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**ECONOMIC DEVELOPMENT COMMITTEE**

**DATE:** **July 25, 2017 (Tuesday)**
**TIME:** **5:30 – 7:30 p.m.**
**LOCATION:** **Room 209**
**Portland City Hall**

## A G E N D A

1. **Review and accept Minutes of previous meeting held on June 27, 2017.**

2. **Continue discussions regarding Mayor Strimling's Proposed Amendments to City of Portland Tax Increment Financing Policy to include presentations from the Mayor, discussion with a panel, and City staff presentations. No public comment will be taken at this meeting.**
   a) See enclosed memo from Greg Mitchell with attached material.

**Next Committee Meeting:** August 1, 2017

**Councilor David Brenerman, Chair**

**<u>Minutes</u>**
**<u>Economic Development Committee</u>**
**<u>June 27, 2017</u>**

A meeting of the Economic Development Committee (EDC) of the Portland City Council was held on Tuesday, June 27, 2017 at 5:30 p.m. in Room 24 of Portland City Hall. Present from the Committee was its Chair Councilor David Brenerman and members Councilors Pious Ali and Spencer Thibodeau. Also present from the City Council were Councilors Jill Duson and Belinda Ray, and Mayor Ethan Strimling. Councilor Justin Costa arrived as noted herein. Present from the City staff were Public Works Director Christopher Branch, Associate Corporation Counsel Michael Goldman, City Manager Jon Jennings, Planning and Urban Development Director Jeff Levine, Economic Development Director Greg Mitchell, and Senior Executive Assistant Lori Paulette.

**<u>Item #1: Public Hearing for Developer Presentations for redevelopment options for the City's Bayside Public Works properties, followed by public comment.</u>**

Chair Brenerman thanked everyone in attendance, noting that the Committee would first hear from the proposers – limited at 3 minutes each or 9 minutes if offers are on multiple properties, followed by public comment, and then by Committee, Mayor, and Council question/answer period. Executive session would then follow to provide guidance to staff on real estate negotiations.

Mayor Strimling asked about the height limits, and Mr. Levine noted those to be 85 feet for parcels 1, 2, 3, and 5; 105-feet for parcels 4 and 6.

***Presentation by Ford Reiche and Jeffrey Zachau - Parcel 1***

Mr. Reiche described his and Mr. Zachau's background and development experience. He put in an offer for just parcel 1, 55 Portland Street, noting that he envisions 1 or 2 tenants with the building generally remaining as it appears now, with renovations inside. Mr. Reiche said that he is ready to proceed with the renovation as soon as the City vacates the property.

***Presentation by Pachios Family – Parcels 1, 2, and 4***

Harold Pachios described his family's background, noting that he has been in the downtown for 70 years and has experience with developing, owning, and managing properties such as these. Parcels 1, 2, and 4 are within 2 blocks of property owned by the Pachios family. The offer has no contingencies and provides for an opportunity to create something nice in Bayside. Commercial tenants are good business for Bayside. If not successful, the Pachios family would be interested in Parcels 1 and 2, 2 and 4, or 2 or 4. The objective would be to renovate for commercial use, creating incubator and work environments for small businesses, including artist space, retail, and restaurant space. These would be affordable rents and onsite parking. Regarding Parcel 1, he would enter into a lease arrangement with the City, and when the City vacates, would find office tenants.

***Presentation by Tom Watson & Co. – Parcels 2, 3, and 4***

Joe Porta, of Porta and Co. representing Tom Watson & Co., provided background on Tom Watson's and his experience in Portland over the last ten years. He noted that Watson has over 40 employees, and recently renovated the Schlotterbeck and Foss building into affordable residential units – a $12 Million project. The goal for the Bayside properties is to provide community impact and viability. For parcel 4, 82 Hanover Street, Mr. Watson would renovate this into a 6 to 8 unit suite and relocate his company from Grant Street. This would include a roof deck and green space. For Parcel 3, the development plans are to create 23 market rate units with parking – 10% would be affordable for work force housing, 2 bedrooms, 2 baths – a $4 million project. For Parcel 2, plans are to develop it into 16 incubator spaces for artists for

$1,000 month. These would have glass fronts which would be conducive for retail space for the artists' products. Mr. Porta then described common space to be created between Parcels 2 and 4 which could be used for a variety of things including farmers' market, music events, and work events, among others. Mr. Porta closed saying that Mr. Watson is ready to move forward with these projects now.

***Presentation by Mohammed Nasir Shir – Parcel 3***

Mr. Shir said that he moved to Portland in 1984 and described his background in housing development, particularly in affordable housing development and renting to General Assistance clients, Section 8 Clients, and working with Catholic Charities and their clients. Mr. Shir said that he is a member of the Mosque in that neighborhood so knows the area very well. A partner in this project for Parcel 3 is CHOM. The proposal is to develop 4 stories with the first floor for parking and retail, and then 8 units per floor for the top 3 floors. The goal would be 100% affordable housing units. Mr. Shir closed saying that he is ready to move forward; financing is in position to purchase now.

***Presentation by Jack Solely – Parcel 3***

Mr. Solely said that he has been in Portland for 28 years and described his development experience. He recently built high-end condos and is proposing affordability for this project, planned as 4 stories and 20, 1-bedroom condo units, 400 sq. ft. each, all for sale under $200,000, with each having one parking space and a balcony. This would support and be affordable for people already in Portland and promotes home ownership, developing roots in Portland, and a vested interest in Bayside. He is requesting no public subsidy, unless environmental issues come up; his financing is good to move forward immediately with the project. Mr. Solely said that he has served on the Portland Planning Board so is very familiar with how to move projects forward.

***Presentation by Barrett Made – Parcel 5***

Rob Barrett said that he was born and raised in Portland. Barrett Made would be expanded to this site and then described Barrett Made as a design/build firm, working on creative and challenging projects that have impact on the community. They would build their own furniture and fixtures at this location. Mr. Barrett then described creating four city shop spaces as full workshop and office combination spaces for people looking to grow their business. Example of such businesses are anticipated to be metal workers, potters, and crafts people, among others. In addition, a 20-bench open “Maker’s space” would be created for people who are looking to start something new or explore a hobby further in a professional studio setting. There would be an area to display their products. Mr. Barrett also noted that there would would be a roof green space. Phase II would be 24 affordable live and work units.

***Presentation by O’Maine Studios – Parcel 5***

Rory Strunk of O’Maine Studios said that he has been in Portland since 1985. O’Maine Studios is based on the food and beverage industry, which is on the cusp of world-wide expansion. Bayside now has Fork Food Lab, Coffee By Design, and Bayside Bowl and O’Maine wants to add to it. Mr. Strunk described the incredible Portland food system, with native beer products now going to Rotterdam, Iceland, among others. O’Maine development of this parcel would include the Maine Garden that will showcase Maine’s diversity of product; “Kick Start Kitchen” for incubating new Chef restaurant concepts, and hosting food festival events. This would compliment Bayside’s numerous food and hospitality businesses and create a dynamic food and beverage entrepreneur neighborhood by creating a world class culinary media and event center that has a global draw, noting the Portland is now an international global destination.

***Presentation by Tom Toye III – Parcel 6***

Kevin French, representing Tom Toye, said that Mr. Toye owns several properties in Bayside. Mr. Toye is proposing a ten-story development with 140 residential work force housing units, and affordable housing retained on the first floor. Financing is in place and Mr. Toye would move forward upon purchase of the property immediately.

***Presentation by Ross Furman – Parcel 6***

Mr. Furman said that he was born in downtown Portland and has been in Bayside since 1978 when it was an industrial waste land. He assisted with bringing several businesses to the area, and noted in 1999 that it was named the "Bayside" area, and now it is called "West Bayside". Mr. Furman stated that he still owns properties here and is proposing to develop 50 affordable housing units on 5 levels and artist studios. He noted that he owns abutting property, and described Phase 1, 2 and 3 to develop the full block.

***Presentation by West Bayside Development Group – Parcels 2, 3, 4, 5, 6***

Jim Hanley provided background on the members of the Group. He then described the Group's offer to purchase, under one Purchase and Sale Agreement, all the properties – Parcels 2 through 6. Mr. Hanley said that they understand how to partner with Ford Reiche's proposal for Parcel 1 to make that work as well. With this offer, there are five advantages to the City – please see attached handout from Mr. Hanley. The Group can move quickly to close on the sale; the Group has a proven track record and plenty of expertise, noting that this kind of development has been done before; it can work to assist with the City's potential realignment of Kennebec Street; and, turn 26 Marginal Way into an office building.

Todd Alexander noted that this is a distinct development project and complimentary to other uses for the next great urban area neighborhood - catering to business owners, workers, restaurants, hospitality, and the food industry. The Group's plan are consistent with the City's Comprehensive Plan, and they have very doable proposals for each of the 5 parcels in the near term, as well as a long term proposal with property already under ownership in the development group to create a gateway development project. Mr. Alexander then described the various developments anticipated. For Parcel 4, 82 Hanover Street, it is anticipated to be redeveloped into a restaurant, Commissary Kitchen, and commercial retail suites targeting local businesses in the food and beverage industry. This would be a project by Northland and Bowl Portland. Parcel 5, 65 Hanover Street, would be developed into affordable housing, together with an abutting parcel the Group owns. Two thirds of the units would be for work force housing, and one third for affordable housing. This would be a project by Avesta Housing. Parcel 3, 56 Parris Street, would be developed into 25 to 30 units of for-sale, workforce housing and would complement Avesta's project. This would be a project by Renewal Housing. Parcel 2, 44 Hanover Street, would be developed for small scale office and light industrial businesses, and limited surface parking to serve 55 Portland redevelopment and neighborhood uses. A future use would be structured parking with ground floor commercial/retail uses; and relocate parking from 26 Marginal Way and redevelop that site as Class A office space. This would be a project by Atlantic Bayside. Parcel 6, 178 Kennebec Street, would maintain the existing surface parking lot and be used for the relocation of 1 Marginal Way tenant parking, which, in turn, would allow for the realignment of Kennebec Street and expanded redevelopment of 1 Marginal Way as a gateway mixed-use commercial building.

Chair Brenerman thanked the proposers for the presentations. He then opened the meeting for public comment, noting to keep comments to 3 minutes or under.

Kate from the West End said she supports affordable housing projects and integration into the Bayside community. She asked how the process goes forward from here.

Chair Brenerman said that normally questions are answered at the end of the public comment period. However, he described the process noting that it has been going on for most of this year, as well as past years, and now is the best time to move forward with disposition.

(Councilor Costa arrived at this time.)

Chair Brenerman continued saying that the Committee advised the Broker that it would like to see housing on Parcel 3. Boulos then marketed and showed the properties which resulted in these offers. Now, it is time to determine what is the best proposal(s) to move forward on for each property. Some will agree with what the City decides; and some will not. He noted that the Committee provides guidance to staff on negotiations for sale and this would be done in executive session. Staff would then bring the negotiated Purchase and Sale Agreement(s) to this Committee to review and make a recommendation to the City Council.

Mayor Strimling added that the public will have two more opportunities for public comment – first when the EDC reviews and make a recommendation to the City Council; and secondly at the City Council meeting when it takes this up for a vote.

Councilor Thibodeau added that the public is also free to email the Mayor and City Council.

Pete Levick, 200 Kennebec Street, said he thought the City wanted the highest value from these properties and was disappointed with no bigger buildings, noting that West Bayside should be differentiated from East Bayside. He also noted that parking is a huge issue, and the City should make more 15-minute and 30-minute parking spots in the area.

Lisa Webster with the Farmers' Market supports O'Maine Studios exceptional development idea which will continue to have Portland and the State in the Global market place; the impacts would be felt all over Maine.

Tristan Noyes, farm owner, echoed Ms. Webster's comments in support of O'Maine Studios.

Dinah Minot, Executive Director of Creative Portland, would like see the offers accepted which support and nurture arts life, maker space, and live/work space. This is an opportunity to create a unique area of buildings and uses and bring the community together.

Karen Snyder of Munjoy Hill questioned the meaning of "affordable housing". Portland does need it, including workforce housing. She noted that of the current 12 developments with over 360 units, only 28 are workforce housing. Locals cannot afford to live here.

A Portland resident woman spoke and noted that she was disappointed that there was not a lot of talk about General Assistance clients, and the most vulnerable will be pushed away – noting that a large apartment building would be better.

Eli Morse of Park Avenue said that affordable housing is subjective. The City's needs more Section 8 housing, as well as affordable housing. Revitalizing Bayside with these development projects would push the homeless and low income out.

Gretchen Langner of State Street said that she liked the green space and sustainability factors, as well as smaller developments that would bring the community together.

Mike Curran of Portland said that development projects would lead to homeless displacement, also noting that affordable housing is an issue. He suggested that a new urban neighborhood already exists and work/development should be from that foundation and how it will affect the current community.

