ECONOMIC DEVELOPMENT COMMITTEE

DATE: Tuesday, June 16, 2020
TIME: 5:30 PM
LOCATION:

You are invited to a Zoom webinar.

Allow your computer to install the free Zoom app to get the best meeting experience. If you are not able to attend live, a recording will be uploaded to portlandmaine.gov/livestream the next day.

For public comment, you will need to use the "raise your hand" feature. To raise your hand via the telephone, please hit *9. You will be un-muted by the host when it is time for public comment.

Please click the link below to join the webinar:
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Webinar ID: 983 0763 3238
International numbers available: https://zoom.us/u/abOce1ivzC

1. Zoom Meeting Information

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2. Review and vote on May 14, 2020 draft meeting Minutes.

a. See attached draft meeting Minutes.

3. Update on the Roux Institute at Northeastern University - Margaret Angell

a. See attached material.

4. Public Hearing and vote on a recommendation to the City Council on 337 Cumberland Avenue Affordable Housing Project Tax Increment Financing (TIF) District Credit Enhancement Agreement Request which has been reviewed by the Housing Committee - Mary Davis

a. See attached Memorandum from Mary Davis with attached documents.

NOTE: The Committee may go into executive session pursuant to 1 M.R.S.A. 405(6)(C) and 5 M.R.S.A. 13119-A to provide staff direction on negotiations.

5. **Public Hearing and vote to recommend to the City Council to amend the Bayside TIF District to remove 337 Cumberland Avenue from the District for it to be its own free-standing Affordable Housing TIF District. This is a companion action to above Item #3 - Greg Mitchell**

   a. See Memorandum for above Item #3.

6. **For discussion and direction - proposed amendments to the 44/52 Hanover Street Purchase and Sale Agreement post-closing documents to support a change to mixed-use development, including residential apartments.**

   a. See attached Memorandum form Greg Mitchell and attachments.

Next Meeting Date: July 7, 2020

<u>Minutes</u>
<u>Remote Economic Development Committee</u>
<u>May 14, 2020</u>

NOTE: This meeting was held via Zoom and can be viewed at this link: http://www.portlandmaine.gov/1695/Economic-Development-Committee These Minutes provide a record of those in attendance, general discussion taking place, and motions made.

A remote meeting of the Economic Development Committee (EDC) of the Portland City Council was held on Thursday, May 14, 2020, at 4:00 p.m. via Zoom. Present from the Committee was its Chair Councilor Justin Costa and members Councilors Tae Chong, Nicholas Mavodones, and Spencer Thibodeau. Also present was Mayor Kate Snyder and Councilors Kim Cook and Belinda Ray. Present from the City staff were Public Works Director Chris Branch, Assistant City Manager Heather Brown, Police Chief Frank Clark, Senior Planner Nelle Donaldson, Associate Corporation Counsel Michael Goldman, Communications Director Jessica Grondin, Business Licensing Manager Jessica Hanscombe, Deputy Director of Parks Recreation and Facilities Ethan Hipple, City Manager Jon Jennings, OEO Outreach and Initiatives Coordinator Angelina Klouthis, Assistant to the City Manager for Constituent Services Dena Libner, Economic Development Director Greg Mitchell, Senior Executive Assistant Lori Paulette, and Parking Manager John Peverada.

Chair Costa welcomed all to this one topic Agenda meeting, that being:

<u>Review and vote on a recommendation to the City Council regarding expanded outdoor seating for restaurants and retail, including closing Portland streets.</u>

Chair Costa said that this item has been the topic of conversation in the community of late. The Committee will hear from staff, then there will be an opportunity for public comment, and possible vote on a recommendation to the City Council for its meeting on May 18th.

Mr. Jennings noted that the Committee has a hard stop at 5:15 for a 5:30 Finance Committee meeting so would summarize the recommendation to expand outdoor capacity to support businesses in their efforts to re-open responsibly. One update is that there is no need to close Cotton Street. There is one restaurant who has indicated that it would not be expanding outside. Middle Street will see an expansion of sidewalk area for use, as well as parklets at a reduced fee. Seating in parking lots will also be accommodated. Businesses can submit plans and the City will review and expedite the process.

Regarding Exchange Street closing from Fore Street to Middle Street, and Middle Street to Federal Street, Mr. Jennings said that he has worked with management at the Temple Street Garage to have 24-hour access from the Temple Street side.

He also noted that the City staff's approach is strategic and cautious, to keep the City moving and for public safety, including emergency vehicles.

Councilor Mavodones asked how will the rules and regulations be maintained, and Mr. Jennings noted that Business Licensing Manager Jessica Hanscombe has overall responsibility for enforcement that will be in place, noting again that this proposal is for both restaurants and retail.

Councilor Thibodeau asked, regarding Exchange Street, would a restaurant/retail shop have the ability to extend to the end of the sidewalk and into the Street.

Mr. Jennings noted that the sidewalks need to maintain a 4-foot walkway for ADA purposes and indicated that tables and chairs can extend into Exchange Street.

Councilor Thibodeau asked if parklet fees would be reduced, and Mr. Jennings said that parklet fees were originally $5,000 per space, the difference from what the City gets per parking space. It is lower now and no other fees are associated with it, but no fees are to be paid upfront, allowing 60-days to pay for cash flow to return. Outdoor dining will have no cost.

Councilor Ray asked about sidewalk space and can businesses negotiate for space, and Mr. Jenning indicated that the City is not being as strict right now and there is room for negotiating.

Councilor Ray asked if there was any change for food trucks, and Mr. Jennings said that there has been no change.

Councilor Ray commented that the City could look into expanding food trucks off peninsula. She then mentioned Portland, Oregon's Slow Streets Safe Streets that supports physical distancing and the re-opening process.

Mr. Jennings said that the City is looking for any and all opportunities, noting that some streets are owned by the State, which also regulates the speed limits.

Mayor Snyder noted that the draft Order in the packet gives City administration flexibility to use its judgment in working with any business to increase capacity. Other neighborhoods may want something similar. This pilot program is temporary and the City will assess it and watch it closely as it moves forward.

Mr. Jennings agreed. There will be adjustments as needed as the City moves forward on this and appreciated the Administration having the flexibility to use its judgment for the program.

Chair Costa thanked staff for bringing this pilot program forward quickly and emphasized the unprecedented challenges we are all facing. A pilot program like this would generally take multiple meetings and public hearings, so, again, appreciated the speed to get this here today. There will be fine-tuning, and the draft Council Order gives daily flexibility for the public. Chair Costa then opened the meeting for public comment.

Mike Wiley, chef at Hugo's, thanked the City and staff for their creativity. He and his colleagues are thrilled with this idea, noting it is source of solace in very uncertain times.

Casey Gilbert, Executive Director at Portland Downtown, also thanked the City staff for this pilot program. She reviewed it with her Executive Committee and it is happy with this. Ms.

Gilbert said that she has also heard from her constituency support and some non-support, while hoping all will be pleasantly surprised and possibly expanded and offering PD's support and assistance where needed.

Quincy Hentzel, President of the Greater Portland Chamber of Commerce, thanked the City for this assistance for small businesses and thinking outside of the box. It will be extremely helpful and the Chamber will work with the City to help weather this crisis.

Kara Wooldrik of Portland Trails agreed and commended the City for its openness to pivoting when needed, and noted that off peninsula areas could also benefit and to keep that in mind. In closing, she said that it has been good partnering with the City in its efforts during this time.

Steve Scharf, representing Portland's Bike Committee, noted support for closing these streets. The only concern he has is with ADA issues to access storefronts for those impaired, including the blind.

Mary Scott, Executive Director at Portland Buy Local, noted appreciation for the City's flexibility in working with businesses in this pilot program. Nothing will be perfect right away, but Portland Buy Local totally supports this program and also noted other neighborhoods may also want to do something similar. She thanked the City and will follow-up with other questions she has received from businesses.

Erin Kiley, commercial landlord in downtown, said that this pilot program is a lifeline for the businesses. It will help to bolster consumer confidence and to help businesses to survive. Any fees that can be waived by the City would be helpful.

Eric Freeman, resident of Portland, thanked the City for their creativity in this pilot program which will help to promote and sustain businesses.

Seeing no further public comment, Chair Costa closed the public comment session.

A motion was made by Councilor Mavodones, seconded by Councilor Thibodeau to forward this to the City Council with a recommendation for approval.

Chair Costa reiterated thanks to City Staff in moving this program to the top of their plates, which plates are very full with this crisis. The turnaround time has been exemplary and hoped that this experimental pilot program will assist to sustain local businesses and bear fruit. He also noted the flexibility for the program for all unique circumstances; the dialogue will continue as this moves forward.

Councilor Ray understood the request to waive fees, but noted that the City and School Department is also struggling during the pandemic with major revenue losses. Costs have been pared down in this program.

Councilor Chong appreciated the City staff's thorough thought process on this. Reducing fees is a show of good faith by the City, and the City will also incur additional costs for the program, including enforcement. This is a fair approach for all.

Seeing no further comments, a vote was then taken on the motion and it passed unanimously.

On motion then made by Councilor Chong, seconded by Councilor Mavodones, the Committee voted unanimously to adjourn at 5:00 p.m.

Respectfully, Lori Paulette

Tech Talent for an AI-Driven Economy

The Roux Institute
at Northeastern University

Introduction for the
Economic Development Committee
Portland City Council
June 16, 2020

Our Mission

Sustain, Attract and Build Companies by:

- Creating a large, sophisticated tech talent pipeline
- Leading research applied toward today’s business needs
- Enabling unprecedented collaboration among private sector, higher ed, and government

Northeastern University by the numbers

11 campuses around the world

3,000+ employer partners worldwide

R1 research university

146 countries where our students are studying and working

1,503 total faculty

Experiential AI:
The Future of Artificial Intelligence

Challenging us to identify and seize opportunities made possible by human-AI collaboration, in ways that make a true difference to society.

Our Experiential AI Programming

Stackable experiences, courses, certificates, and degrees

Bioengineering
Bioinformatics
Biotechnology
Genomics
Health Data Analytics
Precision Medicine

Applied Analytics
Computer Science
Cybersecurity
Data Science
Machine Learning
Software Engineering

Entrepreneurship
Creativity & Design
Communication & Teamwork
Critical Thinking
Technical Project Management

Our Value Proposition for Corporate Partners

- Upskill and retain current employees with custom-designed curricular offerings
- Audition new talent through student co-ops and internships
- Access preferential talent-recruiting and positioning
- Build rapid-response research teams
- Gain R&D and training efficiencies
- Collaborate with leading experts in experiential AI
- Leverage our innovation incubator

Our Partners Come First

Bangor Savings Bank
IDEXX
The Jackson Laboratory
L.L.Bean

MaineHealth
ptc
Sun Life
Thornton Tomasetti

TILSON
unum
wex

Portland Campus

Phased campus expansion for learning and research

Phase 1 2020

25,000 square feet

Leased

Phase 2 2025

75,000 square feet

Permanent

Phase 3 2030

110,000 square feet

Permanent

Short-Term Launch Trajectory through 2020

Q1
- Public announcement of launch
- Lease initial campus
- Identify partner talent and research needs
- Initiate curriculum design

Q2
- Obtain regulatory approvals
- Launch enrollment campaigns
- Design partner programming for year ahead
- Recruit founding team

Q3
- Pilot coursework with corporate partners
- Open phase 1 campus
- Founding leadership and faculty in place

Q4
- Welcome students in pioneer cohort

Near-Term Growth Plan

2020 Begin design for permanent campus

2021
- Launch research enterprise
- Grow enrollment base

2023 Open permanent campus

2026 Design expanded facility

Thank you and please contact us

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Head of Partnerships & Operations
m.angell@northeastern.edu

roux.northeastern.edu

The Roux Institute
at Northeastern University

CITY OF PORTLAND
Planning & Urban Development Department
Housing and Community Development Division

TO: Councilor Costa, Chair
Members of the Economic Development Committee

FROM: Mary P. Davis, HCD Division Director
Victoria Volent, Housing Program Manager

DATE: June 7, 2020

SUBJECT: Affordable Housing Tax Increment Financing Request (AHTIF)
337 Cumberland Avenue

The City of Portland's Division of Housing and Community Development recently received an Affordable Housing Tax Increment Financing (AHTIF) application for a project at 337 Cumberland Avenue. 337 Cumberland Avenue is located in an existing city council approved area-wide TIF district, the Bayside TIF. The area-wide TIF district will need to be amended to carve out this site to enable a free standing 30-year affordable housing TIF district to be established.

In regards to 337 Cumberland Avenue, the initial application requested the designation of the district along with a credit enhancement agreement that would return 75% of the captured revenue to the project to offset project operating costs. Since the original application was submitted, an additional request was received that would increase the percentage of captured revenue to provide financial assistance to the child care operation portion of the development. The Affordable Housing TIF statute [30-A Chapter 6 § 5249 1.A.(9)] indicates that "Costs for child care, including financing costs and construction, staffing, training, certification and accreditation costs related to child care located in the affordable housing development district;" is an authorized project cost. The project was originally slated to be on the Committee's May 27 agenda, however the project was removed from that agenda and rescheduled for the June 16th meeting.

The initial application was reviewed by the Housing Committee on May 13; the Housing Committee was supportive of the original request to return 75% of the captured revenue to the project. The Housing Committee will receive a verbal update of the revised request at their June 10 meeting.

A summary spreadsheet highlighting the development is attached and an overview of the project follows.

389 Congress Street Room 312 · Portland, Maine 04101
207- 874- 8711 mpd@portlandmaine.gov · www.portlandmaine.gov

Affordable Housing Tax Increment Financing Request

Portland Housing Development Corporation (PHDC) is requesting financial assistance from the City in the form of an Affordable Housing TIF (AHTIF) to assist with the construction of 60 rental units on a site located at 337 Cumberland Avenue. If approved, the AHTIF financing will be provided through a Credit Enhancement Agreement at 75% of the increased taxable value, currently estimated at an average $109,900 annually over 30 years.

In addition to the request to support the development of the project, there is a request to utilize up to 25% of the remaining increased taxable value, currently estimated at a 30 year annual average of $36,633, to provide financial assistance to the child care operation. The Affordable Housing TIF statute [30-A Chapter 6 § 5249 1.A.(9)] indicates that "Costs for child care, including financing costs and construction, staffing, training, certification and accreditation costs related to child care located in the affordable housing development district;" is an authorized project cost. See attached letter from Youth and Family outreach.

The developer has requested two forms of financial assistance, including an Affordable Housing Development (AHD) request of $500,000. This request will be reviewed by the Housing Committee at a meeting on June 10th.

Tax Increment Financing request: If approved, the Affordable Housing TIF financing will be provided through a Credit Enhancement Agreement at 75% of the increased taxable value, currently estimated at a 30 year annual average of $109,900, with an estimated total of $3,296,995 in captured revenue returned to the developer over the term of the district, to off-set project operating costs. The proposed project will be taxable, with an estimated annual assessment of $4,900,000 and estimated annual tax of $114,219 at the current 20FY millage rate.

As noted above, there is a request to utilize the remaining 25% of the increased taxable value, currently estimated at a 30 year annual average of $36,633, with an estimated total of $1,098,998 in captured revenue over the term of the district. These funds would be retained by the City to provide financial assistance to the child care operation.

TIF projections and proposed district map are included in the backup to this memo.

Description of Project

Portland Housing Development Corporation is proposing the redevelopment of 337 Cumberland Avenue by providing a newly constructed six-story structure containing 60 mixed-income units in a mixed-use building. The site is currently owned by Youth and Family Outreach (YFO), who will lease it for 90 years to 337 Cumberland Avenue, LP who will be the development owner. The site consists of an existing building containing a restaurant and a chapel that provides space for YFO to offer early childhood education and other supportive services for 58 children. The chapel will be updated and the building will be demolished. The first floor of the new building will provide expansion space for YFP that will allow for an increase in childcare spots from 58 to 107, floors two through five will be residential housing. 337 Cumberland would attempt to secure Project Based Housing Choice Vouchers from PHA for some of the 50% AMI units.

As stated in the developer's application: *The 337 Cumberland Ave development is an opportunity for the City to create 60 new, long-term affordable apartments and increase childcare spots from 58 to 107 in a highly-walkable neighborhood in an energy-efficient, resilient, and beautiful building.*

Youth and Family Outreach and Portland Housing Development Corporation acknowledge the importance of residing in an affordable, stable home, particularly for our most vulnerable families. In alignment with the sponsors' missions to ensure children have stability and a good foundation, 10% of the homes (6 units) will be set-aside for families residing in a Portland shelter.

Additional building amenities include a laundry room, easily accessible storage for bicycles, strollers, and items that support human-powered mobility, onsite handicap parking, a community room, free wireless internet throughout the building, and access of YFO's playground spaces.

This project is seeking a 9% Low Income Housing Tax Credit and tax-exempt debt of $980,000 with Maine Housing contingent upon a reduction in operating costs through a tax increment financing program that provides for a minimum of 75% of the projects annual property tax revenue to be returned to the developer.

337 Cumberland Avenue will contain sixty (60) units with a mix of nineteen (19) studio units, sixteen (16) one-bedroom units, fifteen (15) two-bedroom units, and ten (10) three-bedroom units. Forty-eight (48) units will have income restrictions: thirty-six (36) will be reserved for households at or below 50% AMI and twelve (12) will be reserved for households at or below 60% AMI. The remaining 12 apartments will be unrestricted market rate.

337 Cumberland Street		
Studio (19)	at or below 50% area median income	10
	at or below 60% area median income	4
	Market Rate	5
One bedroom (16)	at or below 50% area median income	7
	at or below 60% area median income	3
	Market Rate	6
Two bedroom (15)	at or below 50% area median income	11
	at or below 60% area median income	3
	Market Rate	1
Three bedroom (10)	at or below 50% area median income	8
	at or below 60% area median income	2
Total Units	at or below 50% area median income	36
Total Units	at or below 60% area median income	12
Total Units	Market Rate	12
Total Units		60

Financial Impact

The project has an estimated total development cost of $13.5 million. When completed, the project's new total assessed value is estimated at $4.9 million, which would yield $146,533 in annual assessed property value at the current FY20 mill rate. The increased assessed value is estimated at an annual amount of $4,796,360 or $134,298,080 over the 30 year term of the district.

Seventy-Five (75%) percent of the increased tax revenue will be captured revenue returned to the developer through a Credit Enhancement Agreement. Captured revenue returned to the developer averages an estimated annual amount of $109,900 or $3,296,995 over the 30 year term of the district. The request also includes a proposal for the remaining 25% of captured revenue to be retained by the city and used to provide financial assistance to the child care operation. Captured revenue for child care operational costs would average an estimated annual amount of $36,633 or $1,098,998 over the 30 year term of the district. City general fund revenue on the original assessed value is estimated at an annual average of $3,332 or $99,966 over the 30 year term of the district.

	Captured Revenue to Developer (assumes 2% increase/year to mill rate) (Tax Dollars returned to the Developer's District Account)	Captured Revenue Returned to City (assumes 2% increase/year to mill rate) (Tax Dollars returned to the City's District Account)	Non -Captured General Fund Revenue (Tax Dollars in General Fund)	City OAV General Fund Revenues
30 Year TIF Total	$3,296,995	$1,098,998	$0	$99,966
30 Year Average	$109,900	$36,633	$0	$3,332

With the tax sheltering benefits of TIF Districts, overall savings to the City during the term of the district averages an estimated annual amount of $40,245, or $1,207,351 over the 30 year term of the district.

