assistance through bond issues to stimulate major development projects on the Peninsula. It has been used only once to assist the Maine College of Art with acquisition of the school's building on Congress St.) There are a range of issues for the Committee's consideration, and whether they present opportunities to improve the program's effectiveness for incenting private investment in development and job creation.

The intent of the entire Development Action Program (grants and loans) as expressed in the guideline objectives is as follows:

- Encourage major rehabilitation of prominent buildings;
- Promote new construction in support of job retention and creation;
- Expand worker and shopper populations in commercial and mixed use districts;
- Create incentives for private investment in commercial districts.

## SPECIFIC DAG ISSUES FOR CONSIDERATION

The PDC is being asked to consider the following DAG issues and any others that may be of interest.

### Public Infrastructure Definition

Throughout the guidelines the term "public infrastructure" is used. For example, the program goal related to the grants states "Provide public infrastructure grants in support of private commercial developments on the Peninsula." Does the definition of public infrastructure mean city-owned infrastructure or does it also include infrastructure owned by public utilities? When development projects need financial assistance with infrastructure, should the purpose of the DAG be to assist with both city-owned and public utility-owned infrastructure? If so, then the term "infrastructure in the public right-of-way" might better describe the uses that are eligible for a DAG, whether it be City-owned (e.g., sewer, sidewalks, trees, streetlights) or utility-owned (e.g., electric, water and natural gas lines, fiber optic cable). To date, the vast majority of approved grants have been for City-owned infrastructure, with just a few grants for infrastructure owned by public utilities. As times change and new technologies becomes vital to businesses, such as fiber optic cable, does such infrastructure merit City grant support? Relative to updates to City code, there are an increasing number of development projects that are being required to have sprinkler systems, which often require new water lines from a main.

**Multiple Users of Grant Funded Infrastructure**

In previous PDC discussions, some have expressed a concern that DAG funded infrastructure should be anticipated as well as able to serve more than just the applicant seeking the grant. This is not an issue when grant assistance is requested for on the ground infrastructure such as sidewalks, streetlights and trees. However, when requests are for funding infrastructure such as sewer, water and electric power lines, there is the potential that it may serve just the applicant. Currently, there is no language in the guidelines that requires more than one entity be served by infrastructure that will receive DAG assistance.

**City Requirement for Infrastructure Improvement**

Currently, the guidelines require that in order for infrastructure improvements to receive DAG assistance, the infrastructure should be required by the Planning Authority (Planning Board or Director of the Planning and Urban Development Department). While large projects generally require Planning review, smaller ones, such as those that will undergo interior fit-up below 10,000 sf, would not. Those projects would, however, still need to meet City codes. For example, a recent DAG assisted with the installation of a water line from the main to support a sprinkler system, as was required by the City's Fire Inspector. Yet a different situation is with telecommications infrastructure, such as fiber optic cable. It would rarely, if ever, be required by any agency at the City or State, however, would it be worthwhile to provide infrastructure grants to help companies gain access to fiber optic cable.

**Location Eligibility**

The guidelines specify that projects be located on the Peninsula. This focus on the Peninsula was the result of a change to the guidelines back in 2011. Prior to that change, projects were eligible only if they were in the 1) Downtown District, 2) Downtown or 3) On or in close proximity to the Peninsula and is a commercial development important to the stability of the downtown. Given that brick sidewalks were being required everywhere on the Peninsula, that likely contributed to the judgement to expand the Development Action Program beyond the Downtown. Also, it was challenging to determine eligibility based on Item 3. The issue for the PDC's consideration is whether it would be of value to expand the program to include other areas of the City, the entire City or keep the program focus on the Peninsula.

**Needs Test for DAG Funding**

Past PDC discussions have also touched on whether to require a financial needs test for an infrastructure grant. If a needs test were of interest to the PDC, one option would be to use particular financial criteria from a grant applicant to determine need, but that is difficult to do. Another option, used by the State, is to require a "but for" letter signed by a company seeking financial benefits through a particular program. The letter states that the project could not go forward but for the program's financial assistance. It is essentially an honor system. If the company signs the letter, that is considered sufficient to meet the needs test.