Robert Delane, a member of the Bayside Neighborhood Association for over 20 years, said that there has been a lot of changes in the area, and the residents have a stake in this sale of properties. He suggested that the City partner with BNA and for support and opinions.

Laura Cannon of 18 Parris Street said that she did not get the opportunity to review all the presentations, but asked the City to strongly consider ideas that include owner-occupied housing for investors in the neighborhood. She supported a mixed use for a vibrant area.

Dawud Omah said to consider proposals that offer diversity in their development – in jobs and residents. Affordable housing needs to be occupied by people working, so look from the ground up for this development.

Iris of 66 Kellog Street said that the City cannot ignore the homeless issue, immigrant community, and the poor working class. She urged the City to consider who is the community and who you will invest in for sustainability.

Kim Rich said that she liked the creativity of the proposals and questioned whether the highest bid is the best common good. She would like to know the bid purchase offers.

Sean Kirwin of 18 Parris Street and a member of the BNA said that this is an exciting opportunity and encouraged the City to think about all the properties together and how it will work as a whole. Affordable and workforce housing is critical, as well as market rate housing. He also noted that home ownership would be great for Bayside, as well as uses that would provide vibrancy both day and in the evenings. He said to be sure those chosen have the financial capability to get the project(s) done.

Tom Blackburn of Hanover Street has been a Bayside resident for over 20 years and has seen a lot of growth and development. This is an incredible opportunity to realize the Vision for Bayside. Mr. Blackburn noted that Portland lacks maker space and artist studios, as well as affordable housing, which all need to work together. The West Bayside Group's proposal was impressive for the properties to work together. In addition, he said that with Northland's property ownership, the City could realize the realignment of Kennebec Street.

Steve Hirshon, resident of Bayside and a member of the BNA, said that all the proposals are well thought out, and their strength and financial capacity is impressive. He echoed more owner occupied housing which would benefit the area and suggested more density. This area is between King Middle School, Portland High School, and Baxter Academy so families should want to live here – also noting Back Cove athletic field around the corner. Portland does its share for the homeless population – at 400, which has the most in the State, noting health care for the homeless is also an issue.

Steven Scharf of Salem Street said that he was not impressed with the proposals, with the exception of Tom Toye's 10-story building, and that the City should go back out to bid. He noted that Mr. Toye's height is allowed in Bayside and questioned why the others did not go as high, as the Council wants high buildings. He also noted that the micro-apartments are too small. Mr. Scharf also questioned why the purchase price has not been made public yet. In making a decision, the City has three factors to consider – the public good, purchase price, and future tax revenue.

Raina Blanchard of Park Street said that the City needs to work with immigrant youth noting that Kennedy Park lives matter and affordable housing is important.

Ron Spinella of Cumberland Avenue and member of BNA noted that this area is very diverse, which includes social services, and many have seen it grow and flourish. This will affect everyone. Affordable housing and owner occupied housing are both important for the area. Many members of the Bayside community volunteer in soup kitchen, noting that there are a lot of different needs which will need to be addressed.

George Rheault of 28 Hanover Street noted that these sales are needed to finish the relocation of Public Works out of Bayside and out to Canco Road. He then noted that with the sale of the former Nathan Clifford School, that neighborhood had a seat at the table and questioned why the Bayside neighborhood does not have that seat at the table. Regarding the proposals, he preferred the West Bayside Development Group's proposal, adding that owner-occupied housing would be best for the Bayside area.

Sarah of 47 Cedar Street said that she would like to see uses such as the Maker Space and affordable housing, but also need home ownership.

Joe Brunelle of 61 Kellogg Street said that he appreciated the City putting the proposals on line. The area does need affordable housing, and that 100% AMI is still a lot of money. The City needs to consider the people working in the businesses in Bayside and move forward on developments that would provide affordable living arrangements for those people and build a community of working Portlanders.

Mary of 134 Munjoy South said that affordable housing is not $1,000/month. She suggested that home ownership is for the white race. Besides the Bayside area, the City should look to Munjoy South for improving.

Andy of Stratton Place noted that the City does a lot for the disadvantaged in Bayside and is now looking to bring homeless shelters in other areas of the City. The City needs development to expand its tax base to expand social programs.

Chair Brenerman, noting no further public comment, closed the public comment session.

Chair Brenerman then suggested that the Committee go through each site 1 through 6.

***Site 1 – 55 Portland Street***

Councilor Thibodeau asked Mr. Pachios what his plans are for the site and would he be building up, and Mr. Pachios said that he would lease it to the City until it vacates the premises, and then would have commercial tenants. He indicated no plans to build up.

Mayor Strimling noted that this would not be affordable housing. If the City chose Mr. Pachios's proposal, would affordable housing be added, and Mr. Pachios said that he was not contemplating affordable housing. Their plans are to renovate for commercial tenants.

Mayor Strimling asked about environmental impact and if Pachios would be willing to make it LEED certified, and Mr. Pachios said that this could be looked into to determine the cost but the goal is to find tenants.

In response to the Chair, Mr. Pachios said that it his intent to have office tenants once the City moves out.

***Site 2-44 Hanover Street; Site 3-56 Parris Street; Site 4-82 Hanover Street***

Councilor Duson asked Mr. Shir about the proposed 24 units and 14 parking spaces, and Mr. Shir said that parking is an issue and suggested that a parking garage be constructed in the area.

Mr. Soley, with regard to 56 Parris Street, said that he would like to build 23 units but that would need a variance so is proposing 21 units with a parking space for each.

Councilor Thibodeau, to Mr. Shir, questioned development being done 3 to 5 years out, and CHOM representative indicated that they may need low income housing tax credits, which is a 3-year process; the affordable housing would be 60-120% AMI and work force housing. Mr. Shir added he would own the property and CHOM would develop it.

Chair Brenerman asked about public support needs, and CHOM indicated LIHTC and may not need an affordable housing TIF.

Mayor Strimling asked about housing on sites 2 and 4 and LEED certified construction, and Mr. Porta indicated that Mr. Watson plans adaptive re-use. As environmentally supportive developers, they could look at costs for LEED certified, and if financially doable, build for that.

Mr. Soley indicated that LEED certified is another cost hurdle so could not do affordable housing and LEED, but they do use renewable material. Mr. Soley also indicated that he has never done LEED certified construction.

Councilor Ali asked about the type of housing Mr. Watson was planning, and Mr. Porta indicated rental housing, 2 bedroom 2 bathroom units for families, 23 units, and one parking for each unit. Rents will be in the $1,300-$1,400 range.

Chair Brenerman asked Mr. Soley about the 400 sq. ft. units he is proposing and if a marketing study supported that. Mr. Soley said that in New York City 230 sq. ft. units are being developed and sold. This meeting room is 900 sq. ft., so this would support two 400 sq. ft. units. His development includes 9’ ceilings. It would be owner-occupied work force housing and Mr. Soley felt that the market would support this development. He is requesting no subsidies and would be ready to move forward once purchased.

Councilor Duson asked Mr. Soley about anticipated owners of these units, and Mr. Soley said that it would run the range from young to older citizens.

Mayor Strimling asked The Watson proposal for Sites 2, 3, and 4 if it wanted all or any of them, and Mr. Porta indicated that they would purchase all or what the City offered to sell to them. If Watson was successful in Site 4, he would move his operations to that site from its current Grant Street location; sites 2 and 3 would not support that relocation. He again noted common space for all tenants.

Councilor Ray asked about timelines, and both Mr. Porta and Mr. Solely indicated that they would begin the development process immediately.

***Parcel 5 – 65 Hanover Street***

Councilor Thibodeau asked about the Phase II timelines, and Mr. Barrett indicated that Phase I would be done as soon as possible and he would move in; Phase II could occur next Summer. Mr. Strunk indicated that he would move on the renovation and would welcome the opportunity to partner and address work force housing. He also noted that bringing in top culinary students would be a windfall for Portland, and that he would have local contractors for the work, from architect/engineering to construction. He also noted that the health food community is an economic builder.

Councilor Ali asked Mr. Barrett about the Maker Space and costs, and Mr. Barrett indicated that there would 20 benches at $200 to $350/month each and available 24/7; security cameras would also be installed.

Mayor Strimling asked Mr. Strunk if O'Maine Studio would relocate to this location, and Mr. Strunk indicated that it would be an expansion. This building has what he needs to further Portland's, and Maine's, food industry.

In response to Councilor Duson, Mr. Barrett said Phase II would include 25 residential units with 1,000 sq. ft. each, and over 5 stories.

***Site 6 – 178 Kennebec Street***

In response to Chair Brenerman, Nathan Szanton – partnering with Ross Furman, would build 42-49 units in a five story building with artists work space and retail at the street level. The 42-49 units would be a mix of market rate and affordable housing – 35% market rate, and 65% affordable housing. Market rate would be approximately $1,200-$1,450/month; and affordable would be approximately $750-$925/month. They may look into an affordable housing TIF at perhaps 50 to 75%. Mr. Furman added that they are not going higher because of steel stansions that would be needed so the proposed building is capped at 5 stories. He then described Phases II and III on his adjoining properties, but not part of this project.

Mr. French, for Tom Toye's proposal, indicated that they would build a maximum of 10 stories, retail on the first floor, and approximately 140 apartments with 450 to 600 sq. ft., with rents at approximately $850-$900 month. This has been tried and tested and they are ready to go with no subsidy.

Councilor Thibodeau asked about timelines and both indicated that they would start immediately.

Councilor Duson said heights were set in a long process and is interested in more units, with Patrick Santerre noting issues of parking for more units.

Chair Brenerman asked Mr. Levine about off-site parking for new projects, and Mr. Levine noted that off-site within 1,500' is allowable with satisfactory evidence of those spaces.

Chair Brenerman asked the West Bayside Development Group that if they were not sold Sites 2, 3, 4, 5, and 6 as a whole would they not be interested in purchasing any, and Mr. Hanley indicated that to be correct. Mr. Alexander added that all of the group is committed to rebuilding the neighborhood, noting that is risky and difficult.

Chair Brenerman asked about subsidies, like an AHTIF, and Mr. Totman noted not at this time.

Councilor Duson asked about the units in Hanover Street, and Mr. Totman estimated 65 with 65% market rate and 35% affordable housing.

Mr. Benthien added that with the developments of this group, it would open up 1 Marginal Way for mixed use, together with assisting with the realignment of Kennebec Street.

Councilor Ray asked about the rental housing and timeline, and Mr. Totman said that the units would be 500-600 sq. ft., 1 and 2 bedrooms. Mr. Alexander said that with negotiating with one group for all the parcels, the timing would move along faster, and the group is ready to move forward with the projects.

Mayor Strimling asked why the group was not interested in Site 1, and Mr. Hanley said that it was not competitive with costs.

Mayor Strimling asked about going up for housing, and Mr. Benthien said that the general store has a lot of tenant demand already. Mr. Alfond added that some could go up but there are also environmental factors that can add tens of thousands of dollars to a development.

Mr. Alexander noted that this development has built in over 90 affordable housing units in the proposal. Mr. Benthien added that the City may want to consider getting a VRAP for the fleet services property; residential units may not be an allowed use given its environmental issues.

Mayor Strimling asked Mr. Totman if the plans are to tear down 65 Hanover and make it LEED Certified. Mr. Totman indicated that it would be torn down and the development would be the equivalent of LEED certified.

Mayor Strimling asked what would happen if a partner pulled out of the project, and Mr. Alexander said that if one pulled out the group would still go forward.

Mayor Strimling asked if the zoning allowed for higher buildings would the proposers go higher. There was discussion concerning financial issues with higher developments, as well as all would have to go back to the drawing board and create new proposals.

Chair Brenerman seeing no further questions at this time, thanked everyone for their input and public comments.

**Item #3: Executive Session: Pursuant to 1 M.R.S.A. 405(6)(C), the Committee will go into executive session for staff to receive guidance to proceed with real estate negotiations for the following (30 minutes):**

a) **Bayside Public Works property offers;**
   i **See enclosed Confidential Memo.**

b) **City Thames Street property sale;**
   i **Verbal update provided at meeting.**

Chair Brenerman suggested that, due to the time, that the Committee postpone Item #3(a), and take up item 3(b) only. The Committee concurred.

On motion made and seconded, the Committee voted unanimously at 9:30 p.m. to go into executive session for Item #3(b) above pursuant to 1 M.R.S.A. 405(6)(C) for staff to receive guidance to proceed with real estate negotiations. At approximately 10:00 p.m., the Committee came out of executive session and the meeting was then adjourned.