	1. Sheltered Valuation (same as Captured Valuation	2. Avoided Loss of State Aid for Education	3. Avoided Loss of State Municipal Revenue Sharing	4. Avoided Increase in County Tax	5. Total Avoided Impacts (2+3+4)
30 Year TIF Total	$134,298,080	$1,032,560	$100,643	$74,148	$1,207,351
30 Year Average	$4,476,603	$34,419	$3,355	$2,472	$40,245

Attachments:
337 Cumberland Street Tax Increment Financing Application Summary
Youth and Family Outreach Letter
TIF District Map
TIF Model Spreadsheets
Project Pro Forma

Affordable Housing Development Funding Requests	
Project Address	**337 Cumberland**
Project Description	Construction of 60 units of mixed-income rental housing and increased childcare spots from 58 to 107
Developer	YFO & PHA
Type of Housing	Individuals & Families
Total Units	60
Affordble Units	48
Market Rate Units	12
% of Affordale/Market rate units	80/20
no. of units affordable to < 50% AMI	36
no. of units affordable to < 60% AMI	12
homeless set aside	10% (6 units)
efficiency	20
one-bedroom	15
two-bedroom	15
three-bedroom	10
New units created	60
Rehabilitated units	0
CURRENT FUNDING REQUEST	**$500,000**
Previous funding Received for this project	$0
City Subsidy per New Affordable Unit	$10,416.66/unit
City Subsidy per New/Renovated Affordable Unit	n/a
TIF Request	**$3,296,995**
LIHTC	Yes 9% ($980,000)
Healthy Neighborhood RFP	n/a
HOME (approved)	n/a
Housing Trust Fund (approved)	n/a
CDBG (approved)	n/a
Other City Funding encumbered by Developer	**
Total Development Cost	$13.5 million
Estimated Construction Start Date	Aug. 2021
Estimated Lease-up	Fall 2022

**** Encumbered Funds: PHA 's Front Street project has an outstanding comittment of $925,000 in Housing Trust funds, $510,174 in HOME funding, and $6,056,916 AHTIF. PHA's 58 Boyd Street project was awarded $200,000 in HOME, $30,000 in CDBG, and $2,144,566 in AHTIF (under construction)**

Affordable Housing Development Funding Requests

Project Address	**337 Cumberland**
Project Description	Construction of 60 units of mixed-income rental housing and increased childcare spots from 58 to 107
Developer	YFO & PHA
Affordable Housing Development Funding Requests	$500,000
HOME (approved)	n/a
Housing Trust Fund (approved)	n/a
CDBG (approved)	n/a
Healthy Neighborhood RFP	n/a
TIF Request	$3,296,995
Land Lease	n/a

PORTLAND HOUSING DEVELOPMENT CORPORATION

Project Summary – 337 Cumberland Ave
Affordable Housing Tax Increment Financing Application

Youth and Family Outreach creates opportunities that support learning and enhance the quality of life for children, teens, and families in Greater Portland. Together with its community partners, the Portland Housing Development Corporation provides and expands affordable housing and services that improve quality of life, build community, enhance safety and promote personal success for the people we serve and the neighborhoods in which they reside. Youth and Family Outreach and Portland Housing Development Corporation acknowledge the importance of residing in an affordable, stable home, particularly for our most vulnerable families. Combining the foundations of home and high-quality education increase the opportunity to grow with a sense of purpose, well-being, and stability. By increasing the availability of affordable homes and childcare opportunities within Portland's downtown core, YFO and PHA will provide even more opportunity for residents of Portland to engage and prosper.

The proposed redevelopment of 337 Cumberland Ave supports the common goals of the sponsor organizations and the City of Portland by providing a newly constructed structure containing 60 mixed-income apartments and space for YFO to increase the number of families they support through early childhood education and other support services. Active and lively street frontages, families living steps from job and educational opportunities, and two community partners working together to provide a community hub are just some of the benefits from building 337 Cumberland Ave, a model sustainable building designed to embrace beauty, equity, and a stable climate for now and future generations.

The existing restaurant located at 337 Cumberland Ave will be demolished, and in its place a new 6 story building will be constructed. On the first floor will be expansion space for Youth and Family Outreach; the new space will allow the long-time neighborhood organization to support 49 additional children. The neighboring Chapel building, currently used by YFO for childcare, will be renovated to contain community space and childcare classrooms. The upper five floors will contain 60 apartments with a mix of apartment types and a blend of income targets. There will be twelve market rate units, and all apartments will be comparable in size and furnishings. Market rate units, combined with a variety of lower-targeted apartments, supports the City's goal of promoting economic diversity in the neighborhood. A non-smoking policy will be building-wide and will extend to within 25 feet of entrances. In alignment with the sponsors' missions to ensure children have stability and a good foundation, 10% of the homes (6 units) will be set-aside for families residing in a Portland shelter.

The building is located on an underdeveloped site in the urban core and will be a mixed-use building with uses that are fully appropriate for the site. This will provide apartments in a location within easy walking distance of the largest concentration of employment in the state, a transit hub with direct connections across Greater Portland, and on the edge of the residential neighborhood of West Bayside. Along both Portland Street and Cumberland Street the building will have appropriately designed entries and enhancements along the sidewalk edges. The YFO childcare playground areas at the street level will be improved. The team is planning for the building to meet the Core Green Building and Passive House standards, in addition to meeting the City's Green Building Ordinance. Accessibility requirements will be met, and careful attention will be made to compartmentalization of the apartments in order to provide optimal levels of visual, acoustical, and odor privacy. The following amenities will be available to all residents: secure entrance lobby containing a site manager's office, ADA bathroom, mailbox and package area, and gathering space for working or visiting. Additional building amenities include a laundry room, easily accessible storage for bicycles, strollers, and items that support human-powered mobility, onsite handicap parking, a community room, free wireless internet throughout the building, and access of YFO's playground spaces.

The development conforms to City of Portland and MaineHousing underwriting criteria. The developer requests $500,000 in HOME funds, roughly $8,333 per unit. PHDC understands and is prepared to meet all the requirements set forth by the City and HUD related to using these funds. Additionally, it is understood that the affordability period will be for at least 90 years. Below is a breakdown of the proposed unit affordability mix. The project will attempt to secure Project Based Housing Choice Vouchers from Portland Housing Authority for some of 50% AMI apartments.

Portland Housing Development Corporation has a strong organizational and financial background and has organized a development team with experience and capacity to complete the project. Matthew Peters, of Elysian Enterprises LLC, will lead the development project management. Kaplan Thompson Architects and Atlantic Resource Consultants will lead the design and permitting. Portland Housing Authority will provide ongoing property management. Their background in facilities, financial compliance, and the needs of Portland residents will ensure that the building is an asset to the neighborhood and broader community.

The site is currently owned by YFO, who will lease it for 90 years to 337 Cumberland Avenue, LP, who will be the development owner. Development can be completed using current zoning and will not require a contract, conditional zone, or zoning amendment. The current timeline allows for planning board related approvals to be completed prior to City Council approval of this application. A ESA Phase I and II have been competed through Brownfields support funds through the City. Soil contamination on the site was identified that is typical for this location. A plan for containment and proper removal, as recommended by the report, is included in the project budget. The project timeline is to complete all local planning approvals by August 2020, obtain all financing commitments by the end of 2020, begin design development in January 2021, with construction starting August 2021 and lasting 16 months.

Development Details

Property Address
337 Cumberland Ave, Portland, ME 04101

Tax Chart, Block, and Lot Number
337 Cumberland is comprised of five parcels:

- Tax Map #033-K-005 – surface parking lot
- Tax Map #033-K-006 – surface parking lot
- Tax Map #033-K-007 – surface parking lot
- Tax Map #033-K-009 – existing building containing a restaurant
- Tax Map #033-K-010 – chapel containing early childhood education center
- Tax Map #033-K-013 – surface parking lot

Total District Acreage
0.4520 acres

Zoning Designation Where District is Located
The property is currently located in the B-3 zone within the Bayside Height Overlay and Downtown Entertainment District Overlay Zones. This zone allows for a variety of uses with expectations and limitations to support a vibrant downtown experience.

Description of Housing Need in Municipality and How it is Met by Development
The housing need in Portland, Maine significant. As one of the largest job centers and economic hubs in Maine, opportunities to find a safe, quality, and affordable home is challenging. Over the past several years vacancy rates have been much lower than the long-term average, which limits housing mobility, choice, and resulting in increasing rents. Additionally, residents in the Bayside neighborhood where 337 Cumberland is located make an average of $45,000 per family, which is roughly half of the Greater Portland MSA. This income disparity for the neighborhood makes the families who live there highly susceptible to displacement from their community.

This development will bring 60 new homes online in a highly walkable neighborhood conveniently located near transit connecting to Greater Portland. It will provide affordable homes so that residents can choose to stay in the community or that so other households in the Greater Portland region can lower their housing and transportation costs.

In addition, Portland Housing Authority (PHA) may support this development with Project Based Housing Choice Vouchers (HCV). The housing market in Portland has been so competitive that a significant portion of voucher holders struggle to find a home where they can use a portable HCV. This development will alleviate that challenge by having several vouchers attached to apartments.

Percentage of Acreage Suitable For Residential Use
100%

Percentage of Acreage Blighted
59%

Percentage in Need of Rehabilitation / Redevelopment
100%

Number and type of units to be constructed or rehabilitated (level of affordability, rental, homeownership, single-family home, condominium unit; number of bedrooms in each unit, etc.)
337 Cumberland will contain the following range of apartment sizes and affordability targets as detailed in the table below. All the apartments will be located within an elevatored, assessible building.

Unit Size	Income Targeting (% of AMI or less)	# of Units
Studio	50% AMI	10
	60% AMI	4
	Market Rate	5
1-Bedroom	50% AMI	7
	60% AMI	3
	Market Rate	6
2-Bedroom	50% AMI	11
	60% AMI	3
	Market Rate	1
3-Bedroom	50% AMI	8
	60% AMI	2
Total		**60**

Description of Residential and non-residential uses in District and Acreage of Each
337 Cumberland will consist of a new building connecting to the existing chapel at the corner of Cumberland Avenue and Preble Street. This mixed-use building will contain apartments, accessory residential uses, and a early childhood education center run by Youth and Family Outreach. 100% of the site acreage (0.452 acres) will be used to residential or accessory uses to residential.

Description of Accessory Uses Related to Residential Use
337 Cumberland Ave will contain several uses related to the residential use. The building will contain a parking garage, laundry facilities, storage related to biking and other human powered uses, a community room, a community meeting area, a site office, and maintenance support areas.

Description of How Housing and Facilities in the District will be Operated After Completion
The apartments will be operated by Portland Housing Authority. Ongoing rental restrictions and program requirements by MaineHousing will last a minimum of 45 years, City of Portland will last 90 years, and Federal Home Loan Bank of Boston (FHLBB) will last 15 years. There will be continued oversight and involvement by City of Portland, MaineHousing, FHLBB, and a to-be-determined LIHTC equity investment partner.

Portland Housing Authority will be the Management Agent at 337 Cumberland. PHA has over 75 years of property management experience and currently manages a portfolio of over 1,000 affordable units within Portland. Additionally, PHA manages the administration of ±1,900 Section 8 housing vouchers. Overall, PHA houses ±6,500 residents, close to 10% of the City's population. As a long-term owner in affordable homes, the mission of PHA and its affiliates is to expand and preserve Portland's stock of affordable housing.

PHA's experienced and professional Property Management team will ensure maintenance and repairs are performed in a timely and satisfactory manner that sustain this asset for decades to come. They have the requisite training and knowledge of funding programs and regulations to ensure ongoing compliance with all funder requirements. Additionally, our Resident Services staff is skilled at assessing community and resident needs and organizing to address those needs. Resident Services staff process referrals and connect Washington Gardens residents with services and resources. They develop and operate programs that enable residents to gain educational, financial and self-sufficiency skills, as well as build collaborative relationships with area providers and solicit resources.

The Community Service Facility will be operated by Youth and Family Outreach (YFO). YFO offers services to Greater Portland families with children 6 weeks to five years of age. The organization has been in existence since 1844 and started the early care and education portion of its work in 1986. YFO is a 501(c)3 non-profit organization and currently operates a state licensed childcare facility within the existing chapel on the site. The facility is accredited by the National Association for Education of Young Children and achieves a level 4 on Maine's Quality Rating System.

Description of Planned Uses of Tax Increment Revenues from the District

Revenue from the Affordable Housing Tax Increment District (AHTIF) will be used to reduce operating costs at 337 Cumberland, such as maintenance and utilities. The funds received over the lifetime of the AHTIF will support the project in providing new, high quality, affordable apartments to the Bayside neighborhood. Without these funds, the development of 60 apartments serving a broad cross-section of Portland residents will not move forward.

331 Cumberland Avenue
Portland, Maine 04101
Center: 207-874-1073; fax: 207-874-2373
Camelia.haleyyfo@gmail.com
www.yfoutreachme.org

May 26, 2020

Dear Mr. Jennings and members of the Economic Development Committee;

Youth and Family Outreach is reaching out to you today to propose a consideration for the TIF requested by the Portland Housing Development Corporation (PHDC) for their project at 331/337 Cumberland Avenue. As you may know, this is a project that Youth and Family Outreach (YFO) has partnered with PHDC on. We are thrilled to be able to expand on two critically needed services in the Bayside neighborhood; access to high-quality childcare and affordable housing. The requested TIF would return 75% of the revenue to the housing project developer. We are asking that the city consider directing the additional 25% to financial assistance for low to moderate income families by way of childcare scholarships.

More and more families are hindered by the benefits cliff. When public benefits phase down or out quickly, it leads to an abrupt reduction or loss of benefits for families. Their earnings may increase but have not increased enough for self-sufficiency to be reached. The TIF funds would allow us to support these families by offering them a sliding fee scale, effectively enabling them to keep their job. Furthermore, YFO is rooted in our mission to serve teen parents. These funds will be used to provide short term support while we assist these young folks in getting a subsidy with the state. The average cost of a childcare slot at YFO is $281 per week. If the 30 year average of income from the TIF is $36,633 we could provide 130 units of service each year, based on the child age and family's work schedule. Currently we use our CDBG scholarship funds to support a family for six-week periods. Utilized in this way these funds would allow us to support about 22 infants, toddlers and preschoolers annually.

Youth and Family Outreach prioritizes families from low-income households by setting aside 60% of our slots for them. We are committed to continuity of care for children and are resourceful with every dollar we receive so that we may create as many opportunities as possible for children and families to thrive. Additionally, the financial assistance would mean that Youth and Family Outreach would no longer need to reach out to the city with a CDBG social services application for childcare scholarships year after year.

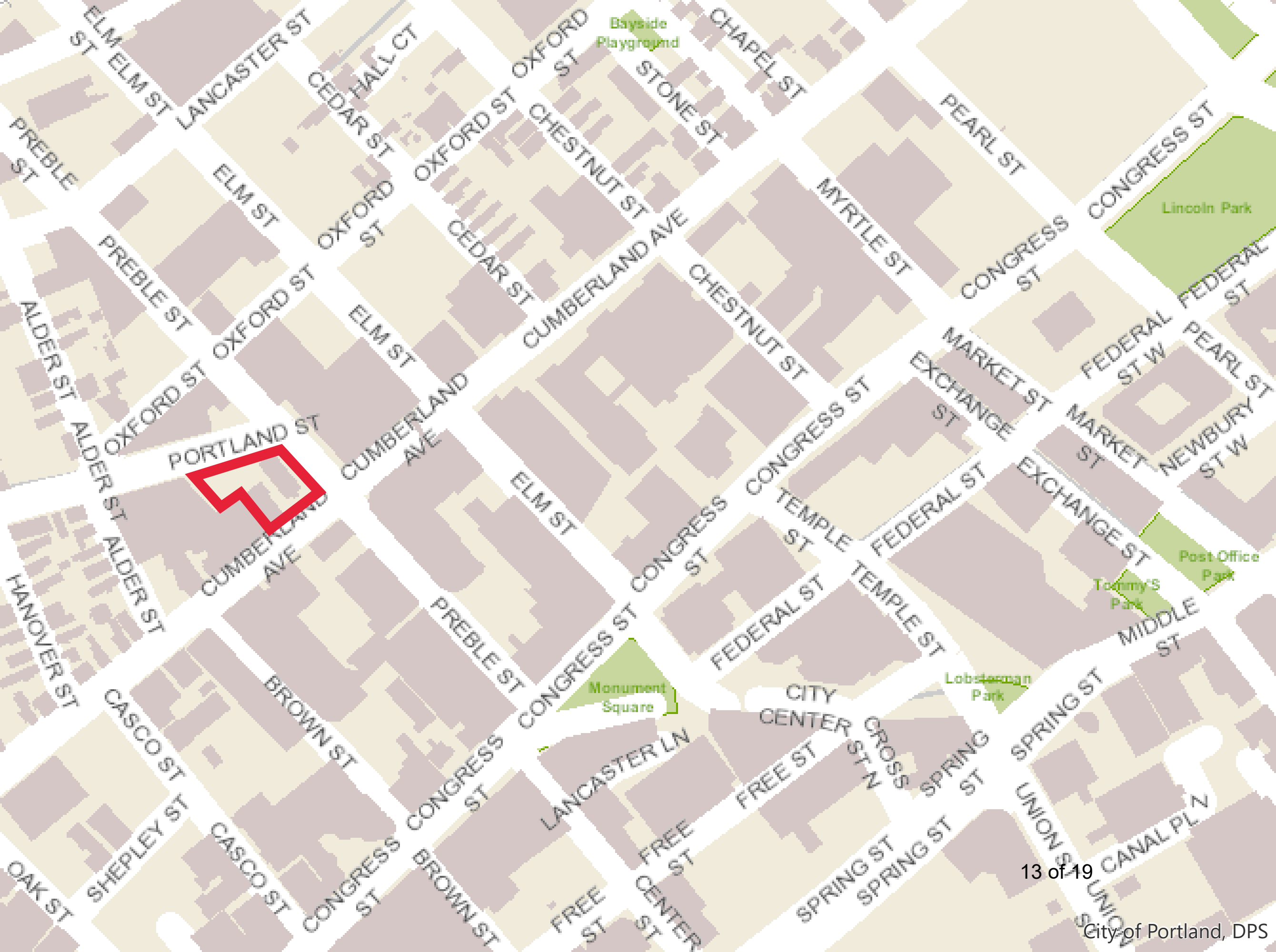
I would like to thank you in advance for your consideration of this consideration. I am available for questions and conversations as needed.