**Attachments:** Current Development Action Program guidelines

# Portland Development Action Program

As amended by Portland City Council on 7/15/02.
As amended by Portland City Council on 10/17/11.

**Program Goal**

- Provide public infrastructure grants in support of private commercial developments on the Peninsula; and,

- Provide loan assistance through bond issues for project specific development activity to stimulate major development on the Peninsula and improve the area's regional competitiveness.

**Program Objectives**

- Encourage major rehabilitation of prominent buildings;
- Promote new construction in support of job retention and creation;
- Expand worker and shopper populations in commercial and mixed use districts ;
- Create incentives for private investment in commercial districts.

**Program Description**

This program is designed to encourage economic development in commercial districts on the Peninsula by providing grants for needed public infrastructure and/or loans to projects meeting program criteria. Projects may be eligible for both components of this program. This program will improve the economic feasibility of significant commercial projects on the Peninsula, but not where a project's unfeasibility is the result of self-created economic hardship.

Development Action Grant: Public infrastructure improvements required as part of a project, such as sewer and storm water lines and new sidewalk construction.

Project-Specific Bond Issue: Authorization of bonds to provide loans to enhance the competitiveness of an eligible project or projects. The City Council will receive recommendations from the Portland Development Corporation (PDC) for projects and funding levels. The City Council will then review the project, modify or approve the recommended funding level, and authorize the bonds, which may include a referendum vote. Loan terms are to be negotiated on a project-by-project basis.

**Project Threshold Requirements**

1. The project is located on the Peninsula;

2. The requested loan amount generally is no more than 25% of the total project cost; or the requested grant amount does not exceed 50% of the cost of the public

improvements as required by the Planning Authority, or $25,000, whichever is less. [City Council approved this amendment on 7/15/02.]

3. The project applicant and project property owner (if not the applicant) must owe no outstanding property taxes, fees, judgments, or liens to the City.

**Eligible Entities**

Sole proprietorships, partnerships, limited liability companies, and corporations which own, lease, or rent commercial property within the program boundaries and are seeking to:

1. Develop or redevelop private commercial property on the Peninsula;

2. Prepare space for lease to new or existing businesses.

**Eligible Activities**

1. Land and building acquisition, new construction, renovation, improvement, reconstruction, or restoration;

2. Soft costs related to a larger project including architectural, engineering, legal, accounting, and other professional services;

3. Equipment purchase;

4. Public infrastructure construction or reconstruction specific to a project.

**Ineligible Activities**

Ineligible activities include, but are not limited to,

1. Refinancing existing debt;

2. Working capital;

3. Speculative acquisition; and

4. Financing for work already underway or contracted for prior to PDC approval of public funding.

**Application Review Criteria**

The PDC, with assistance from the Economic Development Division, will review project proposals to determine eligibility and negotiate with applicant(s) to determine the least amount of public resources necessary to make the project(s) feasible. In the case of a project-specific bond issue, the PDC will recommend projects and funding levels to the City Council for approval.  The Council may, from time to time, instruct the PDC to solicit proposals in anticipation of available funding.

Project review will include, but not be limited to, the following:

- Has a positive impact on creating or retaining jobs and businesses on the Peninsula;
- Private investment, relative to public dollars, is maximized;
- Necessity of public funds to make the project economically feasible;
- Project has a high potential for economic success;
- Return on public investment in the form of property taxes or, in the case of a tax exempt entity, fees in lieu of property taxes; and, when applicable, appropriate profit-sharing commensurate with the City's risk and investment level;
- Highest level of lease or occupancy commitments;
- Prior to closing on any City loan funds or appropriation of grant funds, the City must see in place all private investment, leases, ownership of land with marketable title, any other grant funds necessary to the project, and other requirements determined by the City to be necessary.