Respectfully, Lori Paulette

# West Bayside Redevelopment Group

## PRESENTATION TO ECONOMIC DEVELOPMENT COMMITTEE | JUNE 27TH

**Introduction & Summary of Offer (Jim H)**:

- **The Buyer**: West Bayside Redevelopment Group is a consortium of Portland-based commercial and residential developers;
  - **Atlantic Bayside**: commercial and office developer (*AAA Building, GSB Building, Intermed Building, USPS Maintenance Facility*)
  - **Northland Enterprises:** commercial, residential and mixed used developer (*Century Plaza, Baxter Library, Clapp Building*)
  - **BOPO, LLC**: owner operator of Bayside Bowl. (Justin Alfond has significant development experience.)
  - **Avesta Housing**: Maine, non-profit affordable rental housing developer (*339 Units in Bayside, 800 in Portland; 2,500 in total*)
  - **Renewal Housing**: National affordable rental and for-sale housing developer (22 Tate West Port Lofts, One Joy)

- **The Offer**: The Group is presenting a single offer to acquire five city parcels (55 Portland Street NIC) and, together with private parcels currently under ownership, develop approximately 100,000 SF of commercial/retail space, 65 units of workforce rental housing and 28 units of workforce, for-sale housing.

- **Competitive Advantages:** The West Bayside Group's offer has **5 distinct competitive advantages** (as compared to other offers);
  - **Hybrid Structure**: There will a <u>single</u> purchase and sale agreement but <u>five</u> strong development teams and projects. The benefits of this structure are 1) **Administrative Efficiency of working with one buyer** and **2) Buyer's responsibility if one group drops out.** This structure ensures the greatest likelihood for timely closing.
  - **A Local Development Team with A Proven Track Record in Bayside**: The Group's members have extensive experience working in Portland and, more importantly, have a track record of successfully developing and operating properties in Bayside. Collectively, the Group members own and operate 300,000 SF of commercial space and 350+ units of housing in and around Bayside. Each member has expertise in its area.
  - **Leverage Additional Private and Public Sector Redevelopment Beyond the Public Works Facility**: The proposal is structured to allow for the long-term redevelopment of other 'gateway' properties in Bayside, currently owned by members of the Group. In addition, it delivers a key private parcel necessary to complete public infrastructure improvements along Kennebec Street and Forest Avenue.
  - **Creates the Greatest Number of Workforce Housing Units**: Combined, the Group's housing components will result in more than 90 units of workforce housing in Bayside, including at least 25 home ownership opportunities targeting first time homebuyers and middle income households.
  - **A Coherent Redevelopment Strategy to Create A Vibrant, Mixed-Use Neighborhood in Bayside**: Each development project within the Group's proposal is distinct, but tied to a common vision of making West Bayside a hub for Portland's food and beverage industry. <<this serves as a transition to description of parcel-by-parcel proposed uses>>

# West Bayside Redevelopment Group

## Presentation to Economic Development Committee | June 27TH

**Proposed Uses**

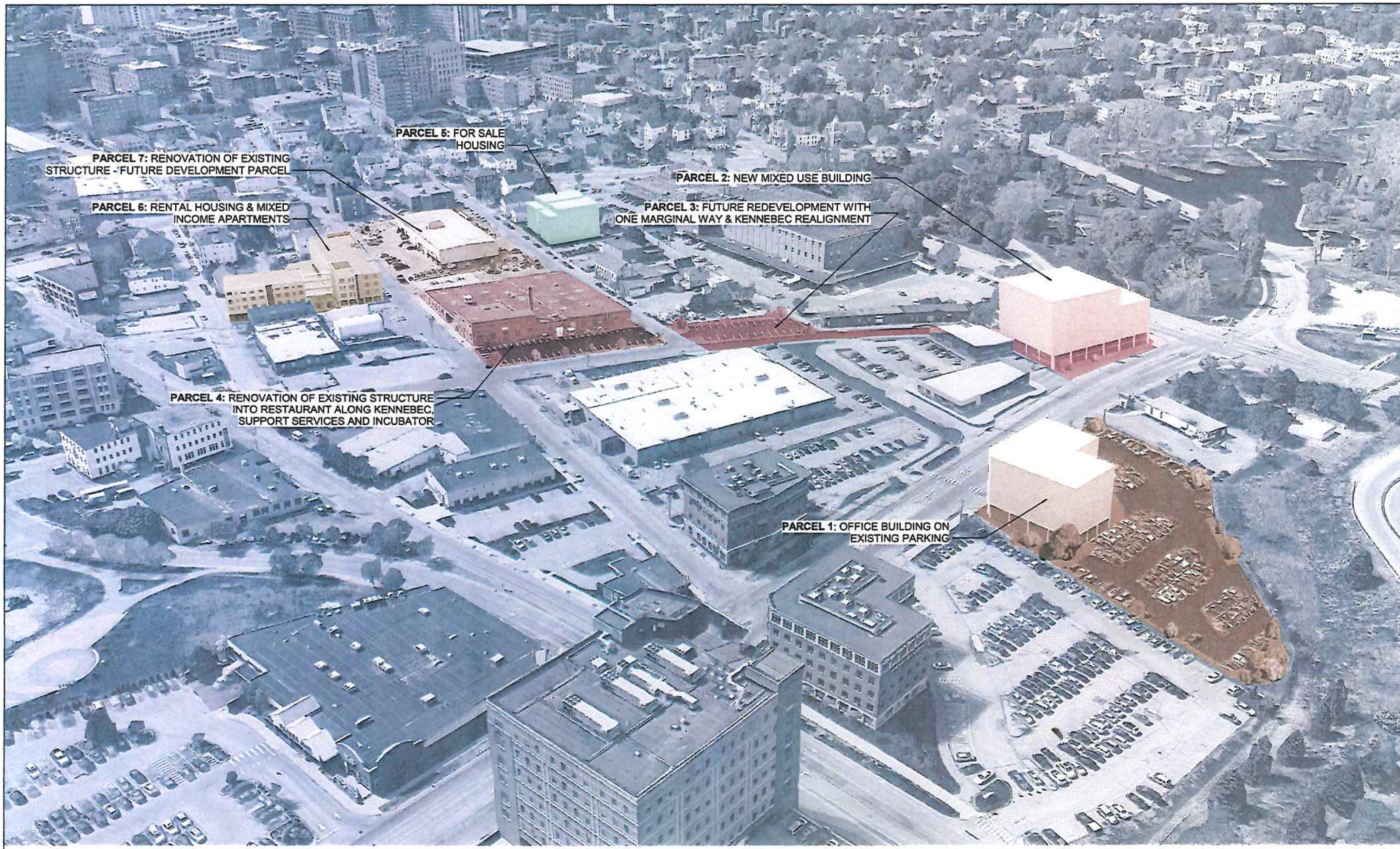
- **82 Hanover | General Store**
  - **Developer**: Northland + BOPO
  - **Plan**: Adaptive Reuse of Existing Building
  - **Use**: Restaurant, Commissary Kitchen and commercial/retail suites targeting local businesses in the Food & Beverage industry
  - **Total Investment**: $3.75MM

- **65 Hanover**
  - **Developer**: Avesta Housing
  - **Plan**: New Construction
  - **Use**: 65 units +/- of mixed-income rental housing;
  - **Total Investment**: $11MM+

- **56 Parris**
  - **Developer**: Renewal Housing
  - **Plan**: New Construction
  - **Use**: 25 to 30 units of for-sale, workforce housing
  - **Total Investment**: $5MM+

- **44 Hanover | Fleet Services Building**
  - **Developer**: Atlantic Bayside
  - **Plan**: Adaptive Reuse of Existing Building*
  - **Use**: Small scale office and light industrial businesses; limited surface parking to serve 55 Portland redevelopment and neighborhood uses
  - **Total Investment**: $2MM+
  - **Future Use:** Structured parking with ground floor commercial|retail uses; relocate parking from 26 Marginal Way and redevelopment of that site as Class A office space. Projected Investment: $15MM+

- **178 Kennebec Street**
  1. **Developer**: Northland
  2. **Plan**: Maintain existing parking lot*
  3. **Use**: Relocate 1 Marginal Way tenant parking, which will allow for realignment of Kennebec Street and expanded redevelopment of 1 Marginal Way as gateway mixed-use commercial building.
  4. **Total Investment**: $20MM+




# WEST BAYSIDE REDEVELOPMENT PLAN

Portland, Maine

JUNE 22, 2017

A0.1

ARCHETYPE architects
48 Union Wharf Portland, Maine 04101

Economic Development Department
Gregory A. Mitchell, Director

# MEMORANDUM

**TO:** Economic Development Committee (EDC)

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

**DATE:** July 21, 2017

**SUBJECT:** **Mayor's Proposed Amendments to Portland's Tax Increment Financing Policy - July 25, 2017 EDC Meeting Format and Approach**

This memo outlines the July 25, 2017, EDC meeting format and approach to continue a discussion regarding the Mayor's proposed amendments to the City's Tax Increment Financing (TIF) Policy to establish amendments for Credit Enhancement Agreements (CEA)

## Meeting Format and Approach

This memorandum outlines the meeting format and approach for the July 25, 2017 EDC meeting. No public comment will be taken at this meeting.

## Mayor Strimling

Mayor Strimling will be provided with the opportunity to present any new information.

## Panel

EDC Chair Brenerman has invited the following individuals to serve on a panel to discuss this topic:

***Drew Swenson of Swenson and Company***: Mr. Swenson will discuss his involvement in the Ocean Gateway Parking Garage Project. Construction of this parking garage was included in the City Council approved Riverwalk TIF District, and the City Council established a condition within the TIF CEA District requiring the use of union labor.

***Nathan Szanton of The Szanton Company***. Mr. Szanton is an affordable housing developer which has utilized TIF district revenue to support construction of affordable housing projects.

***Joan Fortin is an attorney with Bernstein Shur***. Bernstein Shur attorneys have extensive state-wide municipal experience with use of TIF districts.

There will be a question and answer session with the panel.

**City Staff Presentations**

EDC Chair Brenerman has invited the following staff to provide presentations:

***Michael Goldman, Associate Counsel with the City***, will present legal concerns related to the City establishing municipal hiring requirements without conducting research. See enclosed memo from Michael Goldman.

***Mary Davis, Housing and Community Development Division Director.*** Mary is responsible for management of the City's HOME Program and Community Development Block Grant Program which are funded through the U.S. Department of Housing and Urban Development (HUD). Mary will present information on HUD requirements regarding labor and employment standards. See attached memo from Mary Davis.

***Greg Mitchell, Economic Development Director,*** will present information on the past City use of TIF District CEAs. See enclosed memo and attachments from Greg Mitchell.

***Anne Bilodeau, Deputy Finance Director***. Anne will present information collected from existing TIF recipients and local contractors regarding the TIF proposals. See attached PowerPoint Presentation.

**Next Steps**

Two public meetings have been held on this topic on April 18, 2017 and June 6, 2017. The April meeting was an opportunity for public comment on the proposed amendments, and the June meeting was a panel discussion and staff presentations.

After hearing from the above panel on July 25th and staff presentations, the EDC is expected to provide staff direction related to preparation of specific proposals to present at a future EDC meeting for EDC action.

Attachments:

- Michael Goldman Presentation
- Mary Davis Presentation
- Greg Mitchell Presentation
- Anne Bilodeau Presentation
- June 5, 2017 Letter from Thompson's Point Developers
- June 12, 2017 Letter from SMCC

# MEMO

To: Mayor Ethan Strimling and Members of the Economic Development Committee: Councilor David Brenerman, Councilor Spencer Thibodeau, Councilor Pious Ali

Cc: Danielle West-Chuhta, Corporation Counsel

From: Michael Goldman, Associate Corporation Counsel

Date: June 6, 2017

**Re:** **Proposed amendments to TIF policies; preferences for hiring local residents, minorities, and women.**

---

The current proposed amendments to the City of Portland's TIF policies include, among other recommendations, the requirement that developers who are party to a credit enhancement agreement be subject to hiring preferences favoring local residents, minorities, and women. As explained below, such provisions, are often challenged as unconstitutional under the Privileges and Immunities and Equal Protection Clauses of the United States Constitution, thus potentially making the City liable for attorney's fees and other expenses in the face of a successful claim.

<u>Local Hire Preferences</u>

As one commentator has explained, "[T]he biggest hurdle to the enforceability of a local hire preference is a Privileges and Immunities Clause challenge." Jennifer D. Cantrell, Esq. et al., *Enforceability of Local Hire Preference Programs,* LEGAL RESEARCH DIGEST 59, April 2013 (hereinafter, "Cantrell"). The Privileges and Immunities Clause provides that "The citizens of each state shall be entitled to all privileges and immunities of citizens in several states." (U.S. Const. art. IV, § 2, cl. 1.). In *United Building & Construction Trades Council v Camden,* 465 U.S. 208 (1984), the U.S. Supreme Court made clear that a municipal local hire preference for public works projects triggered analysis under the Privileges and Immunities Clause because it affected the right of out-of-state residents to pursue employment. Under the circumstances, the Court explained that the City of Camden must establish that there is a "substantial reason" for treating residents and non-residents differently. In determining whether a substantial reason exists, "the inquiry in each case must be concerned with whether such reasons do exist and whether the degree of discrimination bears a close relation to them." The Court further explained that Camden needed to show that nonresidents "constitute a peculiar source of the evil at which the [ordinance was] aimed."