Sincerely,

Camelia Babson-Haley

Camelia Babson-Haley
Executive Director

Youth and Family Outreach creates opportunities that enhance independence and learning to support the quality of life for children, youth and families in Greater Portland



Bayside Playground
Lincoln Park
Post Office Park
Tommy'S Park
Monument Square
Lobsterman Park
ELM ST
LANCASTER ST
HALL CT
CEDAR ST
OXFORD ST
CHESTNUT ST
STONE ST
CHAPEL ST
PEARL ST
CONGRESS ST
PREBLE ST
MYRTLE ST
CUMBERLAND AVE
FEDERAL ST
MARKET ST
EXCHANGE ST
FEDERAL ST W
NEWBURY ST W
ALDER ST
PORTLAND ST
TEMPLE ST
MIDDLE ST
HANOVER ST
CASCO ST
BROWN ST
CITY CENTER
CROSS ST N
SPRING ST
UNION ST
CANAL PL N
LANCASTER LN
FREE ST
CENTER ST
SHEPLEY ST
OAK ST
City of Portland, DPS

City of Portland - Affordable Housing (AH) TIF Model
337 Cumberland Avenue, 33-K-5-6-7-9-13
OAV: $103,640 ao 3/31/2020
2% Mil Rate Escalation
100% Captured with 75% Capture to AH TIF Project; 25% to City Project Account

City of Portland- TIF Projection Table for 337 Cumberland Avenue AH TIF

TIF Year	Tax Year-April 1	Increased Assessed Value Real Prop.	% of Value Captured	Captured Valuation	Projected Mill Rate	Total Projected New Taxes Captured	Captured Revenue to Business Project Account	Captured Revenue to Municipal Project Account	City Non-Captured General Fund Revenues	City OAV General Fund Revenues
1	2020	$0	100.00%	$0	23.78	$0	$0	$0	$0	$2,464
2	2021	$0	100.00%	$0	24.25	$0	$0	$0	$0	$2,513
3	2022	$4,796,360	100.00%	$4,796,360	24.74	$118,646	$88,985	$29,662	$0	$2,564
4	2023	$4,796,360	100.00%	$4,796,360	25.23	$121,019	$90,764	$30,255	$0	$2,615
5	2024	$4,796,360	100.00%	$4,796,360	25.74	$123,440	$92,580	$30,860	$0	$2,667
6	2025	$4,796,360	100.00%	$4,796,360	26.25	$125,909	$94,431	$31,477	$0	$2,721
7	2026	$4,796,360	100.00%	$4,796,360	26.78	$128,427	$96,320	$32,107	$0	$2,775
8	2027	$4,796,360	100.00%	$4,796,360	27.31	$130,995	$98,246	$32,749	$0	$2,831
9	2028	$4,796,360	100.00%	$4,796,360	27.86	$133,615	$100,211	$33,404	$0	$2,887
10	2029	$4,796,360	100.00%	$4,796,360	28.41	$136,287	$102,216	$34,072	$0	$2,945
11	2030	$4,796,360	100.00%	$4,796,360	28.98	$139,013	$104,260	$34,753	$0	$3,004
12	2031	$4,796,360	100.00%	$4,796,360	29.56	$141,793	$106,345	$35,448	$0	$3,064
13	2032	$4,796,360	100.00%	$4,796,360	30.15	$144,629	$108,472	$36,157	$0	$3,125
14	2033	$4,796,360	100.00%	$4,796,360	30.76	$147,522	$110,641	$36,880	$0	$3,188
15	2034	$4,796,360	100.00%	$4,796,360	31.37	$150,472	$112,854	$37,618	$0	$3,251
16	2035	$4,796,360	100.00%	$4,796,360	32.00	$153,482	$115,111	$38,370	$0	$3,316
17	2036	$4,796,360	100.00%	$4,796,360	32.64	$156,551	$117,414	$39,138	$0	$3,383
18	2037	$4,796,360	100.00%	$4,796,360	33.29	$159,682	$119,762	$39,921	$0	$3,450
19	2038	$4,796,360	100.00%	$4,796,360	33.96	$162,876	$122,157	$40,719	$0	$3,519
20	2039	$4,796,360	100.00%	$4,796,360	34.64	$166,134	$124,600	$41,533	$0	$3,590
21	2040	$4,796,360	100.00%	$4,796,360	35.33	$169,456	$127,092	$42,364	$0	$3,662
22	2041	$4,796,360	100.00%	$4,796,360	36.04	$172,845	$129,634	$43,211	$0	$3,735
23	2042	$4,796,360	100.00%	$4,796,360	36.76	$176,302	$132,227	$44,076	$0	$3,810
24	2043	$4,796,360	100.00%	$4,796,360	37.49	$179,828	$134,871	$44,957	$0	$3,886
25	2044	$4,796,360	100.00%	$4,796,360	38.24	$183,425	$137,569	$45,856	$0	$3,963
26	2045	$4,796,360	100.00%	$4,796,360	39.01	$187,093	$140,320	$46,773	$0	$4,043
27	2046	$4,796,360	100.00%	$4,796,360	39.79	$190,835	$143,126	$47,709	$0	$4,124
28	2047	$4,796,360	100.00%	$4,796,360	40.58	$194,652	$145,989	$48,663	$0	$4,206
29	2048	$4,796,360	100.00%	$4,796,360	41.39	$198,545	$148,909	$49,636	$0	$4,290
30	2049	$4,796,360	100.00%	$4,796,360	42.22	$202,516	$151,887	$50,629	$0	$4,376
30 Year TIF Total		**$134,298,080**		**$134,298,080**		**$4,395,993**	**$3,296,995**	**$1,098,998**	**$0**	**$99,966**
30 Year Average				**$4,476,603**		**$146,533**	**$109,900**		**$0**	**$3,332**

Tax Shifts-Avoided Formula Impacts from Sheltering of Valuation: City of Portland - TIF Model for 337 Cumberland Avenue Affordable Housing TIF							
337 Cumberland Ave TIF Model/100% Sheltered - 30 years - 75% to Developer Project Account - 25% to City Project Account							
				Avoided Formula Impacts from Sheltering of Valuation			
TIF Year	Tax Year-April 1	Total Added Valuation	Sheltered Valuation	Avoided Loss of State Aid to for Education	Avoided Loss of State Municipal Revenue Sharing	Avoided Increase in County Tax	Total Avoided Impacts
1	2020	$0	$0	$0	$0	$0	$0
2	2021	$0	$0	$0	$0	$0	$0
3	2022	$4,796,360	$4,796,360	$0	$3,594	$2,648	$6,243
4	2023	$4,796,360	$4,796,360	$13,238	$3,594	$2,648	$19,480
5	2024	$4,796,360	$4,796,360	$26,476	$3,594	$2,648	$32,718
6	2025	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
7	2026	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
8	2027	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
9	2028	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
10	2029	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
11	2030	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
12	2031	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
13	2032	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
14	2033	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
15	2034	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
16	2035	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
17	2036	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
18	2037	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
19	2038	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
20	2039	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
21	2040	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
22	2041	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
23	2042	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
24	2043	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
25	2044	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
26	2045	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
27	2046	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
28	2047	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
29	2048	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
30	2049	$4,796,360	$4,796,360	$39,714	$3,594	$2,648	$45,956
30 Year TIF Total		**$134,298,080**	**$134,298,080**	**$1,032,560**	**$100,643**	**$74,148**	**$1,207,351**
30 Year TIF Avg.		**$4,476,603**	**$4,476,603**	**$34,419**	**$3,355**	**$2,472**	**$40,245**

PROJECT NAME:	337 Cumberland	Date:	4/22/2020
LOCATION:	337 Cumberland Ave Portland, ME 04101	Proforma:	

DEVELOPMENT ASSUMPTIONS						
Total Units		60	Inflation Adjustments	Yr 1-5	Yr. 6-15	Yr. 16-30
# @ 50% AMI (low HOME)	25.0%	15	Rent	2.00%	2.00%	3.00%
# @ 50% AMI (LIHTC)	35.0%	21	Operating Expense	3.00%	3.00%	3.00%
# @ 60% AMI (High HOME)	0.0%	0	Other Income	2.00%	2.50%	3.00%
# @ 60% AMI (LIHTC)	20.0%	12	Debt Coverage Ratio	1.15		
# @ Market Rate	20.0%	12	Vacancy	5%		
Appraised Market Value		3,866,966	Market Value/Unit	$64,449		

LIHTC Alloc.	945,000
Equity yield	**0.81**
Synd. %	99.99%
Equity Raise	7,653,735
Historic Credit FED	0
Equity yield	0.88
Synd. %	99.99%
Equity Raise	0
Number of Tax-payers	1
Historic Credit STATE	0
Equity yield	0.89
Synd. %	99.99%
Equity Raise	0
Total Equity:	7,653,735
Gross Square Footage	69,170
Construction Cost/Sq ft.	**$206**

PRO FORMA DEVELOPMENT BUDGET

		Residential	Per Unit	Commercial	Total
Site Improvements		0	0		0
Construction		13,550,628	225,844		13,550,628
Childcare		0	0		0
Builder Overhead		0	0		0
Builder Profit		0	0		0
Bond Premium		0	0		0
Construction Contingency	5.2%	708,531	11,809		708,531
Subtotal Construction Costs		**14,259,159**	**237,653**	**0**	**14,259,159**
Building Permits and Fees		383,068	6,384		383,068
Survey & Engineering		60,500	1,008		60,500
Design & Permitting		944,597	15,743		944,597
Legal		70,000	1,167		70,000
Title & Recording		11,000	183		11,000
Accounting		10,000	167		10,000
Construction Period Tax		30,000	500		30,000
Construction Period Insurance		20,000	333		20,000
Other: FF&E, Security		145,000	2,417		145,000
Subtotal Soft Costs		**1,674,165**	**27,903**	**0**	**1,674,165**
Construction Loan Origination Fees		52,000	867		52,000
Construction Loan Interest		273,000	4,550		273,000
Lender Inspection Fees		5,400	90		5,400
Letter of Credit Fee		250	4		250
Permanent Loan Fees		50,410	840		50,410
Other: Construction Lender Legal		15,000	250		15,000
Subtotal Finance Costs		**396,060**	**6,601**	**0**	**396,060**
Market Survey		6,000	100		6,000
Appraisal		7,000	117		7,000
Environmental Study		7,200	120		7,200
LIHTC Fees - prepaid monitoring		123,375	2,056		123,375
Other: Commissioning		30,000	500		30,000
Relocation Costs		0			
Soft Cost Contingency		50,000	833		50,000
Subtotal Miscellaneous		**223,575**	**3,726**	**0**	**223,575**
Acquisition: Buildings		0	0		0
Acquisition: Land		0	0		0
Acquisition: Legal		0	0		0
Subtotal Acquisition		**0**	**0**	**0**	**0**
Operating Deficit Escrow		447,159	7,453		447,159
Pre-funded Replacements		135,506	2,258		135,506
Tax & Insurance Escrow		69,110	1,152		69,110
Reserve for Golden Rents		0	0		0
Consultant		0	0		0
Developer Overhead		750,000	12,500		750,000
Developer Profit		0	0		0
Rent-Up Reserve & Marketing		50,000	833		50,000
Subtotal Fee and Reserves		**1,451,775**	**24,196**	**0**	**1,451,775**
Total Development Costs		**18,004,734**	**300,079**	**0**	**18,004,734**
		$17,434,200	$290,570	max allowed	
			254,886	Bedroom Calculation	

MAXIMUM DEVELOPER FEE AVAILABLE	750,000
ACTUAL DEVELOPER FEE	750,000
% OF MAXIMUM DEVELOPER FEE	100.0%
NET DEVELOPER FEE COLLECTED	**750,000**
% OF MAXIMUM DEVELOPER FEE	100.0%

FLOW OF FUNDS

Sources	CLC 7/1/2021	During Construction 10/1/2021	1/1/2022	4/1/2022	7/1/2022	PLC 9/1/2022	2023	2024	Total
Beginning Cash	0	0	0	0	0	0	0	0	0
Capital Contribution	382,687		50,000			6,915,048	153,000	153,000	7,653,735
Construction Loan	1,163	2,606,675	2,376,675	4,006,675	4,006,675				12,997,862
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--									
MSHA Subsidy	0		480,000			480,000			960,000
MSHA Interest Only Mortgage						5,041,000			5,041,000
--						0			0
City of Portland Funds	0		450,000			50,000			500,000
AHP Loan						1,600,000			1,600,000
AHP Subsidy	0		650,000						650,000
YFO Subsidy	100,000	1,400,000				100,000			1,600,000
Reserves	0	0							0
Development Fee Loan						0			0
TOTAL SOURCES	483,850	4,006,675	4,006,675	4,006,675	4,006,675	14,186,048	153,000	153,000	31,002,597
Uses									
Acquisition	0					0			0
Construction		3,564,790	3,564,790	3,564,790	3,564,790	0			14,259,159
Soft Costs	300,000	340,541	340,541	340,541	340,541	12,000			1,674,165
Financing Costs	67,250	69,600	69,600	69,600	69,600	50,410			396,060
Miscellaneous	16,600	31,744	31,744	31,744	31,744	80,000			223,575
Dev Fee	100,000					344,000	153,000	153,000	750,000
Reserves	0					701,775			701,775
TOTAL DEV. COSTS	483,850	4,006,675	4,006,675	4,006,675	4,006,675	1,188,185	153,000	153,000	18,004,734
Repay GP Bridge Loan						0			0
Repay Construction Loan						12,997,862			12,997,862
Reserve for Golden Rents						0			
SUBTOTAL OTHER ITEMS	0	0	0	0	0	12,997,862	0	0	12,997,862
TOTAL USES OF FUNDS	483,850	4,006,675	4,006,675	4,006,675	4,006,675	14,186,047	153,000	153,000	31,002,596
Ending Cash	0	0	0	0	0	0	0	0	0

PROJECT FINANCING

Source		Amount	Rate	Term	Lien	Annual D/S Yr. 1-5	Yr. 6-15	Yr. 16-30	Debt Constants
Source 1:	MSHA Subsidy	960,000	0.00%	30	First	0	0	0	
Source 2:	MSHA Interest Only Mortgage	5,041,000	6.00%	40	First	302,460	302,460	302,460	$0.06000
Source 3	--	0	5.00%	30	--	0	0	0	$0.06442
Source 4	City of Portland Funds	500,000	0.00%	30	Second	0	0	0	
Source 5	AHP Loan	1,600,000	3.35%	30	--	84,617	84,617	84,617	$0.05289
Source 6	AHP Subsidy	650,000	0.00%	30	Second	0	0	0	
Source 7	YFO Subsidy	1,600,000	0.00%	30	--				
Source 8	Reserves	0	0.00%	30	Third		Cash Flow		
Source 9	Development Fee Loan	0	0.00%	0	Unsecured		Cash Flow		
Source 10	Net Syndication	7,653,735	$0.81						
	Capitalization Gap (Surplus)	(0)							
	Total	18,004,734							

PROPOSED RENT SCHEDULE								
Type	AMI	# Units	HAP Rents	LIHTC Max Rents	**Gross Rent**	Market Rent	Utility Allow.	Total Rent
Efficiency	50% HOME	0			1,017	$1,165		0
	50% LIHTC	10		878	878	$1,165		105,360
	60% HighHOME	0				$1,165		0
	60% LIHTC	4		1054	1,054	$1,165		50,592
19	Market	5			1,165	$1,165		69,900
1BR	50% HOME				1,109	$1,445	0	0
	50% LIHTC	7		941	941	$1,445	0	79,044
	60% HighHOME				984	$1,445	0	0
	60% LIHTC	3		1129	1,129	$1,445	0	40,644
	Market	6			1,445	$1,445	0	104,040
							0	0
16							0	0
2BR	PBV Section 8	8			1,440	$1,725	0	138,240
	50% LIHTC	3		1128	1,128	$1,725	0	40,608
	60% HighHOME				1,450	$1,725	0	0
	60% LIHTC	3		1354	1,354	$1,725	0	48,744
	Market	1			1,725	$1,725	0	20,700
29.2%		0					0	0
15		0					0	0
3BR	PBV Section 8	7			1,882	$1,882		158,088
	50% LIHTC	1		1304	1,304	$1,882	0	15,648
50.0%	HighHOME	0				$1,882		0
20.8%	60% LIHTC	2		1565	1,565	$1,882	0	37,560
10	Market	0			1,882	$1,882		0
4BR	50% HOME	0			1,882	$2,000	0	0
	50% LIHTC	0			1,209	$2,000	0	0
	60% HOME					$2,000	0	0
	60% LIHTC	0			1,451	$2,000	0	0
0	Market				2,000	$2,000		0
Other:								0
								0
Subtotals		60						909,168
			Vacancy Rate		5%			(45,458)
			Other Income		Tax Relief	75%		85,664
			Other Income		Laundry			3,000
			Effective Gross Income					952,374

OPERATING EXPENSES			
Expense	Annual	Annual Per Unit	Monthly Per Unit
Administrative Expenses:			
Management Fees	50,650	844	70
Management Charges	50,650	844	70
Marketing Expenses	0	0	0
Legal Expenses	2,000	33	3
Auditing Expenses	6,000	100	8
Other Administrative Expenses		0	0
Administrative Expenses	109,300	1,822	152
Operating Expenses:			
Janitorial Payroll	0	0	0
Janitorial Supplies and Equipment	0	0	0
Janitorial Contractual Services	15,000	250	21
Natural Gas	6,000	100	8
Electricity	41,000	683	57
Water and Sewer	14,000	233	19
Garbage and Trash Removal	4,500	75	6
Vehicle and Equipment Expenses	0	0	0
Other Operating Expenses	0	0	0
Operating Expenses	80,500	1,342	112
Maintenance Expenses:			
Grounds Maintenance Payroll	0	0	0
Grounds Tools and Supplies	0	0	0
Grounds Contractual Services	15,000	250	21
Miscellaneous Ground Maintenance		0	0
Tenant Damage Charges - Grounds		0	0
Building Maintenance Payroll	70,000	1,167	97
Building Tools and Supplies	10,000	167	14
Building Contractual Services	25,000	417	35
Building Systems Maintenance	15,000	250	21
Miscellaneous Building Maintenance		0	0
Tenant Damage Charges - Building	0	0	0
Maintenance Expenses	135,000	2,250	188
General Expenses:			
Property Taxes	114,219	1,904	159
Property and Liability Insurance	24,000	400	33
		0	0
Tenant Service Expenses	17,222	287	24
General Expenses	155,441	2,591	216
Replacement Reserve Funding	27,000	450	38
		0	0
Total	**507,242**	**8,454**	705

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12
	12/31/2022	12/31/2023	12/30/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033
Effective Gross Income	952,374	971,421	990,850	1,010,667	1,030,880	1,051,498	1,072,528	1,115,858	1,138,175	1,160,938	1,184,157	1,207,840
Less Operating Expense	507,242	522,459	538,133	554,277	570,905	588,032	605,673	623,843	642,559	661,835	681,691	702,141
Net Operating Income	445,132	448,962	452,717	456,390	459,975	463,465	466,854	492,014	495,616	499,103	502,467	505,699
Less RLP Repay	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460
Other Loans	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617
Cash Flow	58,055	61,885	65,640	69,313	72,898	76,388	79,777	104,937	108,539	112,026	115,390	118,622
Cash Flow per Unit	968	1,031	1,094	1,155	1,215	1,273	1,330	1,749	1,809	1,867	1,923	1,977
Debt Coverage Ratio(RLP)	1.15	1.16	1.17	1.18	1.19	1.20	1.21	1.27	1.28	1.29	1.30	1.31

Total Cash Flow
Projected over 12 Years

1,043,471

PROFORMA OPERATING INCOME AND EXPENSE STATEMENT, continued

	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	Yr 21	Yr 22	Yr 23
	12/31/2034	12/31/2035	12/31/2036	12/31/2037	12/31/2038	12/31/2039	12/31/2040	12/31/2041	12/31/2042	12/31/2043	12/31/2044
Effective Gross Income	1,231,997	1,256,637	1,281,770	1,307,405	1,346,627	1,387,026	1,428,637	1,471,496	1,515,641	1,561,110	1,607,943
Less Operating Expense	723,206	744,902	767,249	790,266	813,974	838,393	863,545	889,452	916,135	943,619	971,928
Net Operating Income	508,792	511,735	514,521	517,139	532,653	548,633	565,092	582,045	599,506	617,491	636,016
Less RLP Repay	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460	302,460
Other Loans	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617	84,617
Cash Flow	121,715	124,658	127,444	130,062	145,576	161,556	178,015	194,968	212,429	230,414	248,939
Cash Flow per Unit	2,029	2,078	2,124	2,168	2,426	2,693	2,967	3,249	3,540	3,840	4,149
Debt Coverage Ratio(RLP)	1.31	1.32	1.33	1.34	1.38	1.42	1.46	1.50	1.55	1.60	1.64

CITY OF PORTLAND
Economic Development
Gregory A. Mitchell, Director

MEMORANDUM

TO: Economic Development Committee

FROM: Greg Mitchell, Economic Development Director

DATE: June 9, 2020

SUBJECT: Proposed Amendments to 44/52 Hanover Street Purchase and Sale Agreement Post-closing obligations to support mixed use development, including residential apartments.