The following information will be required for consideration of a funding request:

1. Development Action Program application;
2. Statement of project scope, including relevant plans and specifications ;
3. Option on land, title opinion letter, or lease agreement;
4. Letters of commitment for all financing spelling out terms and conditions;
5. Pro forma construction and operating budgets;
6. If applicable, letters of intent from prime tenants to lease with rates and terms;
7. Any available market data demonstrating project economic feasibility including, if necessary, appraisals; and,
8. Appraisals to determine the value of real estate when those assets are securing the loan.

**Portland Development Corporation**
**Preliminary Draft Operating**
**Report FY17**
**For Month Ending**
**5/31/2017**

| | |
|---|---|
| **Operating transfer from EDF** | **28,522** |
| | ------------ |
| **Total Funds Available** | **28,522** |

| | | Current | Year to | Percent | |
|---|---|---|---|---|---|
| **FY17 Expenditures** | **Budget** | **Month** | **Date** | **of Budget** | **Balance** |
| Administrative Services | 575 | 0 | 229 | 39.8% | 346 |
| Postage | 300 | 0 | 118 | 39.3% | 182 |
| Travel, Training, Meetings | 4,000 | 0 | 2,815 | 70.4% | 1,185 |
| Contractual Services | 10,500 | 0 | 1,259 | 12.0% | 9,241 |
| Operating Transfer to Fin. | 9,647 | 0 | 9,647 | 100.0% | 0 |
| Advertising | 2,000 | 0 | 1,300 | 65.0% | 700 |
| Auto Expense Reimb. | 100 | 0 | 0 | 0.0% | 100 |
| Printing & Binding | 650 | 0 | 537 | 82.6% | 113 |
| Office Supplies | 750 | 101 | 627 | 83.6% | 123 |
| | | | | | |
| **Total FY17 Expenditures** | **28,522** | **101** | **16,532** | **58.0%** | **11,990** |