As Cantrell summarizes the issue, to justify a local hire preference, it is necessary for municipalities to show that (1) they have a substantial reason to discriminate against nonresidents, and (2) that the local hire preference is directed at remedying unemployment. Cantrell at 10. Before adopting such a policy, a municipality should have sufficient data (i.e. a study, investigative report, etc.) establishing, for example, that local unemployment is directly caused by the influx of nonresident labor and is not of the municipality's own doing. Without this type of justification and evidence showing that nonresidents are the cause of local unemployment, a challenged local hire program and/or policy is unlikely to meet the burden of establishing a substantial reason to discriminate against nonresidents. The Court has not specifically indicated the type of data it would deem sufficient to support such preferences, but it has said that comparative statistics (i.e. on the difference between a municipality's high level of unemployment and unemployment levels in the state or county) are not sufficient without more. Courts have indicated that municipalities (or a third party) should conduct studies of the situation in the municipality as well as quantitative cost-benefit analysis in which the evidence of increased employment among residents is weighed against the costs associated with barring nonresident workers and contractors. As Cantrell warns, "Given that local unemployment can be attributed to a number of different variables besides the influx or presence of nonresidents, this has been a difficult evidentiary burden to meet." Cantrell at 10.

<u>Minority Hire Preferences</u>

Similarly, municipal preferences for hiring minorities are subject to constitutional challenges under the Equal Protection Clause. In *Richmond v. J.A. Croson Co.,* 488 U.S. 469 (1989), the U.S. Supreme Court considered a Richmond ordinance that required contractors on municipal construction contracts to hire minority businesses enterprises for 30 percent of the work. The Court explained that in order to justify such a discriminatory practice, there must be (1) a compelling government interest to justify the practice, and (2) the 30% set-aside must be narrowly tailored to accomplish a remedial purpose. (This two-prong constitutional test is known as "strict scrutiny."). Because there was no evidence of prior discrimination against minorities by Richmond, the Court concluded that Richmond had no compelling government interest to justify its hiring ordinance. The Court also concluded that it could not determine whether the ordinance was narrowly tailored to remedy prior discrimination because it was not linked to discrimination in any way. With that said, the Court went on to explain that state and local governments are not precluded from "taking action to rectify the effects of identified discrimination." Before doing so, however, a municipality must have evidence, that nonminority contractors were excluding minority businesses from subcontracting opportunities. An inference of discriminatory exclusion could be satisfied by showing "a significant statistical disparity between the number of qualified minority contractors willing and able to perform a particular service and the number of such contractors actually engaged by the locality or the locality's prime contractors." Furthermore, as Cantrell points out, "Consideration of race-neutral alternatives prior to the adoption of race-conscious measures is critical. In Croson, the Supreme Court held that because the City of Richmond failed to consider race-neutral alternatives such as simplifying its bidding procedures, relaxing bonding requirements, or providing training and financial aid to disadvantaged entrepreneurs prior to the adoption of its ordinance, the ordinance was not narrowly tailored." Cantrell at 16.

Accordingly, based on the reasoning in Croson, before adopting a minority hiring preference, the City must first have evidence of prior discrimination and consider race-neutral alternatives to the preference.

<u>Gender-Based Hiring Preferences</u>

In order to withstand an Equal Protection challenge for a gender-based hiring preference, a municipality satisfy an "intermediate scrutiny" analysis. *Craig v. Boren,* 429 U.S. 190

(1976). This is a lower hurdle than the strict scrutiny analysis for race-based discrimination, but still requires a municipality to have an "exceedingly persuasive justification" for the gender-based preference. "To succeed, the defender of the challenged action must show at least that the classification serves important governmental objectives and that the discriminatory means employed are substantially related to the achievement of those objectives." *United States v. Virginia*, 518 U.S. 515, (1996). As Cantrell explains, "a governmental actor must show that the gender-based measure is based on reasoned analysis rather than through the mechanical application of traditional, often inaccurate, assumptions." Cantrell at 18. Cantrell also points out that the cases are less clear on what evidence is sufficient to support a gender based preference, but some evidence of gender-based discrimination is necessary before establishing one. Cantrell at 18.

Conclusion

As set forth in the case law and commentary summarized above, municipal hiring preferences that are based on residency, minority status, and gender are susceptible to constitutional challenges under the Privileges and Immunities and Equal Protection Clauses. The protections afforded by those clauses are not absolute, but municipalities must gather evidence of discrimination before establishing such preferences, and they must demonstrate that the preferences are specifically targeted to address that discrimination. Although it is not clear exactly what evidence would justify the proposed preferences, it is clear that we would need to conduct a study to gather information on the labor market and local hiring practices that would support a discriminatory preference before adopting one. This memo contains a very brief overview of some of the constitutional issues that arise out of municipal hiring preferences. Please let me know if you have questions or if you would like me to conduct additional research on this matter.

Mary Davis
Division Director, Housing & Community Development Division

TO: Councilor David Brenerman, Chair
Members of the Economic Development Committee

FROM: Mary Davis, Division Director
Housing and Community Development Division

DATE: July 21, 2017

SUBJECT: Proposed TIF Amendments – HUD Program Requirements

The U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) Programs have regulations that require projects that fund construction activities to meet certain federal requirements regarding labor and employment rules. Among those are the Davis-Bacon Act and Section 3.

(1) Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)

Section 3 applies to HUD-assisted housing rehabilitation, housing construction and other public construction projects. It requires that contractors and subcontractors of these type of HUD-assisted activities, *to the greatest extent feasible*, provide job training, employment, and contract opportunities for low or very low income residents or businesses.

(2) Davis-Bacon (40 USC 276(a)-277)

The Davis-Bacon Act requires contractors and subcontractors working on federally-assisted construction projects (including HUD-assisted projects) to pay mechanics and laborers prevailing wage rates and fringe benefits.

In the HOME Program, the Davis-Bacon Act is triggered by any contract for the construction of housing that contains 12 or more HOME-assisted units. When the requirement is triggered, it applies to the entire project not just the HOME-assisted units. The HOME Program requires an analysis and review to determine the allowable level of HOME investment and the number of HOME-assisted units required in each project. The analysis and review include maximum per unit subsidy limits, cost allocation analysis and other underwriting requirements that determine the number of HOME-assisted units in a project.

Mary Davis
Division Director, Housing & Community Development Division

Since November of 2000, the City has invested HOME funding in 22 developments which created a total of 677 units, 597 of which are affordable to households at or below 60% of the area median income. Of those 597 affordable units, 82 are designated as HOME-assisted. No one project has contained 12 or more HOME-assisted units and therefore, none have triggered the Davis-Bacon Act requirements.

In the CDBG Program, the Act is triggered when construction work over $2,000 is financed in whole or in part with CDBG funds. Davis-Bacon is not applicable in residential construction projects that have fewer than 8 units or construction projects completed by City employees.

There are very limited instances where CDBG funds can be used for new construction of rental housing. An eligible Community Based Development Organization (CBDO) can carry out new construction of rental housing. A CBDO must be a local organization (for-profit or non-profit) with a focus on neighborhood revitalization, community economic development or energy conservation projects.

The City can use CDBG funds to support new construction of rental housing for certain types of activities such as acquisition costs, site clearance, and site improvements in the public way.

Portland, Maine Yes. Life's good here.

Economic Development Department
Gregory A. Mitchell, Director

**MEMORANDUM**

**TO:** **Economic Development Committee**

**FROM:** **Greg Mitchell**

**DATE:** **July 25, 2017**

**SUBJECT:** **City of Portland Tax Increment Financing District Activity**

This Memorandum provides an overview of City of Portland Tax Increment Financing (TIF) District activity with an emphasis upon use of Credit Enhancement Agreements (CEAs).

## Portland TIF District

Annually, City staff updates and presents a report on Portland TIF District activity to the Portland City Council Economic Development Committee (EDC) and City Council. Attached is the latest Portland TIF District Activity Report for FYE2016, being the fourth year of such Annual Reports. This FYE2016 Annual Report can be accessed, via the city web site, at http://www.portlandmaine.gov/529/Tax-Increment-Financing.

## Portland TIF Policy

The City of Portland TIF Policy is located on pages 12 of 28 through 18 of 28 in the attached Annual TIF District Activity Report.

## Overview of Portland TIF CEA Activity

Historical activity highlights include:

- 23 total approved TIF CEAs over 22 years:
  - 9 of the 23 are active commercial CEAs;
  - 5 of the 23 are active affordable housing CEAs;
  - 5 of the 23 have expired
  - 2 of the 23 did not pursue projects
  - 1 of the 23 was not approved by MDECD nor project pursued
  - 1 of the 23 pursued the project but chose not to enter into CEA

- 4 of the active commercial CEAs will have expired by FYE2019, leaving 5 active commercial TIF CEAs.

- Increase in property tax base growth associated with all expired TIF CEAs is closed to $98 Million, generating over $2 Million in annual property tax revenue, in addition to new jobs.

- Increase in property tax base growth associated with active TIF CEAs is close to $88 Million, generating $1.8 Million in annual property tax revenue, in addition to new jobs.

- Increase in property tax base growth associated with affordable housing projects with active TIF CEA is $7 Million, which leveraged over $52 Million to other public/private investment to create 227 affordable housing units.

**Mayor Proposed TIF Policy Amendments**

Mayor's Proposed TIF Policy Amendments fall into four main categories which include:

1. Establishing prevailing wage requirements;
2. Employment hiring preferences;
3. Apprenticeship/Job Training; and,
4. Penalty or Claw Back Provisions.

It is noted that the Mayor's Proposed TIF Policy Amendments so far do not apply to all City public infrastructure investment; it applies only to construction employment associated with businesses which receive City TIF CEA financial assistance and not business employment.

I reviewed all City Council approved TIF CEAs and only two (2) included conditions similar to the Mayor's proposed amendments. The two (2) TIF CEAs and associated conditions include:

1. ComTel project (which was not built nor approved by MDECD) conditions previously presented by the Mayor applied to proposed Company employment only; and,

2. Ocean Gateway Parking Garage/Riverwalk TIF District condition in the CEA that Union Labor be utilized, specifically: "All construction jobs related to the Project shall go to City and State of Maine citizens when possible, and all subcontractor work shall go to City and State union firms offering a sustainable, living wage, when possible." It is noted that Drew Swenson will be at the meeting to further discuss this.

I look forward to discussing this with you to answer any questions.

Attachments:

- Matrix of TIF CEAs
- FYE2016 Annual TIF Report

**City of Portland**

**TIF Credit Enhancement Agreements**

| | |
|---|---|
| How many? | 23 total approved over 22 years. |
| How many are expired? | 5 |
| How many active Affordable Housing? | 5 |
| How many active commercial (non-Affordable Housing)? | 9 |
| How many active commercial expire near-term? | 1 in 2018 |
| | 3 in 2019 |

| |
|---|
| **Comments:** |
| City Council and Maine DECD or MSHA approval is required to establish TIF Districts. |
| TIF CEAs must meet a public benefit purpose as defined by State law and City TIF Policy. Examples including redevelopment of blighted property, investing in public infrastructure, supporting targeted technology companies or affordable housing. |
| A total of twenty-three (23) TIF Districts have been approved by the Portland City Council, including: |
| - 19 having constructed projects and/or are in contruction mode; |
| - 1 pursued the project but chose not enter into CEA (BWL, LLC [Regency]; |
| - 2 not pursuing projects (Fore India Middle LLC; Southern Maine Properties Company and Bookland of Maine); and |
| - 1 with no MDECD approval nor project (ComTel). |
| TIF Districts are performanced based, meaning that developers receive a percentage of new property taxes based upon actual investment. |
| After FY19, the City will have five (5) active commercial TIF CEAs. |

**Portland TIF Credit Enhancement Agreements (CEAs) by the numbers -**
**Assessed Valuations of EXPIRED COMMERCIAL TIF CEAs as of FY2017**

| Name | FY2017 Assessed Value | Original Assessed Value | Difference |
|---|---|---|---|
| Shipyard | $4,283,010 | $451,200 | $3,831,810 |
| Auto Europe | $3,817,360 | $376,500 | $3,440,860 |
| Bay House | $16,966,700 | $915,550 | $16,051,150 |
| UNUM | $71,680,400 | $1,383,070 | $70,297,330 |
| Nichols Portland* | $22,453,850 | $18,401,520 | $4,052,330 |
| | | | |
| **Totals:** | **$119,201,320** | **$21,527,840** | **$97,673,480** |
| **FY17 Taxes:** | **$2,516,340** | **$454,453** | **$2,061,887** |

| **Comments:** |
|---|
| Specific public benefit purposes for Shipyard was to stimulate redevelopment of a blighted and environmentally contaminated property. |
| Specific public benefit purposes for Auto Europe was to improve a blighted vacant (for more than ten years) property then known as the "Galt Block". |
| Specific public benefit purposes for the Bay House project was public infrastructure. |
| Specific public benefit purposes for UNUM and Nichols was to support business attraction and/or manufacturing investment. |
| The above five (5) TIF Districts today resulted in attracting $98 Million in new municipal tax base generating over $2 Million in annual property tax revenue. |

*The FY2017 Assessed Value of the Nichols Portland TIF includes real estate and personal property value; all others are real estate assessed value only.