This is being presented to the Economic Development Committee (EDC) for review, discussion, and direction on proposed amendments to the 44/52 Hanover Street Purchase and Sale Agreement post-closing obligations. No formal action is requested at this time.

I. ONE SENTENCE DESCIPTION

Amendments to the 44/52 Hanover Street Purchase and Sale Agreement post-closing obligations are proposed to substitute construction of up to 171 residential rental units (17 of which are proposed for on-site workforce housing units per Inclusionary Zoning), with 8,000 square feet of commercial retail space, in place of redeveloping 18,000 square feet of warehouse space into maker units.

II. BACKGROUND

Mr. Watson was selected through a public bid process to redevelop two properties located at 44/52 and 82 Hanover Street properties.

82 Hanover Street Purchase and Sale Agreement. Redevelopment of 82 Hanover Street is complete and fully leased.

Redevelopment of 104 Grant Street, a condition of 82 Hanover Street Purchase and Sale Agreement, requires redevelopment into 23 residential units. This Project has received Planning Board approval and a request for the City Council action on a Tax Increment Financing (TIF) Credit Enhancement Agreement (CEA) is scheduled to be presented to the City Council for a first reading on June 15, 2020, and a second reading, public hearing, and vote on July 13, 2020.

44/52 Hanover Street Purchase and Sale Agreement. A condition of the 44/52 Hanover Street Purchase and Sale Agreement included the requirement to redevelop the existing 18,000 square foot former Public Works Fleet Services Metal Building into maker space. See attached Purchase and Sale Agreement.

Mr. Watson's Proposal is to demolish the existing Fleet Services Building to construct up to 171 residential apartments with 8,000 square feet of commercial retail space with courtyards. I note that Mr. Watson's proposal does not require a rezoning nor requests any City financial investment through the City Housing Trust Fund or Tax Increment Financing Credit Enhancement Agreement. Attached is Mr. Watson's Proposal entitled "52 Hanover, LLC, Port Property Management, Executive Summary".

III. INTENDED RESULT AND OR COUNCIL GOAL ADDRESSED

City Council Goal is to "Increase access to rental and home ownership that is safe, affordable and accessible."

IV. FINANCIAL IMPACT

There is no financial impact associated with City Council action on proposed amendments to the 44/52 Hanover Street Purchase and Sale Agreement post-closing obligations.

V. STAFF ANALYSIS

City staff reviewed Mr. Watson's proposal and are in agreement with the residential density analysis. It is noted that the proposed mixed-use project will require Planning Board site plan approval.

VI. RECOMMENDATION

City Planning, Housing and Community Development, and Economic Development staff have reviewed Mr. Watson's proposal and support the change in the development program to include mixed-use residential and commercial development to gain up to 171 rental apartments.

VII. LIST ATTACHMENTS

- 44/52 Hanover Street Purchase and Sale Agreement
- 52 Hanover Street Proposal Executive Summary

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT IS made this 14th day of May, 2018 by and between the City OF PORTLAND, a body politic and corporate located in Cumberland County, Maine, (hereinafter referred to as "Seller" or "City"), and Tom Watson & Co., LLC, or assigns, a Maine limited liability company having a mailing address of 104 Grant Street, Portland, ME 04101 (hereinafter, collectively, referred to as "Buyer").

RECITALS

WHEREAS, the CITY is the owner of certain land and buildings located at or near 44 Hanover Street, Portland, Maine as generally depicted on the plan attached hereto as Exhibit A together with all buildings and other improvements located thereon (the "Premises") and incorporated herein; and

WHEREAS, Buyer desires to purchase the Premises, and the City desires to convey the Premises to Buyer subject to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. **SALE AND EFFECTIVE DATE.** City agrees to sell the Premises to Buyer, and Buyer agrees to purchase the Premises in accordance with the terms and conditions set forth in this Agreement. This Agreement is for the sale of land and buildings located at or about 44 Hanover Street, Portland, Maine. This Agreement shall become effective after the City Council of the City approves it and after both Buyer and Seller have signed this Agreement. The date that the last of Buyer or City sign this Agreement shall be the effective date (the "Effective Date"), and the last signor shall insert that date in the first paragraph of this Agreement as the Effective Date. All deadlines and time periods set forth in this Agreement, including, without limitation, the Due Diligence Period, Financing Period and Closing Date (all as defined hereafter) shall be computed from the Effective Date.

2. **CONSIDERATION**. The purchase price for the Premises shall be One Million Two Hundred Seventy-Five Thousand Dollars ($1,275,00.00) (the "Purchase Price"), subject to the following cost adjustments and conditions:

    a. Buyer shall deposit the sum of Twenty-Five Thousand Dollars ($25,000.00) (the "Deposit") within 3 business days after the Effective Date of this Agreement that the parties agree will be held in escrow in a non-interest bearing account with CBRE | The Boulos Company; the Deposit shall be fully refundable until the later of the expiration of the Due Diligence Period or the Financing Period, as both are described herein; after the expiration of both such Periods, the Deposit shall be non-refundable except as expressly set forth herein, including, without limitation in paragraphs 3 and 10; and

b. The parties agree that the City will continue to occupy and lease the Premises from Buyer after Closing (as defined herein) until at least March 31, 2019 by entering into a lease agreement with Buyer or Buyer's successor or assigns, as Buyer shall elect, in substantially the form attached hereto as Exhibit C (the "Lease"); provided, however, that the City shall have the right to continue to occupy the Premises until September 30, 2019. The City hereby agrees to notify Buyer in writing on or before the date that is sixty (60) days after the Effective Date if it intends to occupy the Premises beyond March 31, 2019 or the City shall be limited to a lease ending on March 31, 2019 unless Buyer and City shall otherwise agree.

At Closing, Buyer shall receive a credit against (that is, a reduction of) the Purchase Price in the amount of Twelve Thousand Five Hundred Dollars ($12,500.00) per month for the number of months remaining between the Closing Date and the end of the term of the Lease, which shall be no earlier than March 31, 2019 (the "Rent Credit"). If the first month which the City will occupy the Premises after Closing is less than a full month, the Rent Credit for that month shall be prorated. The Rent Credit shall serve as City's nonrefundable advance payment of rent for the Lease of the Premises to the City by the Buyer or the Buyer's successor or assigns, as Buyer shall elect. At Closing, the parties shall execute a Lease in substantially the form attached hereto as Exhibit C. Regardless of the length of the term of the Lease or the date that the City vacates the Premises, in no event shall the Rent Credit be less than $75,000.00.

c. The Buyer shall pay the remainder of the Purchase Price to the City after the Purchase Price is reduced by the full amount of the Rent Credit. Such payment shall be made by wire transfer (or as otherwise reasonably requested by the City) at Closing.

3. TITLE AND DUE DILIGENCE.

a. Due Diligence Period. Subject to extension as set forth in Paragraph 3(b) and (d), Buyer will have from the Effective Date of this Agreement until 4:00 PM Portland, Maine time on the later of July 23, 2018 or the day that is sixty (60) days after the Effective Date of this Agreement (the "Due Diligence Period") to complete any survey, environmental review and title examinations, and to undertake such other investigations, testing or inspections as Buyer shall deem appropriate.

b. Property Description. The property description contained in the deed will be a survey description based upon a Boundary Survey performed by a Maine Licensed Surveyor to be obtained by the City (the "Survey") which will more specifically describe the property shown on Exhibit A hereto (the "Premises Description") in form reasonably acceptable to the City and Buyer. The Premises Description will be distributed to the parties hereto at

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least thirty (30) days prior to expiration of the Due Diligence Period. If the Premises Description is not received by City and Buyer at least thirty (30) days prior to the expiration of the Due Diligence Period, the Due Diligence Period shall be extended to a date thirty (30) days after it is received. The parties will agree on the final Premises Description prior to closing. If the parties cannot agree upon the final Premises Description prior to closing, then Buyer shall have the option to (1) terminate this Agreement and obtain a refund of the Deposit (after which neither party will have any further obligation or liability to the other under this Agreement) or (2) waive the approval provision and close using a description to which the City will agree.

c. Financing Contingency. Buyer shall have from the Effective Date of this Agreement until 4:00 PM Portland, Maine time on the day that is fifteen (15) days after the expiration of the Due Diligence Period (the "Financing Period") to obtain a commitment for commercially reasonable financing acceptable to Buyer, provided, however, if the Due Diligence Period shall be extended, then the Financing Period shall be extended to expire on the date which is thirty (30) days after the expiration date of the Due Diligence Period. Buyer shall take timely and commercially reasonable steps to secure such financing. If Buyer does not obtain a financing commitment acceptable to Buyer within the Financing Period, Buyer may terminate this Agreement by notice in writing to City, or may elect to close under the Agreement despite the lack of such commitment. If Buyer so exercises its right to terminate this Agreement, then the City shall refund to Buyer the Deposit, if previously paid, without interest, within ten (10) days after receipt of Buyer's termination notice, and neither party shall have any further obligations or liabilities under this Agreement except as expressly set forth in this Agreement. Any termination notice sent by Buyer with respect to this Agreement may merely state that Buyer elects to terminate this Agreement, shall have no formal requirements, and shall be immediately effective.

d. Title, Survey and Environmental Objections. In addition to the Survey described above, the City agrees it has caused a Phase II Environmental study of the Premises to be performed. Buyer will have until the end of the Due Diligence Period to deliver to City any written objections to title, environmental, or survey matters that Buyer determines materially affect insurability of title at standard rates, or the use of the Premises, the value of the Premises, the cost of development of or the cost or feasibility of construction on the Premises. Objections not made prior to the end of the Due Diligence Period will be deemed waived; provided, however, that objections pertaining to matters of record first appearing, or utility easements discovered by Buyer, after the end of the Due Diligence Period may be made at any time prior to the closing. If the Survey and any environmental study (including, without limitation any Phase II Environmental study) are not completed and distributed to the parties at least thirty (30) days prior to the expiration of the Due Diligence Period, the Due Diligence Period will be extended (without the need for further action by the parties hereto) to a date thirty (30) days after the date upon which the later of the Survey or any environmental study to be completed and received are completed and are received by Buyer and City.

e. Option to Cure.

(1) In the event of a title, Survey or environmental objection by Buyer, City will have the option, but not the obligation, to cure the objection and will notify Buyer of its election within ten (10) business days after receipt of the objection. In the event that the City elects to cure the objection, it will have sixty (60) days from the date of the notice of election, or such other reasonable time as the parties may agree, to cure the objection. In the event that the City does not elect to cure the objection, or, having elected to cure the objection fails to timely do so to Buyer's satisfaction, Buyer will have the option to:

(A) terminate this Agreement and obtain a refund of the Deposit (after which neither party will have any further obligation or liability to the other under this Agreement);

(B) waive the objection and close; or

(C) undertake the cure of such objection at its own expense (in which case it shall have 60 days to do so and the Closing Date shall be extended to a date ten (10) days after the expiration of such 60 day period); if Buyer determines it is not satisfied with the results of its own cure efforts, Buyer shall be entitled at any time prior to the expiration of the ten (10) day period following Buyer's sixty (60) day cure period set forth in this subsection (C) to terminate this Agreement as set forth in subsection (A) set forth above, or to waive its objection and close under this Agreement.

(2) In the event City shall elect not to cure any objection by Buyer, Buyer shall have until the later of the expiration date of the Due Diligence Period or fourteen (14) days after receipt by Buyer of the City's notice of election not to cure such Buyer's objection in which to make its choice and to notify City whether it elects option A, B or C set forth in the previous subparagraph. If the City does not timely respond to the Buyer's objection or if the City responds to Buyer's objection but does not state whether or not it elects to cure all of Buyer's objections, then Buyer shall have until the later of the expiration date of the Due Diligence Period or thirty (30) days after the date of Buyer's objection(s) in which to make its choice and to notify City whether it elects option A, B or C set forth in the previous subparagraph. In the event City shall elect to cure all of Buyer's objections, Buyer shall have until the later of the expiration date of the Due Diligence Period or fourteen (14) days following the end of the City's 60-day cure period to make its choice and to notify City whether it accepts

the City's cure with respect to all objections or whether it elects option A, B or C set forth in the previous subparagraph.

(3) Nothing contained in this subsection (e) is intended to, nor shall in any way limit, Buyer's right to terminate this Agreement prior to the expiration of the Due Diligence Period and obtain a refund of the Deposit.

f. Deed. City shall convey the Premises to Buyer at the closing in fee simple by a municipal quitclaim deed without covenant. Title shall be good and insurable title at standard rates, free and clear of all encroachments, liens and encumbrances except (i) easements consented to by Buyer; (ii) easements for utilities servicing the property, (iii) City ordinances, and (iv) real estate taxes not yet due and payable. Buyer further acknowledges that the deed shall contain a restriction stating that in the event that the Premises or any portion thereof shall become exempt from real and personal property taxes, by transfer, conversion, or otherwise, during the City's fiscal year that begins following the Closing or in the fiscal years thereafter, then the then-owner of the exempt portion shall make annual payments to the City in lieu of taxes in the amount of the lesser of (a) the amount of property taxes that would have been assessed on the exempt portion of the real and personal property situated on the Premises had such property remained taxable, or (b) such other target percentage as may be approved as part of a City PILOT policy that may be in effect at the time taxes are due on such property. Such restriction shall also confirm that Buyer and its successors and assigns shall possess and be vested with all rights and privileges as to abatement and appeal of valuations, rates, and the like as are accorded owners of real and personal property in Maine.

3.1 TITLE DOCUMENTATION:

The City agrees to reasonably cooperate with Buyer's requests for documentation related to the title of the Premises or any tax taking of the Premises.

4. INSPECTIONS.

a. During the Due Diligence Period, Buyer and its employees, consultants, contractors and agents shall have the right, at Buyer's expense, to enter on the Premises at reasonable times in order to (i) inspect the same, (ii) conduct engineering studies, percolation tests, geotechnical exams, environmental assessments, and other such studies, tests, exams, and assessments as Buyer shall deem appropriate or desirable, and (iii) do such other things as Buyer determines, it is sole discretion, to be required to determine the suitability of the Premises for Buyer's intended use (collectively, the "Inspections"). The City acknowledges that such Inspections may include the digging of test pits, which the City hereby approves.

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b. Buyer agrees to defend, indemnify and hold harmless the City against any mechanics liens that may arise from the activities of Buyer and its employees, consultants, contractors and agents on the Premises, except those arising from labor or materials furnished at the City's request.

c. Buyer shall exercise the access and inspection rights granted hereunder at its sole risk and expense, and Buyer hereby releases the City from, and agrees to indemnify, defend, and hold the City harmless against, any and all losses, costs, claims, expenses and liabilities (including without limitation reasonable attorney fees and costs) (collectively, "Damages") suffered by the City on account of any injury to person or damage to property arising out of the exercise by Buyer of its rights hereunder, except to the extent that such Damages result from the act or omission of the City.

d. Buyer shall cause any contractors, consultants or any other party conducting the Inspections to procure automobile insurance, if applicable, and general public liability insurance coverage in amounts of not less than Four Hundred Thousand Dollars ($400,000.00) per occurrence for bodily injury, death and property damage, listing the City as an additional insured thereon, and also Workers' Compensation Insurance coverage to the extent required by law; the forms of all such insurance to be subject to City's Corporation Counsel's reasonable satisfaction.

e. In the event that Buyer does not purchase the Premises, Buyer agrees to either return the Premises as nearly as reasonably possible to its original condition after conducting the Inspections, or, at the City's option, reimburse the City for any material physical damage caused to the Premises in connection with the Inspections; provided, however, the City hereby acknowledges and agrees that the term "physical damage" does not include any disturbance of any pre-existing environmental contamination on the Premises caused by such inspections, nor any studies, tests (including test borings or pits), exams, and assessments, and that Buyer shall have no obligation to clean-up, remove or take any other action with respect to any pre-existing environmental contamination disturbed thereby.

f. The parties hereto acknowledge and agree that it is a condition to Buyer's obligations under this Agreement that the results of the Inspections and other due diligence be acceptable to Buyer in its sole discretion. If the results of such Inspections or other due diligence are not acceptable to Buyer in its sole discretion Buyer may terminate this Agreement. If Buyer exercises its right to terminate this Agreement, then the City shall refund to Buyer the Deposit, if previously paid, without interest, within ten (10) days after receipt of Buyer's termination notice, and neither party shall have any further obligations or liabilities under this Agreement except as expressly set forth in this Agreement. Any termination notice sent by Buyer with respect to this Agreement may merely state that Buyer elects to terminate this Agreement, shall have no formal requirements, and shall be immediately effective.

5. **REAL ESTATE TAXES, PRORATIONS AND TRANSFER TAX.** Buyer shall be liable for all real estate taxes beginning as of the start of fiscal year following the closing and continuing thereafter except as provided in this Agreement and in the Lease. Because the Premises is currently owned by the City of Portland, which is exempt from real estate taxes, no taxes were assessed or will be due for any portion of the current fiscal year, and no taxes will be prorated at the closing. In the event that the Parties agree to not execute the Lease and the City does not continue to occupy the Property after the Closing Date, any utilities for the Property shall be prorated as of the Closing Date. The Buyer's one half share of Maine real estate transfer tax shall be paid for by Buyer in accordance with 36 M.R.S.A. § 4641-A. City is exempt from paying the transfer tax pursuant to 36 M.R.S.A. § 4641-C. The recording fee for the deed of conveyance and any expenses relating to Buyer's financing or closing shall be paid for by Buyer.