| **Expenditures this month:** | |
|---|---|
| Office Supplies | Various |

**Downtown Portland Corporation**
**Schedule of Loans Receivable**
**For the Month Ending May 31, 2017**

| Cust # | Ln # | Account No. & Name | Date of Loan | Maturity Date | ----Committed/Disbursed Funds----- Original Loan | Not Yet Disb. | Total Disb . | Outstanding Princ. Bal. |
|---|---|---|---|---|---|---|---|---|
| | | **Portland Business Fund 271 (UDAG/Unrestricted):** | | | | | | |
| 7065 | 1545 | Injac Properties, Inc. | 6/10/2016 | 7/1/2021 | 122,500 | $0 | 122,500 | $94,035 |
| 7158 | 1561 | Forefront Brick South, LLC | 11/18/2016 | 12/1/2026 | 100,000 | $0 | 100,000 | $96,923 |
| | | **Sub-Total PBF (UDAG)** | | | | | | **$190,958** |
| | | **Portland Business Fund 272 (Restricted - CIP):** | | | | | | |
| 7124 | 1554 | Creative Portland | 10/11/2016 | 11/1/2023 | 25,000 | $0 | 25,000 | $23,327 |
| 6502 | 1436 | Portland Food Cooperative | 6/4/2014 | 10/1/2021 | 130,000 | $0 | 130,000 | $100,140 |
| | | **Sub-Total PBF (Bonds/CIP Restricted)** | | | | | | **$123,467** |
| | | **Portland Micro Capital Fund 271 (UDAG/Unrestricted):** | | | | | | |
| 5708 | 1438 | Veranda Asian Market LLC | 4/19/2012 | 8/1/2017 | 50,000 | $0 | 50,000 | $2,992 |
| 5837 | 1341 | Back Bay Skate | 9/10/2012 | 9/1/2017 | 12,500 | $0 | 12,500 | $2,171 |
| 6113 | 1379 | EcoHome Studio, LLC | 4/11/2013 | 4/1/2018 | 15,000 | $0 | 15,000 | $2,992 |
| 6120 | 1380 | Portland Trading Co. LLC | 4/26/2013 | 8/1/2018 | 15,000 | $0 | 15,000 | $12,923 |
| 6501 | 1435 | Sur Lie Wine Bar, LLC | 5/2/2014 | 9/1/2021 | 37,335 | $0 | 37,335 | $24,446 |
| 6635 | 1464 | Damiak's Bakery, LLC | 10/16/2014 | 11/1/2019 | 25,000 | $0 | 25,000 | $13,372 |
| 7092 | 1547 | Vin Bar, LLC | 7/26/2016 | 9/2/2021 | 50,000 | $0 | 50,000 | $43,699 |
| | | **Sub-Total Micro Capital Fund** | | | | | | **$102,594** |
| | | **Portland Business Fund Fund 274 (CIP/Unrestricted):** | | | | | | |
| 6597 | 1458 | Back Cove School | 8/29/2014 | 9/1/2019 | 55,000 | $0 | 55,000 | $38,847 |
| 6828 | 1505 | Poplar & Co., LLC | 6/5/2015 | 10/1/2022 | 37,500 | $0 | 37,500 | $30,272 |
| 6868 | 1512 | Billdotcom, LLC | 8/29/2015 | 9/1/2022 | 102,500 | $0 | 102,500 | $97,539 |
| 7091 | 1546 | Skunk Ape, LLC | 7/21/2016 | 8/1/2023 | 75,000 | $0 | 75,000 | $67,367 |
| | | **Sub-Total PBF (Bonds/CIP Unrestricted)** | | | | | | **$234,024** |
| | | **Creative Economy Fund 271 (UDAG/Unrestricted):** | | | | | | |
| 5615 | 1308 | Studio Management Corp. | 1/20/2012 | 2/1/2017 | 26,000 | $0 | 26,000 | $3,949 |
| | | **Sub-Total Creative Economy Fund** | | | | | | **$3,949** |
| | | **FAME Fund 277:** | | | | | | |
| 5862 | 1351 | Peaks Island Fuel | 10/1/2012 | 10/1/2017 | 61,000 | $0 | 61,000 | $50,700 |
| 6531 | 1450 | North Atlantic, Inc. | 6/23/2014 | 1/1/2020 | 75,000 | $0 | 75,000 | $36,536 |
| 6598 | 1459 | Browne Trading CO. | 9/3/2014 | 10/1/2019 | 83,333 | $0 | 83,333 | $43,830 |
| 6692 | 1475 | Maine & Loire LLC | 12/30/2014 | 1/1/2020 | 45,000 | $0 | 45,000 | $25,661 |
| 6784 | 1485 | SB & LC Properties, LLC | 4/6/2015 | 5/1/2020 | 101,200 | $0 | 101,200 | $97,140 |
| 6485 | 1429 | Evo Rock & Fitness Portland | 4/14/2014 | 11/1/2024 | 132,954 | $0 | 132,954 | $105,234 |
| 6973 | 1524 | Auto-Care, LLC | 2/5/2016 | 3/1/2021 | 32,500 | $0 | 32,500 | $29,603 |
| 7029 | 1533 | BayCycle | 5/13/2016 | 9/1/2023 | 20,000 | $0 | 20,000 | $18,214 |
| 7103 | 1548 | Cakeworks, Inc. | 8/5/2016 | 9/1/2022 | 62,500 | $0 | 62,500 | $57,714 |
| 7176 | 1565 | Adele Masengo Designs, Inc. | 1/6/2017 | 2/1/2022 | 15,000 | $0 | 15,000 | $14,638 |
| 7157 | 1560 | Forefront Brick South, LLC | 11/18/2016 | 12/1/2026 | 250,000 | $0 | 250,000 | $242,307 |
| | | 747 Congress LLC | 1/25/2017 | 7/1/2022 | 150,000 | $150,000 | | $0 |
| | | **Sub-Total FAME Fund** | | | | | | **$721,577** |
| | | **FAME SSBCI 279:** | | | | | | |
| 5836 | 1340 | 251 Woodford Street LLC | 8/31/2012 | 9/1/2017 | 165,000 | $0 | 165,000 | $124,686 |
| 5748 | 1327 | Fermentation & Distillation | 4/25/2012 | 10/1/2017 | 165,000 | $0 | 165,000 | $20,752 |
| 6199 | 1390 | Inn at Diamond Cove LLC | 7/10/2013 | 7/1/2018 | 200,000 | $0 | 200,000 | $168,398 |
| 7233 | 1570 | KODA, LLC | 3/31/2017 | 4/1/2027 | 100,000 | $0 | 100,000 | $99,696 |
| 6867 | 1511 | Billdotcom, LLC | 8/19/2015 | 9/1/2022 | 92,500 | $0 | 92,500 | $88,098 |
| | | **Sub-Total FAME SSBCI** | | | | | | **$501,630** |
| | | **Real Estate Investment Fund 271(UDAG/Unrestricted):** | | | | | | |
| 6104 | 1378 | McCuda, LLC | 4/19/2013 | 4/1/2018 | 200,000 | $0 | 200,000 | $171,964 |
| | | **Sub-Total RE Invest** | | | | | | **$171,964** |
| | | **Brownfields Loan Fund 278** | | | | | | |
| 6555 | 1457 | Forefront Partners, LP | 7/30/2014 | 2/1/2020 | 200,000 | $0 | 200,000 | $160,842 |
| | | **Sub-Total Brownfields** | | | | | | **$160,842** |
| | | **Grand Total Loans** | | | | **$150,000** | **2,879,322** | **$2,211,005** |
| | | Allowance for uncollectable loans at 15% | | | | | | $331,651 |
| | | **Total with Allowance for uncollectable loans:** | | | | | | **$1,879,355** |