**TIF Credit Enhancement Agreements (CEAs) by the numbers -**
**Assessed Valuations of COMMERCIAL ACTIVE TIF CEAs as of FY2017**

| Name | FY2017 Assessed Value | Original Assessed Value | Difference |
|---|---|---|---|
| Holt Hall | $4,956,760 | $349,110 | $4,607,650 |
| Baxter Library | $2,502,600 | 0 | $2,502,600 |
| Ocean Gateway Garage/Riverwalk | $13,319,200 | $1,085,550 | $12,233,650 |
| PowerPay/Public Market | $6,259,500 | $1,862,600 | $4,396,900 |
| Atlantic Bayside Trust/AAA Building | $30,090,600 | $0 | $30,090,600 |
| Blue Atlantic/Bayside Student Housing | $16,320,830 | $0 | $16,320,830 |
| Waterfront Maine/Merrill's Wharf | $15,187,300 | $950,930 | $14,236,370 |
| Thompson's Point | $8,434,470 | $4,970,470 | $3,464,000 |
| ImmuCell | $52,600 | $52,600 | $0 |
| | | | |
| Totals: | **$97,123,860** | **$9,271,260** | **$87,852,600** |
| FY17 Taxes: | **$2,050,285** | **$195,716** | **$1,854,568** |

| **Comments:** |
|---|
| Specific public benefit purposes for Holt Hall, Baxter Library, Public Market, and Merrill's Wharf projects supported attracting private sector investment to blighted or declining value properties, in addition to new jobs. |
| Specific public benefit purpose for Ocean Gateway Garage public infrastructure investments and supported attracting millions of dollars in private investment in adjacent properties. |
| Specific public benefit for the AAA and Student Housing projects supported new construction, public infrastructure, parking structures, and new jobs. |
| Specific public benefit for Thompson's point was public infrastructure and new jobs. |
| Specific public benefit for ImmuCell was targeted technology company and jobs. |
| Total new property tax value, to date, associated with the above nine (9) TIF Districts is close to $88 Million, generating over $1.85 Million in new annual property tax revenue. |

**Affordable Housing TIF Credit Enhancement Agreements (CEAs) by the numbers -**
**Assessed Valuations of AFFORDABLE HOUSING ACTIVE TIF CEAs as of FY2017**

| Name | FY2017 Assessed Value | Original Assessed Value | Difference | Other Public/Private Investment | Number of Affordable Units |
|---|---|---|---|---|---|
| Pearl Place | $3,581,560 | $646,050 | $2,935,510 | $12,932,585 | 60 |
| 409 Cumberland Avenue | $3,717,960 | $470,200 | $3,247,760 | $11,120,171 | 46 |
| 134 Washington Avenue | $1,079,400 | $155,600 | $923,800 | $3,685,763 | 18 |
| 17 Carleton Street | $261,600 | $261,600 | $0 | $6,541,370 | 37 |
| McAuley Place | $0 | $0 | $0 | $18,070,801 | 66 |
| | | | | | |
| **Totals:** | **$8,640,520** | **$1,533,450** | **$7,107,070** | **$52,350,690** | **227** |
| **FY17 Taxes:** | **$182,401** | **$32,371** | **$150,030** | | |

| **Comments:** |
|---|
| The above five (5) Affordable Housing projects to date created over $7 Million in new City tax base and attracted over $52 Million in public/private investments, which created 227 affordable residential units. |
| All five (5) Affordable Housing projects would not have happened "but for" the City TIF program financing. |
| Of the 227 affordable units, 58 are affordable at or below 50% of the area median income; the remaining 169 units are affordable at or below 60% of the area median income. |

**Portland TIF Credit Enhancement Agreements (CEAs) by the numbers -**
**Overview for last four fiscal years:**

| | FYE2013 | FYE2014 | FYE2015 | FYE2016 |
|---|---|---|---|---|
| City General Fund-Taxes from OAV: | $5.8 Million | $6.1 Million | $6.3 Million | $22.8 Million |
| City General Fund-Taxes from Non-Captured Value: | $1.1 Million | $341,000 | $720,000 | $2.4 Million |
| | | | | |
| Total TIF Taxes From Captured Value: | $2.7 Million | $3.5 Million | $3.2 Million | $1.8 Million |
| - TIF Taxes to CEAs: | $1.9 Million | $2.0 Million | $2.0 Million | $1 Million |
| - TIF Taxes to Public Infrastructure/Arts: | $.8 Million | $1.5 Million | $1.2 Million | $.8 Million |
| | | | | |
| Total Tax Sheltering Value: | $143 Million | $180 Million | $160 Million | $87 Million |
| Estimated Annual Average Tax Sheltering Savings: | $1.3 Million | $1.6 Million | $1.3 Million | $.7 Million |

**NOTE: Above table explanations follow on next page.**

**Above Table Explanations:**

**City General Fund-Taxes from OAV** - The table shows a yearly increase in taxes from the OAV into the General Fund. For FYE 2013 through FYE2015, this is based on increases in tax rates. FYE2016's higher increase is due to the Downtown TOD TIF Activation, where the OAV is just under $1 Billion, and associated taxes with that OAV at $20 Million (which also includes the property values previously in the Arts District and associated $5 Million in taxes). As noted earlier in the definition section, all taxes from the OAVs go to the General Fund.

**City General Fund-Taxes from Non-Captured Value** – This number fluctuates based on each CEA, as well as the City's budget needs for public infrastructure/Economic Development Department staff salaries/debt service. The captured value percentages for the area wide TIF Districts - Bayside and Waterfront - are adjusted yearly based on those needs. The captured value percentage for the Downtown TOD TIF was set at 12% for the first year (FY2016) and then set at 22% for years 2 through 30. The increase in this table for FYE2016, is due to capturing 12% from the Downtown TOD TIF and having the remaining non-captured 88% go into the General Fund. Non-captured increased assessed value taxes flow into the General Fund.

**Total TIF Taxes From Captured Value** – The percentage of captured value varies yearly based on CEAs and the City's financial needs. This TIF Revenue is then allotted to the various CEAs, and then to the City public infrastructure projects/arts.

**Total Tax Sheltering Value** – This number represents the total percentage of the increased assessed of value (IAV) all TIF Districts that has been captured. This value decreased from FYE2015, which was largely due to the UNUM TIF District's expiration in FY2015, and a decrease in the captured value percentage from the Bayside TIF District. The captured value percentage for area TIFs is adjusted yearly based on City use of TIF funds needed for public infrastructure projects, as well as debt service for payment of the Bayside HUD loan and for Ocean Gateway associated debt expenses.

**Estimated Tax Sheltering Savings** – As noted earlier in Section 7, this number decreased by $.7 Million from FYE2015. This is, again, due to the UNUM TIF District expiring, and a smaller percentage of IAV captured from the Bayside TIF.

**For Details See:**

- City of Portland TIF Annual Report for TIF Public Benefit Purposes and Specific Capture Rates.
  Weblink: http://portlandmaine.gov/529/Tax-Increment-Financing

- FY2017 Matrix

For Questions: Contact Greg Mitchell, gmitchell@portlandmaine.gov, (207) 874-8945.

Portland, Maine Yes. Life's good here.

# Tax Increment Financing

## Fiscal Year End (FYE) 2016 Annual Report
## (July 1, 2015 through June 30, 2016)

Prepared by the Economic Development Department

(Report prepared 10/2016)

# Table of Contents

## 1. <u>Introduction</u>

On February 4, 2013, the City Council adopted revised City Tax Increment Financing (TIF) Policy (Item A in Appendix) in support of investment in municipal economic development programs and infrastructure investment. Revised City Policy favors area-wide TIF Districts to support investment in public infrastructure and economic development programs versus individual site TIF Districts for private project financing needs.

City TIF Policy requires an annual report, to the City Council Committee and full City Council, regarding TIF District activity. This Report provides an overview of the TIF District Program, Portland's utilization of TIF Districts to date, and TIF District financial value impacts.

## 2. <u>Definitions</u>

Commonly used terms, included in this Report, include:

"***Captured Assessed Value***" means increased assessed value retained in a TIF District each year during its term.

"***Credit Enhancement Agreement (CEA)***" means the agreement between the City and the site specific TIF District Developer whereby it includes the terms under which the City will provide a portion of the Retained Tax Increment Revenue back to the Developer.

"***Current Assessed Value***" means the then current assessed value of the property located in the TIF District to be determined by the City Assessor as of April 1 of each year during the term of the District.

"***District***" means that portion of property depicted on a map to apply to the TIF.

"***Increased Assessed Value (IAV)*** " means the valuation amount by which the Current Assessed Value exceeds the Original Assessed Value. If the Current Assessed Value is less than or equal to the OAV, there is no Increased Assessed Value in that year.

"***Infrastructure***" is defined, but not limited to: traffic upgrades, public parking facilities, roadway improvements, lighting, sidewalks, water and sewer utilities, storm water management improvements, and placing above ground overhead electric and telecommunications lines underground.

"***Original Assessed Value (OAV)***" means the assessed value of the property in the TIF District as of March 31 of the year that it was created. For instance, if a TIF District was approved as of the date of this report, or October 2016, the OAV would be the assessed value of the property on March 31, 2016. All taxes from the OAV go into the City's General Fund for any City use.

"***Property Taxes***" means any and all ad valorem property taxes levied, charged or assessed against the property by the City or on its behalf and actually paid to the City, but excluding any county, state, or special District taxes that are separately levied, charged, or assessed against the property.

"***Retained Tax Increment Revenues***" means that portion of the Property Taxes paid with respect to the Captured Assessed Value.

"***Tax Year***" means April 1 to March 31.

## 3. Tax Increment Financing Overview and Value

Tax Increment Financing (TIF) is the most flexible economic development program available to municipalities. Associated with private sector or affordable housing investment, TIFs are flexible municipal financing tools to fund the following types of activities to support private sector investment:

- public infrastructure projects;
- economic development programs, including municipal marketing and staff; and,
- support of individual private commercial and affordable housing project financing needs.

The two property tax components associated with TIF Districts include:

- ***New Property Taxes***. TIF revenue is generated from new increased municipal assessed value and associated new property taxes. TIFs can be established for up to thirty (30) years and new or "captured assessed value" in the TIF District can range from 1% to 100% of the amount of new property taxes.

- ***Original Assessed Property Value (OAV)***. The taxes from property base or "Original Assessed Value" reverts to the municipal general fund and is not captured in a TIF District.

## 4. TIF District Approval Process

There is a three step process to approve establishment of a TIF District. The three steps include:

- Economic Development Committee recommendation for approval to the City Council;
- City Council approval; and,
- State of Maine Department of Economic Development Department approval for commercial TIF districts or Maine State Housing Authority approval for affordable housing TIF Districts.

## 5. City Council Actions During FY2016

City Council actions taken during FY2016 include:

(a) The Council's Housing and Community Development Committee, at the end FY2015, reviewed and recommended to the Council approval of the 17 Carleton Avenue Affordable Housing TIF and Credit Enhancement Agreement. The City Council's review and approval occurred during FY2016 at its August 3, 2015 meeting. The Council then brought it back for reconsideration on September 9, 2015 and postponed it at that meeting to September 21, 2015, at which meeting it voted to reapprove the District and Credit Enhancement Agreement.

(b) It is noted that during FY2016, the Council's Economic Development Committee reviewed and recommended to the City Council creating a TIF District and associated Credit Enhancement Agreement for ImmuCell. The City Council's review and approval occurred during FY2017 at its September 19, 2016 meeting.

6. **<u>Statutory Limits for TIF Districts</u>**

There are two State statutory limitations which include:

- ***Acreage***: No single TIF District, including Affordable Housing Districts, can be larger than 2% of a municipality's total acreage, or in the case of Portland, 2% of Portland's 12,386 acres is 247 acres. Also, all active TIF Districts have to be less than 5% of a municipality's total acreage, or in the case of Portland, 5% is 619 acres. Based upon active TIF Districts, including Affordable Housing TIF Districts, as of FYE2016, Portland has the ability to include 471 additional acres in TIF Districts.

- ***Value***:

  - **Commercial/Area Wide TIF Districts:** The OAV of all these TIF Districts in a municipality cannot be more than 5% of its total aggregate value (FY16 aggregate value: $7,996,350,000), or in the case of Portland, 5% is $399,817,500. Based upon active TIF Districts as of FYE2016, Portland has the ability to include an additional $266.5 Million of property value in TIF Districts.