6. **DEFAULT AND REMEDIES**. In the event that Buyer defaults hereunder for a reason other than the default of the City, City shall retain the deposit as liquidated damages as its sole remedy. In the event City defaults under this Agreement, and if Buyer is not then in default hereunder, Buyer shall have the right to pursue specific performance and the City agrees it shall not invoke any sovereign immunity defense nor any defense based upon its status as a City, municipality, body politic or the like. Buyer at all times may elect in substitution for any other remedies available under this Agreement, as its sole remedy, the right to a return of its deposit.

7. **RISK OF LOSS.** The risk of loss or damage to the Premises by fire, eminent domain, condemnation, or otherwise, until transfer of title hereunder, is assumed by the City. The Premises is to be delivered in substantially the same condition as of the date of this Agreement unless otherwise stated. In the event City is not able to deliver the Premises as stated, Buyer may terminate this Agreement and receive a refund of the Deposit without interest, and neither party shall have any further obligations or liabilities under this Agreement except as expressly set forth in this Agreement, or Buyer may elect to close hereunder and receive an assignment of any applicable insurance proceeds payable to the City relating to such loss or damage.

8. **PROPERTY SOLD "AS IS, WHERE IS**." Buyer acknowledges that Buyer will have an opportunity to inspect the Premises, and to hire professionals to do so, and that Premises will be sold "as is, where is" and "with all faults." City, and its agents, make no representations or warranties with respect to the accuracy of any statement as to boundaries or acreage, or as to any other matters contained in any description of the Premises, or as to the fitness of the Premises for a particular purpose, or as to development rights, merchantability, habitability, or as to any other matter, including without limitation, land use, zoning and subdivision issues (other than City's agreement to obtain subdivision approval as set forth in Paragraph 10 of this Agreement) or the environmental, mechanical, or structural condition of the Premises. Acceptance by Buyer of the Deed at closing and payment of the purchase price shall be deemed to be full performance and discharge by the City of every agreement and

obligation contained herein except as set forth in the Lease, if executed by the parties, and except as otherwise expressly set forth herein.

9. ENVIRONMENTAL INDEMNIFICATION. Buyer covenants and agrees to indemnify, defend, and hold the City harmless from and against any and all claims, damages, losses, liabilities, obligations, settlement payments, penalties, assessments, citations, directives, claims, litigation, demands, defenses, judgments, costs, or expenses of any kind, including, without limitation, reasonable attorneys', consultants', and experts' fees incurred in investigating, defending, settling, or prosecuting any claim, litigation or proceeding, that may at any time be imposed upon, incurred by or asserted or awarded against Buyer or the City and relating directly or indirectly to the violation of or compliance with any federal, state, or local environmental laws, rules, or regulations governing the release, handling or storage of hazardous wastes or hazardous materials and affecting all or any portion of the Premises, except to the extent that such a claim results directly from the City's release, handling or storage of hazardous wastes or hazardous materials on the Premises. This duty to indemnify, defend, and hold harmless shall be included in a covenant in the deed and shall run with the land conveyed and be binding upon Buyer's successors, assigns, and transferees.

Notwithstanding the foregoing, during the longer of the Lease term or the period in which the City occupies the Premises, the City shall be responsible for complying with all applicable state, federal and municipal environmental obligations, laws and regulations.

10. CONDITIONS PRECEDENT TO CLOSING. It is a condition precedent to Closing that:

a. The City shall obtain subdivision approval by the City of Portland Planning Board, in order to obtain approval for the creation of the parcel which constitutes the Premises, unless the City as Seller and Buyer agree in writing, such subdivision approval is not required (hereinafter the "Subdivision Approval").

b. In the event the City is unable to obtain the Subdivision Approval prior to the Closing Date, as defined below, then the Buyer may either (1) extend the Closing Date set forth in Paragraph 11 by a time period not to exceed one hundred eighty (180) days to permit the approvals to be obtained or (2) elect to terminate this Agreement prior to the later of the scheduled Closing Date or the expiration date of any extension period based on an extension as provided above. In the event Buyer shall elect to so extend the Closing Date, the City agrees to make reasonable efforts to pursue the Subdivision Approval.

c. If Buyer shall elect to terminate this Agreement then the City shall refund the Deposit, if previously paid, without interest, and this Agreement shall be terminated and neither party shall have any further obligations or liabilities under this Agreement, unless the parties mutually agree to extend this Agreement. Buyer acknowledges and agrees that the City is acting as Seller, and not in its regulatory capacity, in connection with this Agreement. The delivery to Buyer, and acceptance and recording by the Buyer of a deed to the Buyer of the Premises, will evidence conclusive and final consent by the Buyer to the waiver or completion of all these conditions.

11. CLOSING. Time is of the essence in the performance of this Agreement. The closing shall be held at the offices of Buyer's counsel or Buyer's Lender's counsel at a time agreeable to the parties on or before the day that is the later of five months after the Effective Date of this Agreement or thirty (30) days after the later of (i) the expiration of the Due Diligence Period; (ii) the deadline for the City to resolve any title, Survey or environmental objections; or (iii) the date to which Buyer elects to extend the Closing Date under Paragraph 10 (the "Closing Date"). Notwithstanding the foregoing, City agrees to close on a date earlier than that specified above upon Buyer's request at least 10 days prior to Closing. At the Closing:

a. City shall execute, acknowledge and deliver to Buyer a municipal quitclaim deed conveying to Buyer good, insurable title to the Premises at standard rates, free and clear of all liens and encumbrances except as otherwise set forth herein.

b. Buyer shall deliver the balance of the Purchase Price, subject to any adjustments set forth in section 2 of this Agreement, including, without limitation, reduction by the Rent Credit, to the City by wire transfer (or as otherwise reasonably requested by the City); and

c. Each party shall deliver to the other such other documents, certificates and the like as may be required herein or as may be necessary to carry out the obligations under this Agreement, and for the Buyer to obtain owners and lenders title insurance at standard rates in form reasonably acceptable to Buyer and to Buyer's lender.

d. Buyer shall deliver evidence, reasonably satisfactory to City's Corporation Counsel, that the entity receiving title to the Premises is in good standing under Maine law, and that the individuals acting with respect to the Closing and executing documents on behalf of Buyer are authorized to do so.

e. City shall deliver to Buyer a copy of all City Council Orders approving this Agreement and authorizing the City Manager or other City officials to execute this Agreement, the deed, the Lease, and any other documents necessary to effectuate the intent and purpose of this Agreement.

f. Except as otherwise provided in section 2(b), the parties shall execute the Lease.

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<u>12.</u> <u>BUYER'S POST CLOSING OBLIGATIONS; ESCROW AGREEMENT</u>. Buyer agrees as follows:

a. Buyer agrees at Closing (and only upon Closing) to deposit $50,000.00 to be held in escrow (the "Escrow Account") pursuant to an escrow agreement in form mutually acceptable to Buyer and City with a mutually acceptable escrow agent.

b. Buyer agrees to commence development of a project at the Premises in substantially the form described in the portion of the plans depicting the Premises that are attached hereto as Exhibit B and incorporated herein by reference, and which project was presented to the City's Economic Development Committee on or about July 19, 2017 (the "Project"), within one (1) year after the later of the end of the term of the Lease or the last date of the City's occupancy of the Premises (the later of the two such dates hereinafter is referred to as the "City's End Date"). The Project shall be deemed to be "in substantially the form described in the portion of the plans depicting the Premises that are attached hereto as Exhibit B" if it proposes to include (or is constructed to include): (i) multiple separate spaces, which may have separate or shared access to the street; (ii) one large central space of a size and for a use to be determined; and (iii) an emphasis on rental affordability. The Project may also be modified in a manner that is reasonably necessary for Buyer to obtain City Planning board, City Council or any other municipal or other necessary approval, and the Project, if otherwise "in substantially the form described in the portion of the plans depicting the Premises that are attached hereto as Exhibit B" shall, notwithstanding any such modifications, continue to be so considered. In addition, if Buyer determines that interest rates or community demand for the use of the Premises change such that Buyer wishes to make changes to the Project, or if Buyer wishes to make other changes to the Project, Buyer shall request the City's approval of such changes.

c. Buyer's commencement of development of the Project shall be effected by Buyer or its successors, assigns, or transferees submitting a site plan review application (an "Application") for the Project within one (1) year after the City's End Date.

d. If Buyer does not submit an Application for the Project (which Application may include modifications as described above) within one (1) year of the City's End Date, then $10,000.00 shall be released from escrow to the City's Housing Trust Fund, and until an Application has been filed, an additional $10,000.00 shall be released from escrow to the City's Housing Trust Fund each ninety (90) days thereafter.

e. Within thirty (30) days after the submission of an Application for the Project, the remaining balance of the Escrow Account shall be released to Buyer. If no Closing takes place under this Agreement, the Buyer shall not be required to fund the Escrow Account nor make any payment. Notwithstanding anything to the contrary above, in the event that a Closing on the sale of the Premises to Buyer under this Agreement takes place and Buyer fails to submit any Application for the Project within the later of 5 years from the Closing Date or 4 years after the City's End Date, the entire remaining balance of the Escrow Account shall be released to the City's Housing Trust Fund.

f. City hereby agrees that despite the references in this Agreement to Buyer as the developer with respect to the Project, that the Project will be undertaken by a different Limited Liability Company ("LLC") to be formed, or corporation to be formed, which will be an assignee of Buyer, and the City hereby consents to the same and consents to Buyer's assignment of its rights and obligations under this Agreement to any such LLC or corporation, provided that Thomas Watson will be a manager or co-manager of any such LLC and President or Vice President of any such corporation.

g. The provisions of this section shall survive closing.

13. ENTIRE AGREEMENT. This Agreement represents the entire and complete Agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, between the parties with respect to the acquisition or exchange of the Premises hereunder. This Agreement cannot be amended except by written instrument executed by City and Buyer.

14. NON-WAIVER. No waiver of any breach of any one or more of the conditions of this Agreement by either party shall be deemed to imply or constitute a waiver of any succeeding or other breach hereunder.

15. HEADINGS AND CAPTIONS. The headings and captions appearing herein are for the convenience of reference only and shall not in any way affect the substantive provisions hereof.

16. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns, provided, however that this Agreement shall not be assigned by the City.

17. TIME. The City and Buyer each confirm and agree that each of the time periods set forth herein are essential provisions of the terms of this Agreement.

18. GOVERNING LAW. This Agreement shall be construed in all respects in accordance with, and governed by, the laws of the State of Maine. All parties hereto hereby consent to the exclusive jurisdiction of the Superior Court for the County of Cumberland in the State of Maine, for all actions, proceedings and litigation arising from or relating directly or indirectly to this Agreement or any of the obligations hereunder, and any dispute not otherwise resolved as provided herein shall be litigated solely in said Court. If any provision of this Agreement is determined to be invalid or unenforceable, it shall not affect the validity or enforcement of the remaining provisions hereof.

19. NOTICE. All notices, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the first business day after mailing if mailed to the party to whom notice is to be given by first class mail, postage prepaid, certified, return receipt requested, addressed to the recipient at the addresses set forth below. Hand delivery to the City Manager's office shall be effective as personal delivery to the City Manager on the date of delivery. Either party may change addresses for purposes of this paragraph by giving the other party notice of the new address in the manner described herein.

FOR THE City:	City of Portland ATTN: City Manager 389 Congress Street Portland, ME 04101
With a copy to:	The Office of the Corporation Counsel at the same address.
FOR Buyer:	Mr. Thomas Watson Tom Watson & Co., LLC 104 Grant Street Portland, ME 04101
With a copy to:	William H. Leete, Jr., Esq. Leete & Lemieux, P.A. 511 Congress Street, Suite 502 Portland, ME 04101

20. SIGNATURES; MULTIPLE COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts. Each counterpart when so executed shall be deemed to be an original and all of which together shall constitute one and the same agreement.

21. BROKERS. The City shall be responsible for paying all its brokers, including CBRE | The Boulos Company, at closing. Buyer has no broker other than Joseph Porta of Porta & Co., who Buyer understands is to be compensated by CBRE | The Boulos Company. Buyer agrees to indemnify and hold harmless City from any claims made by any broker should Buyer's representation in this paragraph be false. Subject to the limitations of liability set forth in the Maine Tort Claims Act, if applicable, City agrees to indemnify and hold harmless Buyer from any claims made by any broker should City's representation in this paragraph be false. The foregoing indemnities shall include all legal fees and costs incurred in defense against any such claim, and shall survive closing.

22. RECITALS INCORPORATED BY REFERENCE. The recitals set forth above are incorporated herein by reference and made a part of this Agreement.

23. EXTENSIONS: Wherever this Agreement provides that a deadline will be extended, including without limitation any extension(s) which may be elected by Buyer or City as well as any extensions based upon the occurrence or non-occurrence of any event (such as, for example, the delivery of a survey or Phase II environmental report), then any such extension will be deemed to have automatically occurred, without the need for any additional action by Buyer or City.

IN WITNESS WHEREOF, the parties have hereunto have caused this instrument to be executed on their behalf by their duly authorized officers or representatives, as of the day and year first written above.

CITY OF PORTLAND

WITNESS

Jon P. Jennings
Its City Manager
Dated: May 14, 2018

Approved as to Form:

Corporation Counsel's Office

Signature page for Tom Watson & Co., LLC follows.

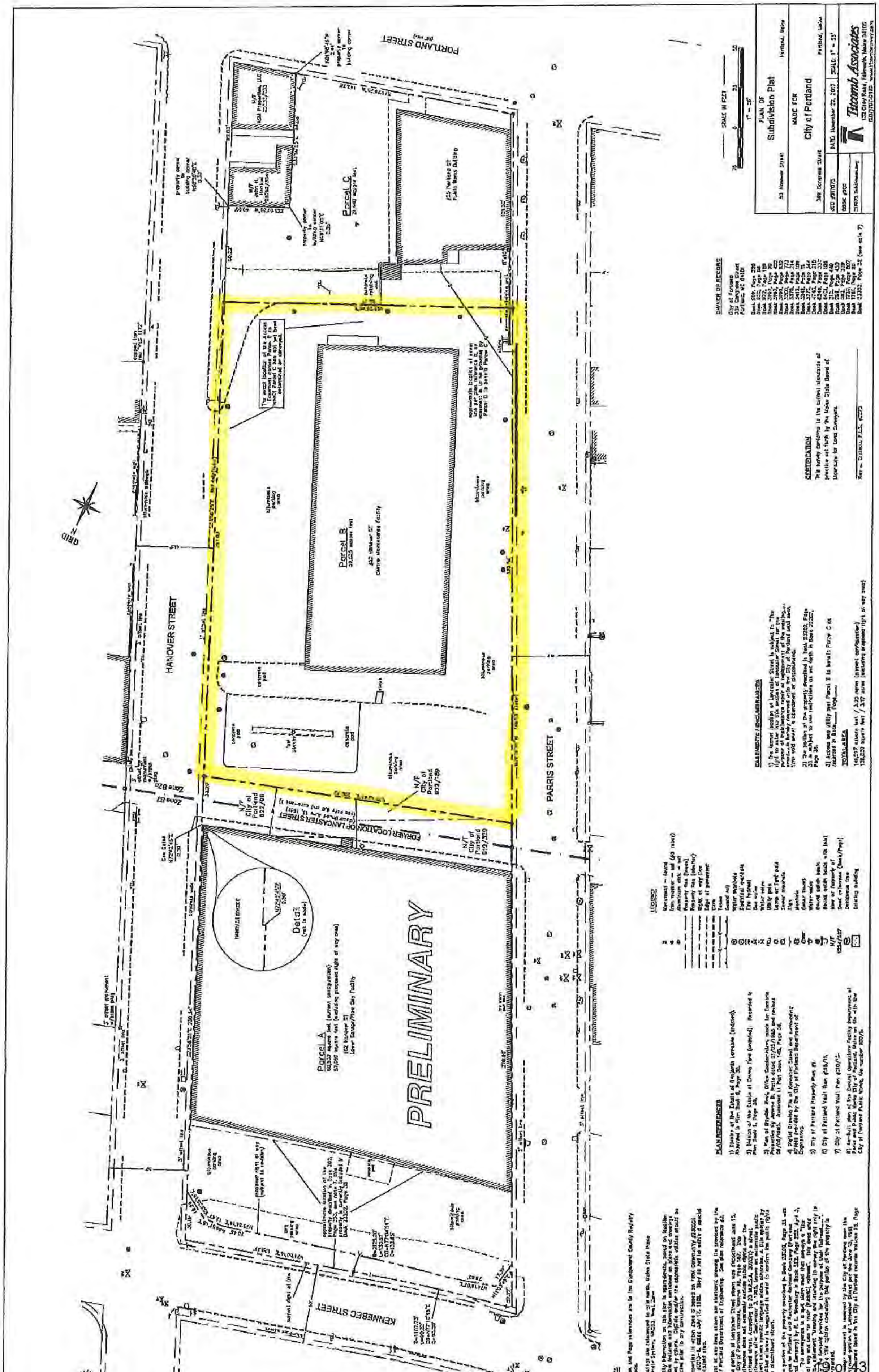
TOM WATSON & CO., LLC

Kathleen A. Nagel

WITNESS

Thomas E. Watson
Its Manager
Dated: 5 . 14 . 2018

EXHIBIT A TO PSA



DESCRIPTION OF INTENDED USE

82 Hanover

- o Relocate Port Property Management headquarters to 82 Hanover from 104 Grant Street in Parkside
- o Bring in retailers/partners who will contribute to the community as well as the economy
- o Open spaces/commons available for public use
- o Leverage large rooftop for decks and greenspace to add comfortable density to neighborhood
- o Creates opportunity for construction of 23 units on Grant Street and eliminates an office/warehouse that sits in the middle of the Parkside residential neighborhood

44 Hanover

- o 16 separate spaces all with autonomous access to the street.
- o One Central Space of over 3,500SF for a public/communal user like pub, café, eatery
- o Glass OHD to promote openness, and allow for artists and artisans to combine retail display space to their work space. Promote marketplace environment
- o Affordable/accessible to the creative community at under $1,000/month.