**Portland Development Corporation**
**Preliminary Cash Management Report**
**5/31/2017**

| | | | | | | | | | Year-to-Date | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | UDAG | FAME | FAME | Brown- | Brown- | | Principal/Interest | | | | | | |
| | CIP | | 271 | | SSBCI | field 1 | field 2 | | CIP | | UDAG | | | | |
| | 272 | 274 | (Unrestricted) | 277 | 279 | 278 | 280 | | | | | | | | |
| | Restricted | Unrestricted | Loans/Grants | | | | | TOTAL | Restricted | Unrestricted | Unrestricted | FAME | SSBCI | Brnfld 1 | Brnfld 2 |
| **Cash Bal. Beginning of Reporting Mo.** | 261,571 | 124,157 | 504,686 | 347,431 | 535,833 | 344,963 | 1,488 | 2,120,129 | | | | | | | |
| Plus: | | | | | | | | | | | | | | | |
| Principal payments received | 2,207 | 603 | 4,179 | 6,331 | 5,796 | 1,557 | | | 36,635 | 74,506 | 73,770 | 70,622 | 58,153 | 14,884 | 0 |
| Interest payments received from loans | 745 | 799 | 2,102 | 4,837 | 2,060 | 420 | | | 7,199 | 14,307 | 22,167 | 34,800 | 20,353 | 4,891 | 0 |
| Interest Income | | | | | 138 | 86 | | | | | | | 1,398 | 924 | 0 |
| Other Income/Adjustments | | 51 | (516) | (1,090) | | | | | | | | | 1,000 | | 0 |
| Pass Through From FAME/SSCBI | | | | | | | | | | | | | | | |
| **Sub-Total Cash Available** | 264,523 | 125,610 | 510,451 | 357,509 | 543,827 | 347,026 | 1,488 | 2,150,433 | 43,834 | 88,813 | 95,937 | 105,422 | 80,904 | | 0 |
| Less: | | | | | | | | | | | | | | | |
| FAME Annual Admin. Fee; Invoices | | | | | | (12,000) | | | | | | | | | |
| Disbursements - Loans/PDAP Grants | | | (39,112) | | | | | | | | | | | | |
| **Sub-Total Cash Available:** | 264,523 | 125,610 | 471,339 | 357,509 | 543,827 | 335,026 | 1,488 | 2,099,322 | | | | | | | |
| Less Reserves for: | | | | | | | | | | | | | | | |
| Beautification Program (EC0301) | | | (72,000) | | | | | | | | | | | | |
| PEDPIP Fund Commitments thru FY16 | | | (53,435) | | | | | | | | | | | | |
| PEDPIP Fund FY17 Reserve (capped at | | | (48,331) | | | | | | | | | | | | |
| Portland Dev. Action Grant (EC0302) | | | (43,287) | | | | | | | | | | | | |
| Transfers not yet recorded (UDAG Int) | | | (22,167) | | | | | | | | | | | | |
| BAP Grants | | | | | | | | | | | | | | | |
| Used for Administration | | | | | | | | | | | | | | | |
| **Total Ending Loan/Grant Cash Bal.** | 264,523 | 125,610 | 232,119 | 357,509 | 543,827 | 335,026 | 1,488 | 1,860,102 | | | | | | | |