  - **Affordable Housing TIF Districts:** The OAV of all Affordable Housing TIF Districts cannot be more than 5% of the total aggregate value (FY16 aggregate value: $7,996,350,000), or in the case of Portland, 5% is $399,817,500. Based upon active Affordable Housing Districts as of FYE2016, Portland has the ability to include an additional $398 Million of property value in Affordable Housing TIF Districts.

It is noted that the amount of acreage and value to include in TIF Districts fluctuates as TIF districts are created, expired, and/or terminated.

There are exemptions from State limitations for Transit Oriented Development (TOD) and Downtown TIF Districts, for which Portland now has two: Thompson's Point TOD TIF, and the Downtown TOD and Omnibus TIF, the latter created in FY15 and activated in FY16.

7. **Tax Sheltering Benefits**

Municipalities realize "savings" from the tax sheltering effect of TIF Districts. The following direct financial impacts occur when municipal valuation increases:

- State Education Aid is reduced,
- State Municipal Revenue Sharing is reduced, and
- A municipality pays a higher percentage of the County budget.

***This amount of "savings" is significant and one of the most important benefits of establishing TIF Districts.***

For Portland, tax shelter savings is conservatively estimated at 30%, meaning that for every new tax dollar, Portland saves 30 cents which would otherwise be lost for property tax value not included in a TIF district. Portland's estimated total tax shelter savings for all active TIF Districts is just over $715,000 for FYE2016, which is approximately $600,000 less than FY2015 due largely to the UNUM TIF expiring in FY2015 with the City not capturing $61 Million of increased assessed value in FY2016, and the City capturing a smaller percentage of the increased assessed value for the Bayside TIF – from 83% in FY15 to 55% in FY16. It is also noted that the total sheltering value decreased by $73 Million from FYE2015 to FYE2016, or $160 Million in FYE2015 and $87 Million in FYE16. Again, this was largely due to the UNUM TIF District's expiration in FY2015, and a decrease in the captured value percentage from the Bayside TIF District. The captured value percentage for area TIFs is adjusted yearly based on City use of TIF funds needed for public infrastructure projects, as well as debt service for payment of the Bayside HUD loan and for Ocean Gateway associated debt expenses.

**8. TIF Districts in Portland**

A listing of all approved TIF Districts is provided as Item B in the Report Appendix. This listing includes four expired TIF Districts – Auto Europe, Shipyard Brewery, Nichols Portland, and UNUM. This listing also includes two TIF Districts which were terminated by the City Council during FY15 – those being the Village at Oceangate (Bay House), and the Fore India Middle LLC TIF District.

It is noted that after expiration and termination of the above TIF Districts, 100% of their property tax revenue reverts to the City's General Fund.

Also, this listing provides the following information for each TIF District:

- TIF District duration;
- percentages of taxes allocated to the Recipient/Developer, City, and General Fund;
- TIF District location; and
- brief description.

Item C in the Appendix provides a map showing the location for each active TIF District.

A listing of approved active individual site specific TIF Districts, area-wide TIF Districts, Downtown TOD TIF, Thompson's Point TOD TIF, non-active TIF Districts, and terminated TIF Districts by name are provided below.

***Active Approved Individual Site Specific TIF Districts***

As of FYE2016, the City has eight, single site active TIF Districts with associated CEAs, namely:

- Holt Hall
- Riverwalk/Ocean Gateway
- PowerPay/Portland Public Market
- Baxter Library
- Avesta/Pearl Place Affordable Housing TIF
- 409 Cumberland Avenue Affordable Housing TIF
- 134 Washington Avenue Affordable Housing TIF
- 17 Carleton Street Affordable Housing TIF

***Active Approved Area Wide TIF Districts and Associated CEAs***

The City has two active area wide TIF Districts, for which the City retains a portion of the TIF funds for public infrastructure projects, with a portion of the TIF funds targeted to CEAs within those Districts, namely:

- Bayside
    - Capital LLC CEA
    - Bayside Student Housing CEA
- Waterfront (Appendix D and E)
    - Waterfront Maine CEA

***Approved Downtown and/or Transit-Oriented Development (TOD) TIF Districts***

- Downtown TOD TIF

The City retains a portion of the TIF funds for public infrastructure, Creative Portland, and transit projects for the Downtown TOD TIF. This Downtown TOD TIF was approved during FY2015 and was activated with FY2016. There is no CEA associated with it at this time.

- Thompson's Point TOD TIF and CEA

For the Thompson's Point TOD TIF, the City retains a portion of TIF Funds for transit projects. This TOD TIF also has an associated CEA with Thompson's Point Development Company, Inc. for development of Thompson's Point, which is not yet active. Activation of this TIF CEA will occur when the Increased Assessed Value is at least $5 Million.

***Non-Active Approved TIF District***

In FY09, the City Council approved a TIF District that is expected to be activated with the McAuley Place senior housing project.

***Terminated TIF Districts***

The City Council has terminated two TIF Districts, namely:

- Fore India Middle LLC – This TIF project had not come to fruition and, therefore, was terminated by the City Council in November 2014; and,

- The Village at Oceangate, LLC (Bay House) – This TIF District was also terminated by the City Council in November 2014 due to this District's use being converted into residential condominiums which is not an allowable TIF District use.

## 9. <u>TIF District Financial Overview for FYE2016, including FY2013, FY2014, and FY15</u>

See below for financial comparison of FYE2016, 2015, FYE2014, and FY2013 for then active TIF Districts:

| | **FYE2013** | **FYE2014** | **FYE2015** | **FYE2016** |
|---|---|---|---|---|
| City General Fund-Taxes from OAV | $5.8 Million | $6.1 Million | $6.3 Million | $22.8 Million |
| City General Fund-Taxes from Non-Captured Value | $1.1 Million | $341,000 | $720,000 | $2.4 Million |
| | | | | |
| Total TIF Taxes From Captured Value | $2.7 Million | $3.5 Million | $3.2 Million | $1.8 Million |
| - TIF Taxes to CEAs | $1.9 Million | $2.0 Million | $2.0 Million | $1 Million |
| - TIF Taxes to Public Infrastructure/Arts | $.8 Million | $1.5 Million | $1.2 Million | $.8 Million |
| | | | | |
| Total Tax Sheltering Value | $143 Million | $180 Million | $160 Million | $87 Million |
| Estimated Annual Average Tax Sheltering Savings | $1.3 Million | $1.6 Million | $1.3 Million | $.7 Million |

<u>Table Explanations:</u>

<u>City General Fund-Taxes from OAV</u> - The above table shows a yearly increase in taxes from the OAV into the General Fund. For FYE 2013 through FYE2015, this is based on increases in tax rates. FYE2016's higher increase is due to the Downtown TOD TIF Activation, where the OAV is just under $1 Billion, and associated taxes with that OAV at $20 Million (which also

includes the property values previously in the Arts District and associated $5 Million in taxes). As noted earlier in the definition section, all taxes from the OAVs go to the General Fund.

City General Fund-Taxes from Non-Captured Value – The number fluctuates based on each CEA, as well as the City's budget needs for public infrastructure/Economic Development Department staff salaries/debt service. The captured value percentages for the area wide TIF Districts - Bayside and Waterfront - are adjusted yearly based on those needs. The captured value percentage for the Downtown TOD TIF was set at 12% for the first year (FY2016) and then set at 22% for years 2 through 30. The increase in this table for FYE2016, is due to capturing 12% from the Downtown TOD TIF and having the remaining non-captured 88% go into the General Fund. Non-captured increased assessed value taxes flow into the General Fund.

Total TIF Taxes From Captured Value – The percentage of captured value varies yearly based on CEAs and the City's financial needs. This TIF Revenue is then allotted to the various CEAs, and then to the City public infrastructure projects/arts.

Total Tax Sheltering Value – This number represents the total percentage of the increased assessed of value (IAV) all TIF Districts that has been captured. This value decreased from FYE2015, which was largely due to the UNUM TIF District's expiration in FY2015, and a decrease in the captured value percentage from the Bayside TIF District. The captured value percentage for area TIFs is adjusted yearly based on City use of TIF funds needed for public infrastructure projects, as well as debt service for payment of the Bayside HUD loan and for Ocean Gateway associated debt expenses.

Estimated Tax Sheltering Savings – As noted earlier in Section 7, this number decreased by $.7 Million from FYE2015. This is, again, due to the UNUM TIF District expiring, and a smaller percentage of IAV captured from the Bayside TIF.

Appendix D is a spreadsheet showing the FYE 2016 TIF Districts funding allocation and individual CEA annual payments.

## 10. Strategies and Recommendations to Optimize use of TIF Districts

- ***Future public infrastructure investment.*** Align the City's future Capital Improvement Program investments, including utility and transportation investment; and,

- ***Future Growth Areas.*** Decide where the City wants to direct investment by location and type (i.e. commercial and affordable housing).

# PORTLAND TIF POLICY

## February 4, 2013

### INTRODUCTION

Tax Increment Financing (TIF) is an economic development program authorized under state law to support municipal projects. The TIF program allows municipalities to provide financial assistance to local economic development projects and programs – from infrastructure, municipal economic development programs and staff, to business expansions - by using new property taxes that result from new commercial or residential investment associated with the corresponding increase in property value.

Portland TIF Policy supports investment in municipal economic development programs, infrastructure investment (which is generally through the establishment of area wide or neighborhood TIF districts) and individual project site specific TIF districts to support either infrastructure or individual private project financing needs.

The City is committed to invest in infrastructure located within the public rights-of-way that encourage economic development. Use of TIF investment to invest in infrastructure recognizes the savings which occurs through the TIF Program tax sheltering benefits.

"Infrastructure" is defined, but not limited to: traffic upgrades, public parking facilities, roadway improvements, lighting, sidewalks, water and sewer utilities, storm water management improvements and placing above ground overhead electric and telecommunications lines underground.

### STATE TIF LIMITATION

There are acreage and value caps limitations for municipalities to establish TIF along with term limits. Term limits include bonds which may be issued for a maximum of 20 years (anticipation notes for three years). TIF districts may be designated for a maximum of 30 years.

### PURPOSE

The primary purposes of the TIF Policy include:

1. To support Portland Economic Development and Housing Plans and Policies;
2. To stimulate expansion of the City's commercial and industrial tax base;
3. To stimulate new affordable and market rate housing investment;
4. To retain and create quality employment;
5. To support Portland's Capital Improvement Plan; and,
6. To establish standards upon which the City Council will authorize TIF.

## GENERAL PRINICPLES

The three primary general principles for the City Council to establish TIF districts include:

### A. Investment

***Minimum Real Property Investment*.** A minimum of $1 million in new taxable investment property value for commercial and industrial development and $500,000 for affordable housing development is needed to qualify for a TIF. This is the minimum amount which makes practical sense to consider use of the TIF program due to the amount of new municipal property tax revenue generated from new private investment.

### B. Jobs Associated with Commercial and Industrial Development

Applicants for TIF participation will be required to provide a plan outlining the number and quality of jobs retained or created associated with each TIF district. While there is not a specific formula for the numbers of jobs associated with the amount of TIF financial assistance, the number and quality of the jobs will be taken into consideration for each TIF district. It is recognized that housing projects do not create many permanent jobs.

### C. Maximize Tax Sheltering Benefits

A municipality's total equalized assessed value is used to calculate General Purpose Aid to Education (subsidy), State Revenue Sharing (subsidy) and County taxes (expense). When a municipality's equalized assessed value increases, State Aid for Education decreases, municipal revenue sharing decreases, and the municipality pays a greater portion of County taxes. TIF allows municipalities to "shelter" new value resulting from private investment from the calculation of its State subsidies (education and revenue sharing) and County taxes. In other words, specific municipal shelter benefits, for the term of the TIF, include:

**1)** No reduction in State aid for education,
**2)** No reduction in municipal revenue sharing and
**3)** No increase in County taxes.

Annually, the Council Committee with jurisdiction over housing and community development and City Council will evaluate available TIF district capacity related to State acreage and value limitations to determine whether existing TIF districts need amending and/or new TIF district establishment. Scheduled public infrastructure investments included in the City's Capital Improvement Plan will inform decisions about adjustments to existing TIF districts or establishment of new TIF districts.

**APPROACH, POLICY, and TERM REQUIREMENTS**

Must meet or exceed the below requirements.

**A. Approach**

There are three approaches to consider establishing TIF districts. They include:

1) ***Municipal Economic Development Programs funded directly through a pay-as-you-go approach.***

Examples of municipal economic development programs include paying for economic development staff, annual funding to Creative Portland for city marketing/branding, and other TIF law allowable activities.

***2) Area wide TIF districts financed by City Bond/Debt Issuance***

Issuance of municipal general obligation bonds or limited obligation bonds is a mechanism that may be used to fund a TIF district program. Allowable uses are spelled out in state TIF law. Generally, municipalities will issue debt to cover the cost of infrastructure investment.