Lancaster Court (between 82 Hanover & 44 Hanover)

- o Commons/courtyard space open to public for public use
- o Available for outdoor recreation including farmers market and small music venue for tenants and managers to promote work/events.
- ▪ Display and value public art and communal aesthetic enhancements
- • Cobble stone street
- • Trees/landscaping
- • Fountain/water wall

56 Parris Street

- o 23 2 BR 2 Bath units
- ▪ Unique product to Portland
- ▪ Create product for families (2 bathrooms) or multiple roommates (making it affordable)
- ▪ At 23 units, 4 stories high it is scaled to the other buildings in the neighborhood

MAY 15, 2017

BAYSIDE RFP - 44 HANOVER ST. -Rendering
PORTLAND, MAINE

1 VIEW LOOKING SOUTH-EAST ON PARRIS STREET
N.T.S.

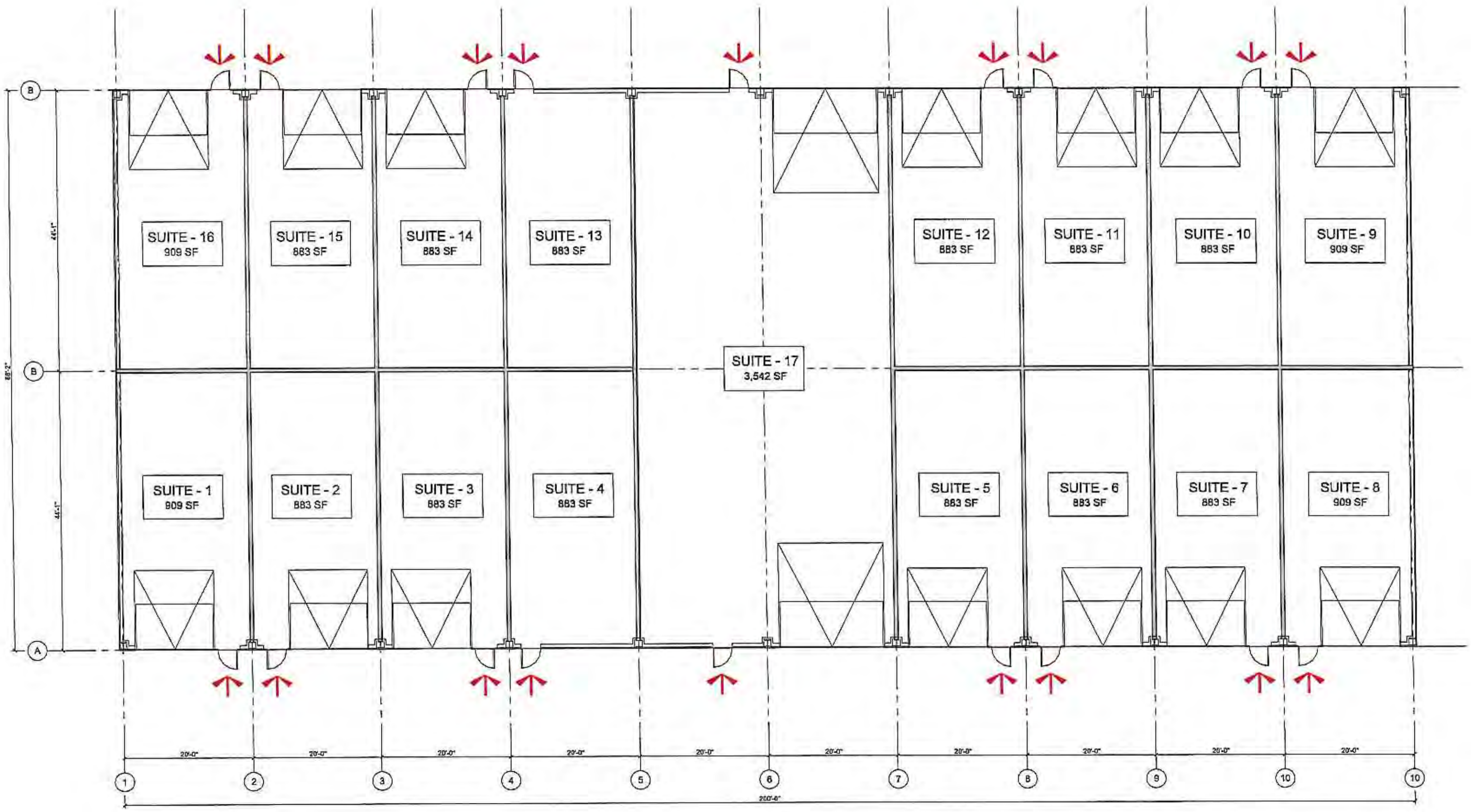
PROGRESS PRINT ONLY
Not for Construction

Port Property
MANAGEMENT

RYAN SENATORE **ARCHITECTURE**

BAYSIDE RFP - 44 HANOVER ST. - Floor Plan
PORTLAND, MAINE

MAY 15, 2017



BUILDING AREA	
FIRST FLOOR AREA	
SUITE - 1	909 SF
SUITE - 2	883 SF
SUITE - 3	883 SF
SUITE - 4	883 SF
SUITE - 5	883 SF
SUITE - 6	883 SF
SUITE - 7	883 SF
SUITE - 8	909 SF
SUITE - 9	909 SF
SUITE - 10	883 SF
SUITE - 11	883 SF
SUITE - 12	883 SF
SUITE - 13	883 SF
SUITE - 14	883 SF
SUITE - 15	883 SF
SUITE - 16	909 SF
SUITE - 17	3,542 SF
BUILDING TOTAL =	17,774 SF

NOTE:
ALL SQUARE FOOTAGES CALCULATED USING OUTSIDE FACE OF EXTERIOR WALLS AND CENTERLINE OF SHARED WALLS

1 FIRST FLOOR CONCEPT PLAN

0 4' 8' 16' 32'

PROGRESS PRINT ONLY
Not for Construction

Port Property
MANAGEMENT

RYAN SENATORE **ARCHITECTURE**

EXHIBIT C
LEASE AGREEMENT

This Lease Agreement, is made as of the ________ day of ________, 2018, by and between ______________________ with a mailing address of 104 Grant Street, Portland, Maine 04101 (hereinafter referred to as "Landlord") and the **CITY OF PORTLAND**, a Maine municipal corporation having its principal place of business at 389 Congress Street, Portland, Maine (hereinafter referred to as "Tenant").

WHEREAS, Tenant has recently conveyed to Landlord certain property located at or about 44 Hanover Portland Street in Portland, Maine and wishes to continue to occupy and use such property; and

WHEREAS, Landlord has sufficient right, title and interest in and to the real property and has full power and authority to enter into this Agreement in respect thereto, and is willing to have Tenant occupy and use the 44 Hanover Street property on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, Landlord and Tenant hereby mutually agree as follows:

1. Premises.

Tenant, as of the date of this Lease, exclusively occupies certain land and a building or buildings located at or about 44 Hanover Street, Portland, Maine (hereinafter the "Building") (the land and Building are referred to herein as the "Premises") as generally depicted on the plan attached hereto as Exhibit A. Landlord does hereby agree to lease, demise, and let the Premises unto Tenant, subject to the access and parking easement benefitting the owner of the property located at 55 Portland Street (the "Access Easement"), which easement is depicted on Exhibit A. Tenant shall have no authority to modify or make any substantial changes (whether cosmetic, structural or otherwise) to the Premises without the prior written consent of Landlord.

2. Term.

The initial term of this Lease shall commence ________, 2018 (the "Effective Date") and terminate _______________, 2019 (the "Initial Term"), unless earlier terminated as provided herein, or extended as provided herein. The Initial Term together with any Renewal Term (as defined herein) are referred to collectively hereinafter as the "Term."

In the event Tenant shall continue in occupancy of the Premises after the expiration of the Initial Term or any Renewal Term (as defined herein), such occupancy shall not be deemed to extend or renew the terms of this Lease, but occupancy shall, at the option of the Landlord, continue as a tenancy at will from month to month upon covenants, provisions, and conditions herein contained, and at the rent in effect prior to the expiration of the Initial Term or Renewal Term (as defined herein) whichever last occurred, increased by twenty five (25%) percent, prorated and payable month to month on the first day of each month for the period of such hold-over occupancy. This paragraph shall not be deemed or construed as giving the Tenant any right to hold over after the expiration of the Initial Term or any Renewal Term thereof.

2.1. Renewal.

Upon expiration of the Initial Term, at the request of the Tenant, the Term of this Lease may be renewed for one (1) three (3) month extension (which such extension hereinafter will be referred to as the "Renewal Term") subject to and conditioned upon Landlord's written consent, and provided that the Tenant is not in default of the terms of this Lease prior to the expiration of the Initial Term and provided that Tenant gives Landlord at least three (3) months' notice in writing of its request for a Renewal Term. Landlord's consent shall not be unreasonably withheld, delayed, or conditioned.

The Renewal Term shall commence the day following the expiration of the Initial Term of the Lease. If the Tenant exercises its option to renew Tenant agrees to pay to Landlord, or its designee, rent on the terms described in Paragraph 4 below at the new rental rate for the Renewal Term as set forth in Paragraph 4.

Tenant shall be responsible for all costs and expenses relating to the Premises during the entire period in which the Tenant occupies any part of the Premises (hereinafter the "Occupancy Period") including, without limitation, for the entire Term of this Lease (and any Renewal Term if applicable), all costs and expenses with respect to utilities as set forth in this Lease Agreement.

3. Permitted Uses.

The Premises may be used by Tenant for the current use of the Premises and for any other similar, lawful purposes. Tenant shall not use or occupy or permit the Premises to be used or occupied, nor do or permit anything to be done in or on the Premises, in a manner which will in any way violate any applicable laws, ordinances or regulations of any municipal, State or other governmental authority.

4. Rent.

a. Rent Paid in Advance at Closing. The rent for the lease to the Tenant for the Initial Term shall be in the amount of ________________ Dollars ($_________.00). As stated in the related Purchase and Sale Agreement dated on or about _____________, 2018 between the City of Portland, Maine and Landlord (the "Purchase and Sale Agreement") with respect to the Premises, the full Rent Credit (as that term is defined in the Purchase and Sale Agreement) for the Initial Term is to be paid at the closing by the City of Portland, Maine as seller upon Landlord's purchase of the Premises (the "Closing"), granting a credit to Buyer in the full amount of said Rent Credit against and reducing the purchase price for the Premises by that amount. Landlord, by its initials here: ______ acknowledges receipt of the Rent Credit in the amount of $____________. Tenant agrees that the agreement to pay rent in advance is a substantial inducement for Landlord to purchase the Premises at the purchase price set forth in the Purchase and Sale Agreement, and accordingly, all of the rent paid and credited at Closing, including, without limitation, the Rent Credit, shall be non-refundable.

b. Rent During Renewal Term. If there is a Renewal Term of this Lease, the rent during the Renewal Term of this Lease shall be in the amount of the greater of Twelve Thousand Five Hundred and 00/100 Dollars ($12,500.00) per month or the then market rate of rent for the Premises, as determined by an independent commercial real estate agent or appraiser chosen by the Landlord, from three qualified agents or appraisers with at least ten (10) years' experience in the profession proposed by the Tenant, at least two months prior to the date when this Lease would terminate if not renewed. If none of the agents or appraisers proposed by Tenant are acceptable to Landlord, Landlord may request an appraisal from Landlord's agent which shall be averaged with one from an agent or appraiser selected by Tenant from the three proposed by Tenant to determine the then market rental rate.

c. Renewal Term Rent Payments; When Due. Rent during the Renewal Term (and rent for any time period for which rent is not fully paid in advance at the Closing on the sale of the Premises) shall be payable in advance the first day of each and every calendar month during such Renewal Term (and any other applicable period during which rent is due) and rent payments shall be made to the Landlord's manager, Port Property Management, 104 Grant Street, Portland, ME 04101 or such other address as Landlord shall in writing direct. Any rent payment received by the Landlord after the 7^{th} of the applicable month shall be subject to a 5% late fee.

d. Additional Rent. Tenant shall also pay as additional rent all expenses and costs relating to the Premises, including, without limitation, all taxes, utilities and insurance, and including, without limitation, those set forth in Paragraphs 5, 6, 7, 8, 10 and 10.1 of this Lease.

5. Taxes and Utilities.

a. Taxes. The Tenant shall be responsible for timely payment of all taxes of any kind due to the City of Portland, Maine as well as any other fees due to the City of Portland, Maine, including, without limitation, all municipal real property taxes on or assessed against the Premises during the Term of the Lease. Tenant shall also be responsible for timely payment of all personal property taxes with respect to all personal property on or about the Premises. In the event the Premises are determined to be tax exempt, either wholly or partially, Tenant shall be required to pay any and all amounts due to the City of Portland, Maine in lieu of or as a replacement for real and personal property tax payments, including, without limitation, all amounts specified in Paragraph 3(f) of the Purchase and Sale Agreement. Upon receipt of a tax bill from the City of Portland, Landlord shall notify Tenant of the amount due and Tenant shall pay said amount within 30 days of receipt of such notice. In the event that the Term of the Lease is due to expire prior to the end of the six month tax period that is the subject of such a tax bill, the amount Tenant is required to pay shall be prorated accordingly.

b. Utilities. Tenant shall also be responsible for paying all the costs of all utilities servicing the Premises during the Initial Term of this Lease and any Renewal Term, including but not limited to electrical, gas, water, sewer, heat and air conditioning (together with all other HVAC expenses), internet, cable and telephone. Tenant shall also be responsible for payment of all stormwater fees and stormwater service charges due to the Portland Water District or City of Portland, as well as any other assessments or fees against the Premises by the City of Portland, Maine or the Portland Water District. Landlord is not responsible for payment of any such assessments or fees, nor for providing heat nor any other utilities to the Premises, nor for paying the costs of any such utilities, all of which are Tenant's sole responsibility.

6. Tenant to Plow and Remove Snow.

Tenant, at Tenant's expense, shall be responsible for plowing and removing snow and ice from the Premises in accordance with applicable City ordinances. Landlord shall have no obligation to remove snow or ice from the Premises.

7. Tenant to Remove Trash and Debris; Maintenance.

Tenant, at Tenant's expense, shall maintain the entire portion of the Premises in the same condition and repair as it is in as of the Effective Date, except only for reasonable wear and tear, and shall remove from the Premises all trash and debris which it shall create, which is located upon the Premises or which is otherwise attributable to Tenant. Tenant shall not do anything to cause nor permit the Premises nor the activities therein or thereon to violate any municipal, county, state or federal law, ordinance or requirement, and shall promptly act upon direction of any officer of competent authority.

8. Responsibility for Repairs and Maintenance; Tenant's Acceptance Of Premises In "As Is" Condition.

a. Maintenance and Repair. Tenant is currently in possession of the Premises and does hereby accept the Premises and Common Areas in their present "AS IS" condition as of the Effective Date. During the Term of the Lease, Tenant shall, at its sole expense, maintain and make any reasonably necessary repairs to the Premises at its sole expense.

b. Capital Repairs. Tenant hereby warrants and represents that it has inspected the Premises and that it knows of no capital repairs that are presently necessary. The term "Capital Repair" is agreed to mean the repair or replacement of a major component or structural part of the Premises and shall also include the rebuilding of a major component or structural part of the Premises after the end of its useful life. Based on the information acquired in its inspection, together with its historic use of the Premises, Tenant represents that it has no actual knowledge that any Capital Repairs will be required during the Initial Term or if the Lease is renewed, during any Renewal Term. In the event any Capital Repairs to the Premises are reasonably necessary during the Term and Tenant does not wish to make such Capital Repair at Tenant's sole expense, Tenant shall so advise Landlord in writing and Landlord may, in its sole discretion, elect to make, or not to make, such Capital Repair. Notwithstanding the foregoing, Tenant agrees that whenever it determines that it is reasonably possible to make a temporary repair or patch and defer the need for a Capital Repair, it shall make such temporary patch or replacement. In the event Landlord elects not to make any Capital Repairs, Tenant shall have the right, but not the obligation to make such repairs at its own expense. Tenant acknowledges and agrees that even if Tenant determines it is unable to occupy the Premises due to the condition of the Building or the

Premises, all of its rent payments shall continue to be non-refundable even if Tenant determines that it could occupy the Building or the Premises if a Capital Repair was made.

Notwithstanding the foregoing, Landlord and Tenant agree that in the event of a casualty loss or event (hereinafter “Casualty”) causing material physical damage to the Premises or Building for which there is insurance coverage as determined by the insurer issuing the applicable policy of insurance, that subject to and conditioned upon any requirements or conditions imposed by Landlord’s lender (including, without limitation, any restrictions or conditions on disbursement of insurance payments or proceeds), funds paid by an insurer with respect to such Casualty shall be released to fund the cost of a Capital Repair resulting from such Casualty, upon such terms as shall be reasonably acceptable to Landlord and provided that Landlord shall not be required to make any payment of any kind toward such Capital Repair.

8.1 Improvements/Alterations. No improvements or alterations to the Premises which materially change or alter the Premises shall be made without Landlord’s written approval, which shall not be unreasonably withheld, delayed, or conditioned. Any request by Tenant for such approval shall be submitted with written specifications and drawings reasonably satisfactory to Landlord. All improvements made to the Premises by Tenant must be done in accordance with all local Building codes and ordinances and all applicable State and Federal statutes and regulations, and Tenant must obtain all necessary permits prior to commencing improvements. Tenant shall promptly pay for any and all trades furnishing services and/or alterations to the Leased Premises. With the exception of any of Tenant’s removable property, including without limitation, all of its personal property and trade fixtures, any and all property left by Tenant in the Leased Premises shall become property of the Landlord at the expiration or termination of Tenant’s tenancy. A list of trade fixtures which are owned and controlled exclusively by Tenant and which Tenant shall remove at the end of the Term or when Tenant vacates the Premises, whichever shall be earlier, is attached as Exhibit B.

9. Compliance with Laws.

Tenant shall, at its own cost and expense, promptly observe and comply with all applicable laws, ordinances, requirements, orders, directives, rules and regulations of the federal, state, and county and city government.

10. Insurance.

Prior to the execution of this Lease and continuing during the Term of the Lease or for such longer period during which Tenant shall occupy the Premises, Tenant shall obtain, maintain and pay for all the costs of the insurance listed in the following subsections:

a. Tenant shall maintain occurrence based General Liability Insurance, which shall include liability insurance with respect to automobiles, trucks and other motor vehicles, in the amount of $400,000 per occurrence for causes of action pursuant to the Maine Tort Claims Act, and the policy for such insurance shall name Landlord as an additional insured. Tenant shall provide Landlord with a certificate evidencing such General Liability Insurance coverage prior to execution of this Lease. Tenant shall be responsible for covering its personal property with such property and casualty insurance as it deems reasonably necessary and shall provide Landlord with documentation of such policies of insurance or self-insurance prior to execution of this Lease. Landlord shall not be responsible for any damage to Tenant's personal property except for damage caused by Landlord. Claims brought by Landlord against Tenant for damage to the Premises, that are not covered by an insurance policy, and are the result of Tenant's use and/or negligence, and not resulting from the Landlord, its employees, subcontractors, or others using the Access Easement to access the property at 55 Portland Street, shall be Tenant's responsibility to repair or reimburse Landlord in an amount equal to that reasonably necessary to return the Premises, to substantially the same condition in which they were at the start of this Lease. This provision shall not be deemed a waiver of any defenses, immunities or limitations of liability or damages, available to the Tenant under the Maine Tort Claims Act, other Maine statutory law, judicial precedent, common law, or any other defenses, immunities or limitations of liability available to the Tenant. For the purposes of this Lease, an insurance claim will be deemed to be "not covered by an insurance policy insuring Tenant" if such claim is denied by the insurer issuing the policy against which the claim is made.

b. Glass. Tenant shall be solely responsible for the cleaning, maintenance and replacement of plate glass and other windows located within the Leased Premises and is advised to obtain insurance coverage with respect to damage thereto. Tenant agrees to repair promptly any damage to such glass and windows at its sole expense. Tenant shall not be responsible for damage to glass or windows caused by Landlord, its employees or subcontractors, or others using the Access Easement to access 55 Portland Street. Any such cleaning, maintenance and/or repairs shall be to return all glass and windows to substantially the same condition in which they were at the start of this Lease.

c. Workers Compensation. Tenant self-insures for workers compensation coverage and shall provide Landlord with evidence of its self-insured status.

d. Property and Casualty Insurance. Landlord shall procure and maintain such Property and Casualty insurance as it deems reasonably necessary in regard to the Premises, and Tenant shall pay Landlord upon execution of this Lease for annual premiums in an amount up to and including ten thousand dollars ($10,000). Such coverage shall be in form and amount to coverage as commonly written for comparable buildings. In the event that the Term of this Lease exceeds the term of Landlord's Property and Casualty insurance policy, Tenant shall pay landlord for applicable premiums within 10 days of Landlord's request for such payment. Any deductibles and/or retentions in an amount higher than ten thousand dollars ($10,000) shall be subject to approval by Tenant. Tenant shall be named an additional insured on such policy for coverage only in those areas where government immunity has been expressly waived by 14

M.R.S. A. § 8104-A, as limited by § 8104-B, and § 8111. This provision shall not be deemed a waiver of any defenses, immunities or limitations of liability or damages available to the Tenant under the Maine Tort Claims Act, other Maine statutory law, judicial precedent, common law, or any other defenses, immunities or limitations of liability available to the Tenant.

e. Pollution Liability Insurance. Tenant shall procure and maintain premises pollution liability insurance in form and content reasonably acceptable to Landlord considering Tenant's use of the Premises as a vehicle maintenance garage and fueling station in an amount not less than one million dollars ($1,000,000) per occurrence, for the Term of this Lease, or if the Occupancy Period ends later than the end of the Term, then, for the entire Occupancy Period, naming Landlord as an additional insured thereon. The pollution liability insurance policy (hereinafter in this sub-paragraph referred to as the "Policy") shall provide at least such coverage as is commonly written for buildings comparable to the building(s) located on the Premises and uses comparable to Tenant's use of the Premises. The Policy shall provide liability coverage on a claims-made and reported basis which covers claims first made against or by an insured and reported to the Insurer, during the policy period. The Policy shall also provide coverage for remediation costs which covers pollution conditions first discovered and reported to the insurer during the policy period. Tenant shall include in the pollution coverage of the Policy, conditions emanating from storage tanks (including gas and oil tanks) on the Premises. Tenant additionally agrees to purchase a so-called "tail" or extended reporting period coverage (hereinafter "Tail Coverage") for at least a one-year term in form reasonably acceptable to Landlord that provides coverage for claims pursuant to said Policy. The Tail Coverage shall, at minimum, extend the period for reporting claims under the Policy for at least a year after the expiration of the Occupancy Period.