| | | |
|---|---|---|
| **Bal. of Unrestricted/Uncommitted Funds ao 7/1/16:** | | 483,308 |
| **PEDPIP Cap for FY17 (ao 7/1/2016) at 10% of above:** | | 48,331 |
| PEDPIP Commitments for FY17 to date: | 48,331 | 0 |

| Business Assistance Grant Program for Job Creation - FY2015/2016 | | | |
|---|---|---|---|
| **Prior Round Funds Available:** | **$5,000** | **Admin:** | **$713** |
| **FY2016 Grant Funding Available:** | **$100,000** | | |
| **Grantee/Grant Approved** | **Grant Amount** | **Date Approved** | **Jobs Funded** |
| Forq Food Lab | $10,000 | 12/17/2015 | 1 |
| Auto-Care LLC | $10,000 | 4/21/2016 | 1 |
| Swallowtail Farm | $20,000 | 4/21/2016 | 2 |
| Buoy Local | $10,000 | 5/19/2016 | 1 |
| VinBar, LLC | $20,000 | 5/19/2016 | 2 |
| Bella Maine, LLC | $20,000 | 5/19/2016 | 2 |
| Cakeworks, Inc. | $10,000 | 6/16/2016 and 8/11/2016 | 1 |
| Union Bagel Co. | $10,000 | 6/16/2016 | 1 |
| Buoy Local - Not Using Grant | ($10,000) | | -1 |
| Adele Masengo Designa, Inc. | $5,000 | 12/15/2016 | 1 |
| **Balance of Funds Available:** | **$0** | **Total Jobs:** | **11** |

| Portland Economic Development Implementation Program | | | |
|---|---|---|---|
| **FY2017 Grant Funding Available:** | **$48,331** | | |
| **Grantee Approved** | **Grant Amount** | **Date Approved** | **Project** |
| Portland Downtown | $7,155 | 10/20/2016; Amt Amended 3- | Parking Study |
| ME Convention Center Collaborative | $10,000 | 10/20/2016 | Convention Center Feas. Study |
| ME Center for Entrepreneurial Dev. | $7,500 | 10/20/2016 | E*Next Pilot Project |
| Portland Buy Local | $2,500 | 10/20/2016 | Community Forum to Strength Local Businesses |
| Portland Downtown | $2,500 | 10/20/2016 | Walking Tour Guide |
| Maine College of Art | $3,676 | 5/25/2017 | Campus Master Plan |
| GPCOG | $5,000 | 5/25/2017 | Portland Food Launch & Festival |
| Women United Around the World | $10,000 | 5/25/2017 | Vocational Training Program for Immigrant Women |
| **Total Approved:** | **$48,331** | | |
| **Balance of Funds Available:** | **$0** | | |

6/9/2017