***3)Individual Site Specific TIF districts utilizing Credit Enhancement Agreements (CEAs)***

A CEA is a contract between a municipality and developer to assist an individual development project by using a percentage or all of the tax revenue generated by the investment to pay certain authorized project costs which could include site specific infrastructure or private individual project financing needs. Allowable project costs are spelled out in state TIF law.

**B. Policy for the Three Approaches**

1. **Policy for Municipal Economic Development Programs.**

Requires annual review and City Council financial appropriations.

**2. Policy for Area wide TIF District Locations (for City Bond/Debt Issuance)**

a) Area wide TIF will be established for infrastructure investment which has applications beyond one individual project.

b) City TIF emphasis will be placed upon the following general “Priority Revitalization Areas” to support commercial development, housing development, redevelopment, or to support buildings in need to redevelopment, address blight or historic preservation:

- Affordable housing projects off peninsula;
- India Street Neighborhood;
- Franklin Street Corridor from I-295 to Commercial Street;
- Riverside Street commercial and industrial zoned areas;
- Forest Avenue corridor from I-295 to Woodfords Corner;
- Washington Avenue corridor from Congress Street to I-295;
- Re-examine the boundary of Bayside TIF District;
- Examine establishing a Downtown TIF district in place of the Arts TIF District;
- Portland Technology Park ;
- Areas in which future significant wastewater and/or stormwater infrastructure investments are planned;
- West Commercial Street vacant property;
- Libbytown;
- St. Johns Street Valley;
- Other areas based upon scheduled public infrastructure investment included in the City's Capital Improvement Plan.

The above list of general priority revitalization areas serve as guides to establish specific boundaries for TIF districts at time of district establishment.

c) Market Rate Housing. Market rate rental housing projects must be located in priority revitalization areas to stimulate housing investment for the purpose of attracting 24/7 pedestrian activity. Pursuant to State Law, TIF for condominium projects are not allowed.

d) Affordable Housing. Affordable Housing TIF (AHTIF) may be designated on an area wide or site specific basis.

The relevant City Council Committee will complete an annual assessment of housing needs and priorities. This assessment will include a determination regarding designation of an area wide AHTIF. Site specific AHTIF requests submitted by developers will be considered on a case-by-case basis. Area wide or site specific AHTIF designations must address an identified community need.

State law requires that at least 25% of the district area must be suitable for residential use, development must be primarily residential, and at least 1/3 of the units must be for households at or below 120% of area median income which allows for individual mixed income projects or area wide affordable housing TIF districts.

Allowable uses of AHTIF revenues are defined by State law.

e) City preference is to invest in area wide public infrastructure TIF districts versus establishing individual private site specific TIF districts.

f) Area wide TIF districts also should seek to maximize the benefit of downtown and transit oriented development (TOD) districts which are <u>exempt</u> from State TIF law for acreage and value limitations.

g) Terms for area wide TIF districts will be considered for up to 100% of new tax revenue and upwards of thirty (30) years, the maximum allowed by State law, due to the long-term need to invest in neighborhood infrastrucutre.

**<u>NOTE 1</u>:** As of this Amended TIF Policy date, there are three existing area wide TIF Districts, i.e., Bayside, Arts, and Waterfront TIF Districts.

**<u>NOTE 2</u>:** As of this Amended TIF Policy date, there also exists one Transit Oriented Development (TOD) District, namely the Thompson Point TOD TIF District to support new or expanded transit services and improved transit connections between the Portland Transportation Center, Jetport and Downtown.

**<u>3. Policy for Individual Site Specific TIF Districts Utilizing Credit Enhancement Agreements (CEAs)</u>**

a) CEAs for individual site specific TIF districts will be considered for investment in infrastructure or project financing need and cannot be applied to any agreed upon public infrastructure improvements associated with a City Council approved conditional rezone agreement. Additional provisions related to CEAs include:

i) City Green Building Code

Compliance with the City's Green Building Code is required when TIF assistance is provided to individual private project CEAs.

ii)Affordable Housing

Affordable Housing TIF (AHTIF) may be designated on an area wide or site specific basis. Developments are encouraged to promote economic diversity.

The City Council Committee will complete an annual assessment of housing needs and priorities. This assessment will include a determination regarding designation of an area wide AHTIF. Site specific AHTIF requests submitted by developers will be considered on a case-by-case basis. Area wide or site specific AHTIF designations must address an identified community need.

State law requires that at least 25% of the district area must be suitable for residential use, development must be primarily residential, and at least 1/3 of the units must be for households at or below 120% of area median income which allows for individual mixed income projects or area wide AHTIF districts.

Allowable uses of AHTIF revenues are defined by State law.

b) Applicants for CEA participation must demonstrate and pay the following:

i) Financial Necessity.

The applicant must demonstrate the City's participation is financially necessary in order for the project to proceed.

ii) Financial Capacity**.**

The applicant must demonstrate financial capacity to support their project.

iii) Fees

-- A financial underwriting analysis will be conducted by a third party on all projects requesting CEA participation. Applicants for CEA assistance will be responsible for reimbursing the City for all project third party legal and financial underwriting costs***.***

## C. Terms for CEA Projects

1) Maximum Percentages.

A maximum average percentage of 65% for the entire term associated with individual project CEA's.

2) Maximum Number of Years.

Up to twenty (20) years to match individual private sector commercial financing terms.  The term of a TIF may start upon agreed trigger event, such as an increased assessed value.  This would be included in a CEA on that negotiated triggering event.

3)  Use of Maine Services for CEA Projects Encouraged.

## TIF APPLICATION AND ADMINISTRATION PROCESS

### A. Application Information and Contact.

The Economic Development Department handles all TIF inquires and processes requests for TIF.  An applicant must submit a letter to the Economic Development Department outlining the proposed project, including TIF project financial information, along with a plan outlining the number of jobs associated with the proposed project.

### B. Approval Process.

There is a two step approval process which includes obtaining a recommendation from the City Council Committee and City Council approval.  Two meetings (or readings) by the City Council are needed.  The City Council vote on the TIF occurs at the second meeting.

### C. Annual Report to City Council.

The Economic Development Department shall provide annual reports to the City Council Committee and City Council regarding TIF district activity.

## SUMMARY OF ALL APPROVED

## TAX INCREMENT FINANCING (TIF) DISTRICTS

## IN THE CITY OF PORTLAND A/O FYE2016 (June 30, 2016)

This provides an overview of tax increment financing districts (TIF's) approved by the City of Portland.

Please note that the City approved fifteen TIF's, with three of these TIFs having separate Credit Enhancement Agreements (CEA) for various projects included in the respective TIF Districts. These three TIF Districts are the Bayside TIF, Waterfront TIF, and Creative Portland Development and Arts TIF District. The separate CEAs are detailed in the listing below.

**1. Nichols Portland** (Economic Development TIF) **(Expired FY14)**

***Duration***: 20 year term (FY95 through FY14)
***Percentages***: Years 1 to 5, 90% to Recipient, 10% to City General Fund; years 6 to 10, 75% to Recipient, 25% to City General Fund; years 11 to 20, 50% to Recipient, 50% to City General Fund.
***Location:*** 2400 Congress Street

This TIF was created to support Nichols Portland expansion of its existing manufacturing facility at 2400 Congress Street and retain 450 jobs.

**2. Shipyard/Longfellow** (Economic Development TIF) **(Expired FY07)**

***Duration***: 12 year term (FY96 through FY07). Please note this TIF has expired and the City General Fund is receiving 100% of the real estate taxes.
***Percentages***: 50% to Recipient; 50% to City General Fund
**Location**: Newbury Street

This TIF was used to transform the former Crosby-Laughlin site on Newbury Street into the Shipyard Brewing Company.

**3. Auto Europe** (Economic Development TIF) **(Expired FY11)**

***Duration***: 15 year term (FY97 through FY11). Please note this TIF has expired and the City General Fund is receiving 100% of the real estate taxes.
***Percentages***: 75% to Recipient; 25% to City General Fund
***Location***: Commercial Street across the street from Casco Bay Lines, former Galt Block building.

This TIF was used to renovate the former Galt Block Building into the headquarters for Auto Europe. The Galt Block Building had been vacant for over 10 years.

**4. <u>Bramhall/Holt Hall</u>** (Economic Development TIF)

***Duration***: 20 year term (FY00 through FY19)
***Percentages***: 75% to Recipient; 25% to City General Fund, plus a Payment in Lieu of Taxes (PILOT) associated with first floor space.
***Location***: 794 Congress Street

This TIF was used to renovate Holt Hall, built in the 1860's, and then vacant in excess of 10 years, into 36 market rate rental apartments and office space on the ground floor at a cost of almost $4 Million.

**5. <u>UNUM</u>** (Economic Development TIF) (**Expired FYE15)**

***Duration***: 15 year term (FY01 through FY15)
***Percentages***: 100% capture of increased value with 75% going to the Recipient, and 25% going to economic development projects for the City.
***Location***: Outer Congress Street.

This TIF was utilized to support expansion of UNUM offices and to build a 1,200 space parking garage.

**6. <u>Waterfront TIF</u>** (Economic Development TIF)

***Duration as originally approved March 18, 2002***: 10 year term (FY03 to FY12)
***Duration Extended as of June 7, 2010 for a 30-year term:*** FY03 to FY32
***Percentage***: 100% TIF capture. Annually, the City Council has adjusted this TIF capture rate to place property tax revenue in the City General Fund.
***Location***: Selected waterfront properties.

This is a municipal TIF to be used for waterfront projects.

**6a. Waterfront Maine LP (Cumberland Cold Storage Building) on Commercial Street** (Economic Development TIF)

***Duration***: 20-year term (FY12 through FY31)
***Percentage***: 63% years 1 through 5; 64% years 6 through 10; 55% years 7 through 15; 45% years 16 and 17; 40% years 18 and 19; and, 35% year 20 – with a maximum cumulative TIF payment numeric cap not to exceed $2,870,058.
***Location***: 252 Commercial Street on the Portland waterfront.

The City entered into the TIF in order to support the renovation of the Cumberland Cold Storage building into a Class A office building, with continued marine uses on the first floor and berthing according to zoning regulations. The reuse of this building will accommodate the relocation of Pierce Atwood, bringing its 175 employees to the Portland waterfront.

**7. <u>Bayside TIF</u>** (Economic Development TIF)

Duration: 30 year term (FY04 through FY33)
Percentages: 100% TIF capture. Annually, the City Council has adjusted this TIF capture rate to place property tax revenue in the City General Fund.

The geographic area of this TIF District was expanded by City Council vote on November 17, 2014, expanding it from 62 acres, to 129 acres, to align with the area of Bayside contained in the *Bayside Vision Plans I* and *II.*

This is a municipal TIF to be used for public infrastructure improvements, relocation of the one remaining scrap metal recycling facility and acquisition of the scrap metal yard site, business recruitment marketing for the Bayside area, pledging TIF revenue as a repayment source to HUD or any other agency or entity that finances Bayside investment, and administrative and staff costs for the Economic Development Department. Investments from this TIF also include two Credit Enhancement Agreements (CEA's) with the following:

**7a. Capital LLC (Intermed Building) on Marginal Way** (Economic Development TIF)

***Duration***: 15 year term (FY09 through FY23)
***Percentage***: 100% to return, to Developer, to an annual maximum cap of $355,000 and annual debt service threshold test.
***Location***: Bayside next to I-295

The City entered into the CEA in order to assist with the development of a parking structure in connection with the office building.

**7b**. **Southern Maine Student Housing on Marginal Way** (Economic Development TIF)

***Duration***: 11 year term (FY08 through FY18)
***Percentage***: 100% to return, to Developer, to a maximum annual cap of $120,000 and annual debt services threshold test.
***Location***: Bayside next to I-295

The City entered into the CEA in order to assist with the development of a parking structure in connection with the student housing development.

**8. <u>Riverwalk/Ocean Gateway</u>** (Economic Development TIF)

***Duration***: 12 year term (FY07 through FY19)
***Percentages***: Formula based percentages in Credit Enhancement Agreement
***Location***: Hancock and Fore Street area

The TIF was entered into to assist with the construction of a parking structure for the development plan for the area adjacent to Hancock Street.

9. **Avesta/Pearl Place** (Affordable Housing TIF)

***Duration***: 30 year term (FY08 through FY37)
***Percentages***: Various percentages captured value to return to Developer based on Maine State Housing Authority Certificate of Approval, to a maximum of $22,000 annual cap.
***Location***: Oxford and Pearl Streets

This TIF is an affordable housing TIF to assist in the creation of affordable housing in the City's Bayside area along Oxford and Pearl Streets.