Tenant agrees to procure and submit for Landlord's review a certificate of insurance and binder for the Policy and Tail Coverage at least ten (10) days prior to the commencement of this Lease Agreement as well as such other documents detailing the proposed terms of coverage as Landlord shall reasonably request. Tenant further agrees that the Policy shall be in full force and effect upon commencement of the Term.

f. Self-Insurance, Large Deductibles and/or Retentions. Tenant is solely responsible for all deductibles and or retentions on any insurance policies required by this Lease, and agrees to pay all deductibles and retentions with respect to any such policies. Any coverage required by this Lease for which Tenant chooses to self-insure shall be the responsibility of the Tenant, and Tenant agrees to pay any covered claims for which it chooses to self insure.

g. Waiver of Subrogation. Tenant shall procure waiver of subrogation on any insurance policies required under this Lease in which it is able to do so. Tenant agrees that it shall waive subrogation with respect to any matters for which it self-insures, including, without limitation, worker's compensation insurance. Landlord acknowledges and agrees that Tenant's general liability insurance coverage shall not include a waiver of subrogation. Landlord may choose to either waive subrogation or list the Tenant as a named insured in lieu of waiving subrogation under its property and casualty insurance policy.

h. Notice. All of the insurance policies in which the Tenant or Landlord are an additional or named insured under the terms of this Lease shall, contain a clause that the insurer shall not cancel or reduce the coverage of the insurance without first giving Tenant, Landlord and any mortgagees of Landlord thirty (30) days' prior written notice.

10.1 Tenant's Responsibilities.

a. To the fullest extent permitted by law, Tenant hereby agrees to assume all risk of injury, harm or damage to any person or property (any such injury, harm or damage hereinafter is referred to as a "Liability Event"), including but not limited to all risk of injury, harm or damage to Tenant's officers, agents, employees, contractors, customers and invitees (all of whom hereinafter are referred to as "Tenant's Affiliates" in the plural or as a "Tenant Affiliate" in the singular) or to any of their property, arising out of, during, or in connection with Tenant's lease of the Premises from Landlord, Tenant's occupancy of the Premises or any other use by Tenant of the Premises (all such risks are hereinafter collectively referred to as the "Assumed Risks"), but only to the extent (i) any such Liability Event is a result of actions or omissions by Tenant, one of Tenant's Affiliates or any other person or entity for whom Tenant may be liable and (ii) is a negligent act or omission, an intentional act which is not a discretionary function, or an act or omission for which Tenant is liable under the Maine Tort Claims Act. Such Assumed Risks do not include injury, harm, or damage caused by (1) any act or omission of Landlord, its officers, agents, employees, contractors or anyone else for whom Landlord may be liable except Tenant or a Tenant Affiliate, or (2) any act or omission of any third party who is not a Tenant Affiliate utilizing the Access Easement. Tenant's obligations hereunder are subject to and limited by the defenses, immunities and limitations of liability available to the Tenant under the Maine Tort Claims Act, 14 M.R.S.A. § 8101 et seq, and other applicable law.

b. Tenant and Landlord agree that, subject to Landlord's right to enforce the terms of this Lease and to terminate this Lease as provided herein, and except to the extent that the Access Easement is used by others, Tenant shall have during the Term until the later of the expiration of the Lease, the earlier termination of the Lease, or when Tenant vacates the Premises, full control over the Premises (including, without limitation, all buildings or structures located on the Premises, including, without limitation, the Building and any parking lot, or walkways or other grounds located on the Premises) and shall be solely responsible for all maintenance and repairs to the Building and Premises except as expressly set forth in this Lease.

c. Covenant against liens: Tenant shall not cause nor permit any lien against the Landlord's property or the Premises or any improvements thereto to arise out of or accrue from any action, omission or use thereof by Tenant; provided, however, that Tenant may in good faith contest the validity of any alleged lien. In the event Tenant contests such lien, upon the request of the Landlord, Tenant shall post a bond approved by the court in which such lien claim is pending or if not yet pending, a court with jurisdiction over such lien, warranting payment of any such lien. If Tenant does not contest a lien, it shall pay off and cause the discharge of any such lien within twenty (20) days of its recording. If a court or other proceeding is commenced, Tenant shall cause such lien to be "bonded off" to Landlord's satisfaction within forty-five (45) days of commencement of such proceeding. Should Landlord be subjected to any claim(s), suit(s) or lien(s), including, without limitation, any claim(s), suit(s) or lien(s) relating to any mechanic's lien claim for any services or materials associated with Tenant's improvements or alterations to the Leased Premises, Tenant shall indemnify and hold harmless Landlord from all damages and costs (including any attorneys' fees incurred by Landlord) arising out of or relating to any such claim(s), suit(s) or lien(s), and shall pay any and all costs (including attorneys' fees) incurred by Landlord in defense or prosecution of such actions within ten (10) days of demand by Landlord. Tenant's failure to comply with the foregoing requirements regarding liens shall constitute a default under the terms of this Lease.

10.2 Environmental Compliance.

During the longer of the Term or the Occupancy Period, the Tenant shall be responsible for complying with all applicable state, federal and municipal environmental obligations, laws and regulations (hereinafter collectively "Environmental Laws") and taking all necessary steps to prevent any violation of any such Environmental Laws. In addition, Tenant shall be responsible for payment of the costs and expenses relating to any violation of Environmental Law regarding any Hazardous Material (as defined below), substance or waste which comes on, which comes from or affects, the Premises during the longer of the Term or the Occupancy Period, or which is hereafter placed upon or under the Premises at any time during the longer of the Term or the Occupancy Period (including, without limitation payment of all fines, penalties or the like, as well as the costs of removal and remediation) including, any and all losses, damages, suits, penalties, costs, liability and expenses (including but not limited to reasonable investigation, laboratory fees, environmental audit and legal expenses) arising out of any claim for loss or damage to any real or personal property or to person(s) including the Premises, injuries to or death of person(s), contamination of or adverse effects on the environment or any violation of statutes, ordinances, orders, rules or regulations of any governmental entity or agency, caused by or resulting from any Hazardous Material (as defined below), substance or waste which comes on, which comes from or affects, the Premises during the longer of the Term or the Occupancy Period, or which is hereafter placed upon or under the Premises at any time during the longer of the Term or the Occupancy Period. Tenant's obligations under this paragraph do not apply to any violation of Environmental Laws or claims resulting from the actions or omission of Landlord, its employees, subcontractors, or others using the Access Easement to access the property at 55 Portland Street. This paragraph is only intended to govern Tenant's actions during the longer of the Term or the Occupancy Period of the Lease and does not apply to Tenant's ownership of the Premises.

The term "Hazardous Materials" or "Hazardous Material" as used in this Lease Agreement includes but is not limited to any and all substances (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future State, Federal or municipal environmental law, regulation or ordinance including but not limited to any such law, regulation or ordinance relating to petroleum or petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls, lead, radon, radioactive materials, flammables or explosives.

Landlord acknowledges and agrees that nothing in section 10 of this Lease is intended to alter or does alter the rights and obligations of the parties under sections 8 and 9 of the Purchase and Sale Agreement.

11. <u>Assignment/Subletting.</u>

Tenant shall not sublet all or any portion of the Premises, nor sublease, transfer or assign this Agreement or the rights granted hereunder at any time during the Term of this Agreement without the prior written approval of Landlord, which may be granted or withheld in Landlord's sole discretion. No such assignment or subletting shall relieve Tenant of any obligations hereunder, all of which shall remain in full force and effect, including, without limitation, with respect to payment and any person accepting such assignment shall take the Agreement subject to all prior breaches and shall be liable therefore in the same manner as Tenant.

12. <u>Casualty Damage.</u>

a. If the Premises or any part thereof shall be destroyed or damaged by fire or other unavoidable casualty so that the same shall be thereby rendered unfit for use, then, and in such case: (i) if such fire or unavoidable casualty occurs during the Initial Term, then Tenant shall have the right to terminate this Lease; or (ii) if such fire or unavoidable casualty shall occur following the expiration of the Initial Term and during the Renewal Term or any other term, either Landlord or Tenant shall have the right to terminate this Lease. Such right of termination, if available, shall be exercised by giving the other party written notice of such termination within thirty (30) days after such damage or destruction, and upon the giving of such notice, the Term of this Agreement shall cease and come to an end as of the earlier of the date Tenant fully moves out of the Premises or the expiration or earlier termination of the then application term of the Lease. Upon the date Tenant fully moves out of the Premises, Tenant's obligation to pay utilities shall end, except for such charges for utilities as shall have accrued prior to the date of move-out. Notwithstanding anything else contained in this Lease Agreement, Tenant shall not receive any rent refund or credit for such early termination of the Lease or for any early move out, but Tenant shall not be obligated to continue to pay rent due if the Lease is so terminated during any Renewal Term. For avoidance of doubt, Landlord and Tenant hereby agree no rent shall be refunded to Tenant upon such termination (or under any other circumstance) and that the Rent Credit shall be permanently retained by Landlord.

b. Tenant shall be responsible for covering its equipment and supplies with such property and casualty insurance as it deems necessary and Landlord shall have no responsibility therefor. Tenant assumes all risk of damage, loss or casualty to its property, equipment and/or supplies while located at the Premises, whether it is owned or leased by Tenant.

12.1 <u>Condemnation.</u> If the Premises or any part thereof are taken or condemned by a duly constituted public authority, this Lease shall, as to the part taken, terminate and all proceeds and awards shall be paid to the Landlord. Tenant shall have no claim against Landlord with respect to any such taking or condemnation. In the event that a substantial portion of the Premises itself is taken or condemned, both Landlord and Tenant shall have the right to terminate this Lease upon giving notice in writing ten (10) days in advance of proposed termination date. Notwithstanding any such condemnation, taking or termination, no rent shall be refunded to Tenant, and all rent shall be permanently retained by Landlord.

13. <u>Default; Termination.</u>

a. This Lease is made on the condition that if the Tenant shall fail to pay any rent or any other monetary obligation to Landlord within five (5) days of its due date, or fail to perform any other obligation to Landlord within thirty (30) days after written notice thereof, or in case of an obligation that cannot with due diligence be cured within said thirty (30) day period, fail to proceed within said thirty (30) day period to commence to cure the same and thereafter to prosecute the performance of such obligation with due diligence and within a period of time that under all prevailing circumstances shall be reasonable or if Tenant shall violate or fail to comply with any of the terms or provisions of this Lease and such failure to comply or violation of this Lease shall reoccur or continue after written notice of such violation from Landlord, or if the estate hereby created shall be taken on execution or other process of law, or if Tenant shall be declared bankrupt or insolvent according to law, or if Tenant shall file bankruptcy, or if an involuntary bankruptcy shall be filed against Tenant which shall not be dismissed within thirty (30) days, or if the Tenant shall hold over at the termination of the Lease as herein provided, then and in any of said cases, notwithstanding any license or any former breach of covenants or waiver or consent in former instances, the Landlord lawfully may, in addition to and not in derogation of any remedies for breach of covenant, immediately or at any time thereafter, without prior demand or prior notice whatsoever, (a) terminate this Lease by notice in writing which termination shall be effective immediately or at Landlord's election on a date stated in said notice; (b) with or without process of law, enter into and upon the leased Premises or any part thereof and repossess the same; and (c) expel the Tenant and those claiming through or under the Tenant and remove its effects (together with any third parties' property) without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preventing a breach of covenant, and upon entry as aforesaid, all rights of Tenant hereunder shall terminate; and Tenant covenants that in case of such termination, Tenant will during the remainder of the then-current term or any Renewal Term pay to Landlord on the last day of each calendar month the difference, if any, between the rental, and other monetary obligations of Tenant, which would have been due for such month had there been no such termination and the sum of the amounts being received by the Landlord from occupants of the leased Premises, if any. In addition, Tenant agrees to pay the Landlord, as damages for any above-described breach, all costs of reletting the Leased Premises including, without limitation, real estate commissions, costs of advertising, costs of damage repair, cleaning, costs of renovation of the Premises to suit a new tenant, and costs of moving and storing Tenant's personal and trade fixtures.

b. Legal Fees and Expenses.

(i) Tenant further agrees to pay and indemnify the Landlord against all reasonable legal costs and charges, including, without limitation, all reasonable attorney's fees and expenses (hereinafter collectively referred to as "Legal Expenses") incurred by Landlord if Landlord prevails in a civil action to obtain possession of the leased Premises (including, without limitation, in any forcible entry and detainer or eviction action).

(ii) Tenant shall pay to Landlord all such Legal Expenses within ten (10) days following the entry of a final judgment and the passing of any applicable appeals period in such civil action.

c. Surrender. Upon any termination of this Lease, Tenant shall quit and surrender to Landlord the Premises in accordance with the provisions of this Lease. If this Lease is terminated, Tenant shall remain liable to Landlord for all Rent due under this Lease Agreement which has not yet been paid to Landlord. The Rent Credit shall remain nonrefundable and shall be permanently retained by Landlord. In no event shall either party be liable to the other for incidental, special, or consequential damages of any nature claimed as a result of the breach of any term of this Agreement or termination of this Agreement.

d. Termination for Convenience. Tenant may terminate this Lease for its convenience upon no less than thirty (30) calendar days' prior written notice to Landlord. If Tenant so terminates this Lease for its convenience, no rent shall be refunded to Tenant, and the Rent Credit shall be permanently retained by Landlord.

14. Access.

Landlord shall provide at least 24 hours advance notice of its intention to enter the Premises, except in the case of an emergency. Upon such notice, the Landlord and its representatives, agents, or employees, may enter the Premises.

15. Signs.

Tenant shall not erect, install or place any signage upon the interior or exterior of the Premises except with the written approval of Landlord, which approval Landlord agrees not to withhold unreasonably. Tenant shall pay any and all costs associated with any such signage approved by Landlord.

16. Zoning.

It is the responsibility of Tenant to determine all zoning information and secure all necessary or required permits and approvals of its proposed use of the subject Premises. Landlord makes no representations or warranties as to the suitability of, or the ability to obtain regulatory approval for, the subject Premises for Tenant's intended use.

17. Self-Help.

In the event of a dispute between Tenant and Landlord, Tenant shall not be permitted to withhold all or any part of the rental payment then due unless and until a forum of appropriate jurisdiction has so ruled. The acceptance of a check by the Landlord for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, to the effect that such lesser amount constitutes payment in full shall be given no effect and Landlord may accept such check without prejudice to any other rights or remedies which Landlord may have against Tenant.

18. Miscellaneous Provisions.

Subject to the foregoing, the covenants and agreements of the Landlord and Tenant shall run with the land and be binding upon and inure to the benefit of them and their respective successors and assigns, but no covenant or agreement of Landlord, expressed or implied, shall be binding individually upon any LLC manager or member nor any fiduciary nor any trustee or beneficiary under any trust.

19. Subordination.

Tenant shall, from time to time, upon request of the Landlord, subordinate this Lease to any mortgage deed, and/or other security indenture hereafter placed upon the leased Premises, and to any renewal, modification, replacement or extension of such mortgage or security indenture, if, and only if, any mortgagee of Landlord and Landlord (if required by lender) execute (either before or after) such subordination agreement or subordination, non-disturbance and attornment agreement ("SNDA"). Landlord agrees to make reasonable efforts to negotiate with its lender with respect to the terms of any such SNDA, and shall advise such lender of any Tenant objections to such SNDA. Tenant hereby agrees it shall execute and deliver to Landlord within five (5) days of Landlord's request such subordination agreement or SNDA submitted to Tenant by Landlord or Landlord's lender.

20. Estoppel Certificates.

Tenant shall, within five (5) days after each and every request by Landlord execute, acknowledge and deliver to Landlord a statement in writing including any or all of the following as determined by Landlord: (a) certifying that the Lease is unmodified and in full force or effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), (b) specifying dates to which the annual rent has been paid, (c) stating whether or not Landlord is in default in performance or observance of its obligations under the Lease, and, if so, specifying each such default, (d) stating whether or not to the best of the knowledge of the Tenant, any event has occurred which, with giving of notice or passage of time, or both, would constitute a default by Landlord under Lease, and, if so, specifying each such event, and (e) certifying that Tenant, as of the date of the statement, has no charge, lien or claim of offset under the Lease, or otherwise, against rents or other charges due or to become due thereunder. Any such statement delivered pursuant to this Article may be relied upon by any prospective assignee, transferee or mortgagee of the Leased Premises or any interest therein.

21. Return of Premises; Trade Fixtures.

Tenant at the expiration or termination of this Lease Agreement shall peaceably yield up to Landlord the Premises in broom clean condition, in good repair in all respects, reasonable use and wear and damage by fire and all other unavoidable casualties not caused by the acts or omissions of Tenant, its officers, employees, agents, invitees or contractors excepted. At such time, Tenant shall also remove all trade fixtures, equipment and other personal property installed or placed by it at its expense in, on or about the Premises, including, without limitation, those listed on Exhibit B. Should Tenant fail to remove its trade fixtures, equipment or other personal property within Thirty (30) days of a notice to do so from Landlord, ownership of such fixtures, equipment and property shall automatically be vested in Landlord and Landlord have the right to dispose of such fixtures, equipment and property in any manner it sees fit, and retain all proceeds therefrom.

22. Covenants.

Landlord covenants that it is the owner in fee of the Premises and can and will provide quiet enjoyment of the Premises during the Initial Term of this Agreement, or if applicable, any Renewal Term. Each party covenants that the Agreement is signed by a duly authorized individual.

23. Notices.

Any notice required to be given under this Lease shall be in writing and shall be hand-delivered or sent by U.S. certified mail, return receipt requested, postage prepaid, addressed to the parties as stated below or such other address as either party may designate in writing to which its future notices shall be sent. Notices shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the first business day after mailing if mailed to the party to whom notice is to be given by first class mail, postage prepaid, certified, return receipt requested, addressed to the recipient at the addresses set forth below. Hand delivery at the addresses below shall be effective as personal delivery to the party specified on the date of delivery. Either party may change addresses for purposes of this paragraph by giving the other party notice of the new address in the manner described herein.

To Tenant:	City of Portland ATTN: City MANAGER 389 Congress Street Portland, ME 04101
With a copy to:	The Office of the Corporation Counsel at the same address

To Landlord: Mr. Thomas Watson
____
104 Grant Street
Portland, ME 04101

With a copy to: William H. Leete, Jr., Esq.
Leete & Lemieux, P.A.
511 Congress Street, Suite 502
Portland, ME 04101

24. Amendment.

Both parties hereto acknowledge and agree that they have not relied upon any statements, representations, agreements or warrantees except such as are expressed herein. The terms of this Lease may be modified or amended by the mutual assent of the parties hereto; provided, however, that no such modification or amendment to this Lease shall be binding until in writing and signed by both parties.

25. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Maine.

26. Force Majeure.

Neither Tenant nor Landlord shall be deemed in violation of this Lease if it is prevented from performing any of its obligations hereunder by reason of strikes, boycotts, labor disputes, acts of God, war, acts of superior governmental authority or other reason over which it has no control; provided, however, that the suspension of performance shall be no longer than that required by the force majeure and a suspension of performance shall only be permitted if the party prevented from performance has given written notice thereof to the other party.

27. Non-Waiver.

No waiver of any breach of any one or more of the conditions of this Lease by the Landlord or Tenant shall be deemed to imply or constitute a waiver of any succeeding or other breach hereunder.

28. Limitations of Liability. Tenant agrees to look solely to the Landlord's interest in 44 Hanover Street, for recovery of any judgment from Landlord, it being agreed that Landlord is not personally liable for any such judgment beyond its interest in 44 Hanover Street (except to the extent that insurance proceeds may be available to satisfy any such judgment).

29. Brokers.

Landlord and Tenant each represent and warrant to the other that it has not dealt with any agents, brokers or finders in connection with this Agreement, other than the related purchase transaction for the Premises between Landlord and Tenant, and Tenant hereby warrants and represents that its broker [CBRE | The Boulos Company] has been paid in full for its services rendered in connection with that transaction and is not entitled to any compensation with respect to this Lease. Each party agrees to hold and indemnify the other harmless from and against any losses, damages, costs or expenses (including attorneys' fees) that either party may suffer as a result of claims made or suits brought by any broker in connection with this transaction, the obligated party hereunder to be the party whose conduct gives rise to such claim or whose statement contained in this Paragraph 29 shall be untrue.

30. Tenant agrees that its obligations to Landlord under this Lease Agreement are contractual and are not subject to any defenses available under the Maine Tort Claims Act and Tenant further agrees not to seek to invoke any such defenses.

31. Memorandum of Lease.

Landlord and Tenant agree that this Lease shall not be recorded but each party hereto agrees, on request of the other, to execute a Memorandum of Lease in recordable form and mutually satisfactory to the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed the day and year first above written.

WITNESS: **LANDLORD**

__________________________ By: _________________________
Thomas E. Watson
Its Manager

WITNESS **CITY OF PORTLAND**

___________________________ By: ___________________________
Jon P. Jennings
Its City Manager

Approved as to Form:

____
Corporation Counsel's Office

EXHIBIT A
(Plan of Premises to be inserted closing)

EXHIBIT B
Tenant's Property To Be Removed At End Of Term

Lifts –
- 2 Post Forward model DP15SN000M, 15,000 lb, 230 volt – Pickup Bay
- 2 Post Forward model DP10A2, 10,000 lb, 230 volt – Police Bay 2
- 2 Post Forward model 110N000M, 10,000 lb, 230 volt – Police Bay 1
- 4 post Rotary model SM18N000, 18,000 lb, 230 volt – Medcu Bay
- (4) sets of 4 Stertil Koni mobile column lifts, 18,000 lb each post, 230 volt, 3 phase

Tire Machines –
- Atlas tire changer – 110 volt
- Accuturn tire balancer – 110 volt
- Brunick tire spreader – 110 volt
- Old tire changer

Crane
- Demag 10 ton.

Air Compressor – Replace with new
- Champion 3 phase, 230 volt compressor, circa 1992, with air drier 110 volt

Misc Shop Equipment 110 volt
- 2 ac machines, 110 volt
- 1 transmission service machine – 110 volt
- 110 welders for mechanics (2)
- Diesel transfer tank 110 volt
- Multiple waste oil transfer tanks 110 volt

Machine Shop
- Shop press, 110 volt
- Fume extraction – 110 – 220 volt depending on size.
- Millermatic 252 mig welder, 220 volt (work bay)
- Older mig welder, 220 volt (work bay)
- Tig welder – 220 volt (work bay)
- Plasma cutter, 220 volt (work bay)
- Jet bandsaw – 110 volt (in machine shop)
- Vertical bandsaw, 220 volt, 3 phase (machine shop)
- Ironworker, Scotchman, 110 volt (machine shop)
- Lathe, 220 volt, 3 phase (machine shop)
- Milling machine, 220 volt, 3 phase (machine shop)
- Large drill press, 220 volt, 3 phase (machine shop)
- Small drill press, 110 volt (machine shop)

Other/Misc Equipment

- (2) Generators (Admin and Fleet)
- Misc hose / cord / wiring reels
- Tire bay water tank
- Spring compressor – wall mounted in Fire bay
- Bulk fluid tanks
- Paint mix room
- Newer floor body shop lights
- 2 new Fleet building dumpsters
- Misc shelving

Executive Summary

52 Hanover, LLC in partnership with Port Property Management and Tom Watson & Company (the "Sponsors"), propose to redevelop the property located at 52 Hanover Street, previously owned by the City of Portland. We are looking to create a new multipurpose building including four (4) 2,000 SF commercial retail spaces and one hundred and seventy-one (171) apartment units. Included in the 171 units would be seventeen (17) or 10% workforce rental units restricted at or below 100% of the Area Median Income (AMI) level and regulated under the City of Portland's Inclusionary Zoning. The remaining one hundred and fifty-four (154) or 90% will be traditional market rate rental units.

The Sponsors' goal for the project and new development is to create a truly unique mixed-use rental property in the City of Portland that provides a significant increase in the number of available rental units. In addition, this project continues the momentum and builds on the goals of redeveloping the Bayside neighborhood into an improved, vibrant environment for Portland citizens.

Financial Plan

The Sponsors will raise $10 million in private investment funds along with an additional $40 million in bank financing through the Department of Housing and Urban Development.

Public Benefits

Our mixed-use concept will provide a number of public benefits.

The Portland City Council cited housing as the #1 goal in their 2020 Goal Setting Summary.

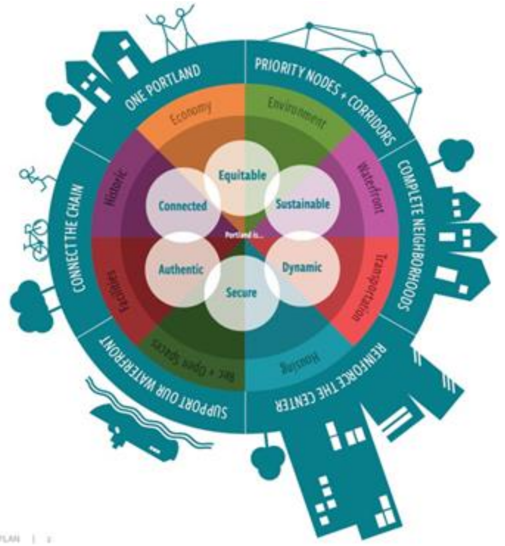
> *"#1. Increase access to rental and home ownership that is safe, affordable, and accessible."*

Public Benefits (con't)

Portland's Comprehensive Plan has many policy statements that support exactly this type of development. Specifically, the Plan calls for City action to produce housing and "Reinforce the Center".

Two specific goals apply:

> *"Increase, preserve, and modify the overall supply of housing city-wide to meet the needs, preferences and financial capabilities of all Portland residents.*
>
> *Encourage additional contextually appropriate housing density in and approximate to neighborhood centers, concentrations of services, and transit nodes and corridors as a means of supporting complete neighborhoods."*



More specific to the Bayside neighborhood, the 2000 "New Vision for Bayside" called for additional density and housing in West Bayside:

> *"The Bayside Plan will fill in, extend and enhance the existing residential fabric with a substantial amount of new housing units."*

The following themes illustrate how this project is positioned to achieve community objectives and goals.

- ***First major residential housing project since 2017***

  The City has set a goal of constructing 256 new rental units per year. There are very few residential market rate and/or workforce apartment buildings being built in the City of Portland due to the high costs of construction. The last large apartment building project built in the City of Portland – the Hiawatha – was completed over three years ago. There are currently over 13,000 market rate rental apartments in the City of Portland, with a vacancy rate of an estimated 2%. In order to create market equilibrium, where tenants and landlords equally share in negotiating rates, the City of Portland would need its vacancy rate to reach 6% (per historic standard). To make that happen today, an additional 540 apartments would need to be built. This project is a huge step towards that equilibrium.

Public Benefits (con't)

- ***Wide-ranging mix of new apartments including 17 affordable units***

The property will have broad appeal to tenants of various demographic and economic backgrounds. It will contain a diverse mix of apartment sizes and styles ranging from 400 square foot micro-units to 1,400 square foot townhouses. Thirty-seven (37) studios, ninety-seven (97) one-bedrooms and thirty-six (36) two-bedrooms are included in the plan. In addition to the rental units, we will be creating two (2) levels of parking with one hundred and sixty-six (166) parking spaces.

The project will provide much-needed affordable housing in the City of Portland with its broad range of unit types and the corresponding variation in rental prices. Additionally, by adding 17 new workforce rental units this project adheres to the intent of the Inclusionary Zoning Ordinance– which was to add units, not fees in lieu. It will also be the single largest aggregation of workforce units within a market rate project in history of the City of Portland.

- ***Development of a residential presence in a commercial-heavy neighborhood***

The Property currently sits as a large, vacant steel framed warehouse with significant updates needing to be made. The neighborhood consists of various small businesses and larger companies including Bayside Bowl and the United States Post Office.

Housing creates a 24/7 presence in the neighborhood.

The proposed new building will create a unique residential opportunity in this neighborhood, create a vibrant community in West Bayside, and serve as a catalyst for change in the neighborhood from primarily commercial tenants to residential living. Additionally, we anticipate a number of the 52 Hanover courtyard commercial tenants to be daytime venues (ex. Coffee shop, café, lunch spot).

- ***Development of a new "destination" in Portland with the creation of new courtyard***

This project will create a welcoming and new courtyard space in the Bayside community between 82 Hanover and 52 Hanover. Currently 82 Hanover is 100% leased with 3 pub/eateries located on "Lancaster Court", each with substantial outdoor patio space abutting a 10' wide bike/ped running from Hanover to Parris Street. The shops at 52 Hanover will have similar sized patio spaces running from the building façade to the bike/ped path creating a vibrant walkable courtyard.

The new commercial spaces, along with their outdoor patios, will create an inviting and exciting open community space which will spur an essential dynamic shift in the neighborhood.

Public Benefits (con't)

- ***Design for future density***

  This is a unique location in the City of Portland to develop density and increase housing. The site is 1.3 acres and is located within the Bayside Height Overlay District, allowing for increased density. In terms of accessibility, the property's location lends itself to reducing downtown traffic. Those living in this neighborhood can easily walk, bike and car share to downtown Portland for work or leisure. The property is also ideal given its proximity to 295 Northbound and Southbound.

- ***Road map of successful public/private partnership as a model for future housing development***

  This project has a strong history of partnership between the private Sponsors and the City of Portland.

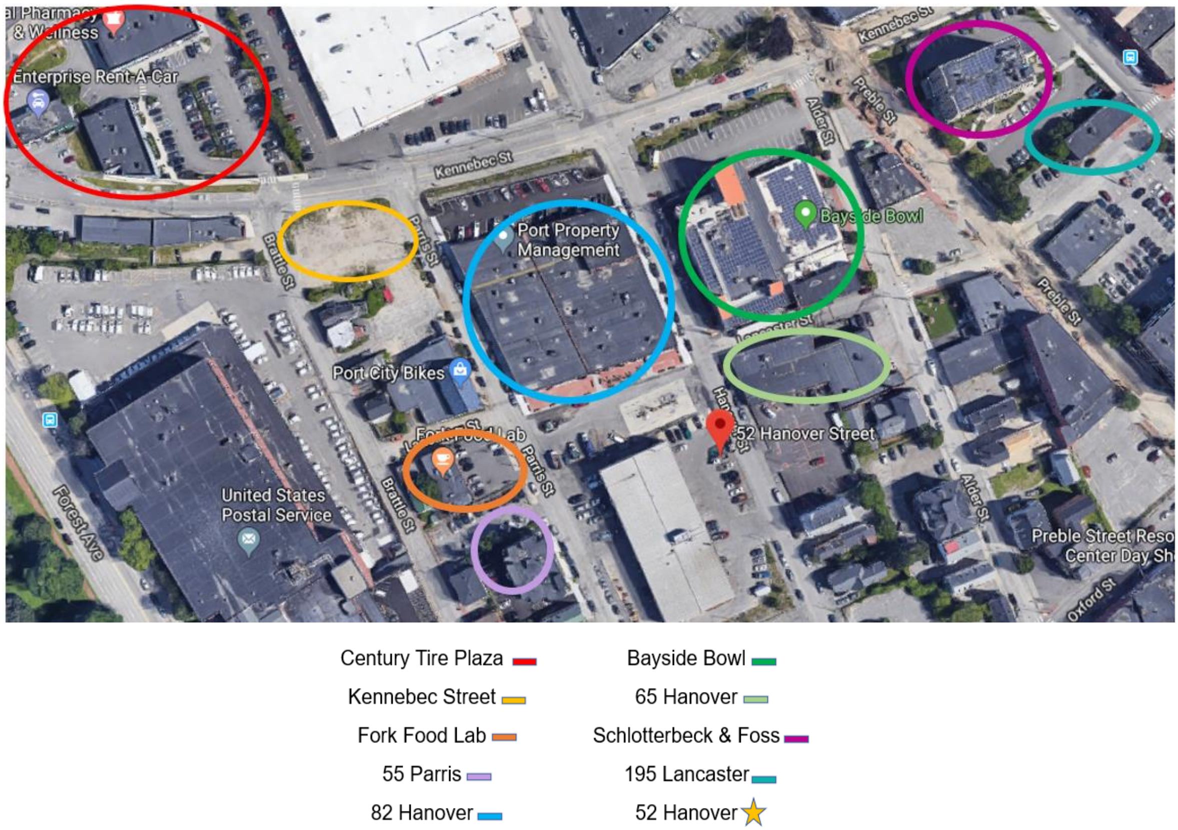
  - The property was sold by the City of Portland in a public bidding process to the Sponsors for their winning bid
  - The City of Portland received over $1.2 million in market rate proceeds from the Sponsors.
  - The property was leased back to the City of Portland's DPW until its Canco Road facility was finished.
  - The Sponsors extended the lease for an additional two months at no cost to the City in order for the Portland Fire Department to host their new-recruit physical ability testing.
  - The Sponsors have devoted substantial financial resources towards the environmental clean-up of the contaminated site. Completed activities include the removal of underground gas tanks and above ground pump stations.

Next Steps

<u>The 52 Hanover Street project represents an opportunity to take a creative and collaborative approach to a challenge we all acknowledge – housing availability</u>.

This site is an ideal location to bring a large volume of apartments to the rental market in an expedited time frame. Excluding the renter household incomes of those in Portland already receiving housing assistance, the median renter household income is $57,022 to $61,000– often referred to as "the missing middle". The new units being proposed for 52 Hanover would serve this population. Increasing the volume of apartments in this segment of the market will have countless positive impacts including more choice for tenants and more incentives for landlords to improve the quality of their properties and services. We look forward to working with the City of Portland to continue our partnership and leverage this opportunity, and our experience, to create housing for Portland's renters.

APPENDIX A - 52 Hanover: Continuing the Evolution of West Bayside



In large part because of the City of Portland's efforts to capitalize on Bayside as an area of potential growth, including the sale of City-owned property, the Bayside neighborhood has seen significant improvements in many of its area buildings. For example:

- Schlotterbeck & Foss – This property was converted from a food production plant to 56 residential units.
- 195 Lancaster Street – A vacant, unused brick building will now be the home of Two Fat Cats bakery.
- Bayside Bowl – Previously a city works building has become a vibrant and busy bowling center and restaurant.
- Century Tire Plaza – A former auto repair show has now become home to several small business including Orange Theory and Chipotle.
- 82 Hanover – Another city works building that is fully leased to 12 commercial tenants including restaurants, breweries and office users.
- 55 Parris – A vacant parking lot is now 23 owner occupied condominiums.
- Kennebec Street – Another dirt parking lot currently being converted into 55+ housing.
- 65 Hanover – A public works building converted into shared office space and event space.
- Fork Food Labs – A vacant brick building that was made into a shared kitchen space.

APPENDIX B – Sponsor Information

Managers & Key Principals

Tom Watson is the Key Principal and Manager of 52 Hanover, LLC. and co-owner of Port Property Management.

Port Property Management

Port Property Management will manage the new development at 52 Hanover Street. Port Property is the market leader in multifamily property management. Founded in 1993, PPM is the largest market rate residential landlord in Portland and South Portland with over 1,450 apartments, 30 retail storefronts and two office buildings. For over two decades the PPM staff has engrossed itself in studying market opportunities and tenant benefits, understanding and defining unit features, finishes and building amenities that appeal to the Portland demographic.

Port Property has a long and successful history of redeveloping properties including two within Bayside, 82 Hanover Street (12 commercial/retail spaces) and 117 Preble Street (56 apartments). Its success is due to its horizontal structure. Since its founding, the company has woven together the acquisition and development team, the property management group and the construction group on every project. All have an active seat at the table during the feasibility stage, due diligence period, closing and program implementations phase. The distinct perspective and workload of each team is vital in each project.

Our Approach

Port Property Management has been part of the Portland community for over 26 years. Our goal is to purchase and develop properties in the city of Portland that are safe and well maintained, with a strong focus on quality units and exceptional management for the benefit of our tenants. Additionally, our goal is to manage and own properties for the long term. Many of the employees at Port Property Management live and work in Portland. The Port Property Management offices are located at 82 Hanover Street.