**10. Creative Portland Development and Arts** (Economic Development TIF)

**NOTE:** ***This area wide TIF District was reduced/renamed by the City Council on February 19, 2015, reducing the geography to just the Baxter Library property (see #10a below), and renaming it the Baxter Library TIF District with the term ending FY19; this will take effect with FY16).***

***Original Duration***: 15-year term (FY10 through FY24); ***Term amended as noted above to end FY19.***
***Original Percentages***: 100% capture; annually, the City Council may adjust this TIF capture rate to place property tax revenue in the City General Fund; ***Percentage amended to reflect the 65% capture for the Baxter Library project***.
***Original Location***: Multiple properties included in the Downtown Area; ***Location amended as noted above to be only the Baxter Library property.***

This TIF was ***originally*** created to assist in maintaining the creative economy businesses through the creation of the Creative Portland Corporation and TIF funds to assist in funding its administrative personnel and program of activities up to a maximum of $100,000 annually. ***This element of the original TIF District is now included in the recently created Downtown Transit Oriented Development (TOD) TIF District – See Item #18 below.***

**10a. Baxter Library LP at 621 Congress Street** (Economic Development TIF)

***Duration***: 9-year term (FY11 through FY19)
***Percentage***: Lesser of annual 65% to return to Developer or amount necessary to service project debt. Adjustments to annual payment if project refinancing occurs.
***Location***: 621 Congress Street

The City entered into the CEA in order to assist with the reuse, redevelopment, and preservation of a hallmark downtown building built in 1888, where adaptive reuse of this former library is challenging and expensive. This Project will add $2.5 Million in new municipal assessed commercial valuation and generate an average of $16,000 annually, in funds, to support the Creative Economy TIF Program or the City's General Fund as directed by the City Council. The reuse of this building will accommodate the relocation of the VIA Group, bringing its 64 employees to this upper area of downtown Portland.

**11. McAuley Place** (Economic Development TIF)

***Duration:*** 30 year term (FY10 through FY29)
***Percentages:*** 60% to Recipient; 40% to City General Fund.
***Location:*** 605 Stevens Avenue

This TIF was created to assist in the renovation of the former Mother House/Convent (built over 100 years ago) on Stevens Avenue into a market rate independent senior living community, including 45 to 50 apartments in the renovated Convent; 25 to 30 apartments (new construction) in an addition to the Convent; and, 36 units (new construction) located in three townhouse/cottages adjacent to the Convent.

**12. PowerPay/Portland Public Market** (Economic Development TIF)

***Duration:*** 30 year term (FY11 through FY40)
***Percentages:*** Years 1 through 8 – 75% to Developer, 25% to City General Fund; Years 9 through 30 – 50% to Developer, 50% to City General Fund.
***Location:*** 25 Preble Street

This TIF district was created to support the retention and expansion of PowerPay along with redeveloping an important asset in Portland's Downtown that was formerly known as the Portland Public Market. Because of the complex renovation issues and the high cost associated with redeveloping the Portland Public Market property, PowerPay requested TIF assistance to cover the Project financing gap. PowerPay renovated and moved its headquarters to this location with well over 150 employees.

**13. Thompson's Point Development Company, Inc.** (Transit-Oriented TIF)

***Duration:*** 30 year term (FY15 through FY44).

***Percentages:***
**Phase One of Project*:*** Years 1 through 10 – 75% to Developer and 25% to City transit-oriented projects; years 11 through 15 – 60% to Developer, 25% to City transit-oriented projects, and 15% to City's General Fund; years 16 through 20 – 50% to Developer, 25% to City transit-oriented projects, and 25% to City's General Fund; years 21 through 30 – 40% to Developer, 25% to City transit-oriented projects, and 35% to City's General Fund.

**Phases Two and Three of Project:** Years 1 through 30 – 0% to Developer; 25% to City transit-oriented projects; 75% to City's General Fund.

***Location:*** Thompson's Point

This Transit-Orient Development (TOD) Tax Increment Financing (TIF) District was created to support Thompson's Point Development Company Inc.'s redevelopment of

Thompson's Point into the **Forefront at Thompson's Point.** Additionally, the TOD will assist to expand and improve transit connections between Thompson's Point and key commercial locations within Portland (i.e. Jetport, Portland Transportation Center and Portland's Downtown) and around the region.

Thompson's Point consists of approximately 30 acres of real estate adjacent to the Portland Transportation Center that is home to the Northern New England Passenger Rail Authority, which runs the Amtrak Downeaster and Concord Trailways bus company.

The Forefront at Thompson's Point is a proposed mixed-use development that will transform a blighted and grossly underutilized 30-acre parcel located along Interstate 295 into a highly visible gateway destination event center that is expected to generate significant economic activity within the District and throughout Portland. The Company plans to redevelop Thompson's Point in a manner that includes a substantial investment in public infrastructure, including construction of an above-ground parking garage with approximately 700 spaces, road extensions and widenings, rail crossings upgrade, utility investments, and expanded walking and biking trails.

**14. The Village at Oceangate, LLC (Bay House)** (Economic Development TIF)

***This TIF was terminated by the City Council on November 3, 2014 due to the conversion of market rate apartments into condominiums which is not allowable use of TIF funds.***

***Duration:*** 11 year term (FY14 through FY25)
***Percentages:*** Years 1 through 5 – 75% to Developer, 25% to City General Fund; Years 6 through 10 - 65% to Developer, 35% to City General Fund. Total revenue to developer is capped at $647,971 over the term of the District.
***Location:*** Hancock Street, between Newbury and Middle Streets.

This TIF district was created to support the development of The Bay House Project. The Project includes the construction of two new buildings that will contain ninety-four (94) market rate apartments, a parking garage, and approximately 5,700 square feet of commercial retail space. Use of TIF proceeds is directed to support public infrastructure investments.

**15. Fore India Middle, LLC (former Jordan's Meat Site)** (Economic Development TIF)

***This TIF was terminated by the City Council on November 3, 2014 due to the project not coming to fruition.***

***Duration:*** 4 year term (FY14 through FY17)
***Percentages:*** Years 1 and 2 – 50% to Developer, 10% to City TIF Project; 40% to City General Fund; Year 3 - 40% to Developer, 10% to City TIF Project; 50% to City General Fund; Year 4 – 40% to Developer, 60% to City General Fund. Total revenue to developer is capped at $650,000 over the term of the District.
***Location:*** Portion of block surrounded by Fore, India, and Middle Streets.

This TIF district was created to support the development of a portion of the former Jordan's Meats site. This development project includes a five-story, approximately 180,000 sf. of mixed-use consisting of 12,300 sf. of retail space on Middle Street, 9,800 sf. of retail space on Fore Street, three levels of office space comprising 63,900 sf. on Middle Street, and 18 residential condominium units along Fore Street and India Street. In addition, there will be two "internal" parking garages behind the retail spaces (not visible from the street), one 110-space garage at the Fore Street level, and another 63-space garage one story above at the Middle Street Level. The Developer expects to have an urban grocery on Middle Street with a variety of produce, meats, food, and household items, with an emphasis on natural, organic and healthy items. The other retail users and the office users have not been identified yet. Use of TIF proceeds is directed to support public infrastructure investments.

**16. 409 Cumberland Avenue** (Affordable Housing TIF)

***Duration:*** 22 year term (FY14 through FY35)
***Percentage:*** 50% to Developer; 50% to City Housing Affordable Housing Revolving Loan Fund

***Location:*** 409 Cumberland Avenue

This Affordable Housing TIF District supports the development of 46 affordable units and 11 market rate units of rental housing. TIF revenues will be used by Developer to pay operating costs for the project; City TIF revenues will be used for the establishment of an affordable housing revolving loan fund.

**17. 134 Washington Avenue** (Affordable Housing TIF)

***Duration:*** 20 year term (FY15 through FY34)
***Percentages:*** 50% to Developer; 50% to City General Fund.

This Affordable Housing TIF District supports the development of an 18-unit residential rental project. TIF revenues will be used by Developer to pay for operating costs for the project.

**18. Downtown Transit Oriented Development (TOD) TIF** (Economic Development TIF District)

***Duration:*** 30 year term (FY16 through FY45)
***Percentages:*** 12% Year One; 22% years 2 through 30; 88% to General Fund Year One; 78% to General Fund Years Two through Thirty.

This Downtown TOD TIF will support various municipal and other development projects, including sidewalk and pedestrian enhancements, streetscape, lighting, yearly funding of up to $100,000 for Creative Portland to assist in funding its administrative personnel and program of activities (see Item #10 above), street alignment, utilities, bicycle improvements, public transit, wayfinding, and administrative and staff costs for the Economic Development Department.

**19. 17 Carleton Street** (Affordable Housing TIF)

***Duration:*** 22 year term (FY16 through FY37)
***Percentages:*** Years 1 and 2: 0% to Developer; 100% to City. Years 3 through 22: 65% to Developer; 35% to City General Fund.

This Affordable Housing TIF District supports the development of a 37-unit residential rental project. TIF revenues will be used by Developer to pay for operating costs for the project.


Tax Increment Financing Districts
June 30, 2016
TIF Districts
Downtown TOD
Bayside
Thompson Point
Bramhall/Holt Hall
409 Cumberland Ave Affordable Housing
134 Washington Ave Affordable Housing
Baxter Library
Pearl Place
Power Pay
Riverwalk
17 Carleton St AH
Waterfront
McAuley Place
N
0
1,000
2,000
4,000
Feet

**FY16 ANNUAL REPORT TO COUNCIL**

FY 16 Tax Rate: 0.02063

| TIF Name<br>SITE Specific with CEA: | Starts/<br>Ends-FY | TERM | TIF PLAN<br>YEAR | TOTAL<br>ASSESSED | ORIGINAL<br>ASSESSED | Increased<br>Assessed value | PERCENT<br>APPLIED | Total Cpt.<br>Value | PROCEEDS<br>TO OWNER | City TIF<br>Funds | City General Fund (OAV and Non-Captured Taxes from IAV)) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **HOLT HALL** | 00/19 | 20 YEARS | **17** | 4,956,760 | 349,110 | 4,607,650 | 67% | 3,070,538 | 63,345 | 0 | 38,913 |
| - FY16 Taxes | | | | 102,258 | 7,202 | 95,056 | | 63,345 | | | |
| **Baxter Library (f/k/a Arts)** | 42693 | 9 YEARS | **6** | 2,502,600 | 0 | 2,502,600 | 65% | 1,626,690 | 33,559 | 0 | 18,070 |
| - FY16 Taxes | | | | 51,629 | 0 | 51,629 | | 33,559 | | | |
| **AVESTA** | 08/37 | 30 YEARS | **9** | 3,576,320 | 646,050 | 2,930,270 | 36% | 1,054,897 | 21,763 | 0 | 52,017 |
| - FY16 Taxes | | | | 73,779 | 13,328 | 60,451 | | 21,763 | | | |
| **OCEAN GATEWAY** | 07/19 | 13 YEARS | **10** | 12,946,800 | 1,085,550 | 11,861,250 | 52% | 6,215,295 | 128,101 | 0 | 138,991 |
| - FY16 Taxes | | | | 267,092 | 22,395 | 244,698 | | 128,222 | | | |
| **PowerPay/Ptld Pub Mkt** | 11/40 | 30 YEARS | **6** | 6,259,500 | 1,862,600 | 4,396,900 | 75% | 3,297,675 | 68,031 | 0 | 61,102 |
| - FY16 Taxes | | | | 129,133 | 38,425 | 90,708 | | 68,031 | | | |
| **McAuley/Inactive** | 10/29 | 30 YEARS | **6** | 0 | 0 | 0 | 60% | 0 | 0 | 0 | 0 |
| **Thompson's Point TOD** | 15/44 | 30 YEARS | **2** | 5,516,870 | 4,970,470 | 546,400 | 25% | 136,600 | 0 | 2,818 | 110,995 |
| - FY16 Taxes | | | | 113,813 | 102,541 | | | 2,818 | | | |
| **409 Cumberland Ave. AH** | 14/35 | 22 YEARS | **3** | 3,717,960 | 470,200 | 3,247,760 | 100% | 3,247,760 | 33,501 | 33,501 | 9,700 |
| - FY16 Taxes | | | | 76,702 | 9,700 | 67,001 | | 67,001 | | | |
| **134 Washington Ave. AH** | 15/34 | 20 YEARS | **2** | 184,000 | 155,600 | 28,400 | 50% | 14,200 | 293 | 0 | 3,503 |
| - FY16 Taxes | | | | 3,796 | 3,210 | 586 | | 293 | | | |
| **17 Carleton St. AH** | 16/37 | 22 YEARS | **1** | 261,600 | 261,600 | 0 | 0% | 0 | 0 | 0 | 5,397 |
| - FY16 Taxes | | | | | 5,397 | | | | | | |
| **Area-Wide TIFs, with CEA** | | | | | | | | | | | |
| **BAYSIDE** | **04/33** | **30 YEARS** | **13** | **189,680,720** | **122,318,180** | **67,362,540** | **55%** | **36,766,474** | **463,749** | **294,743** | **3,154,621** |
| **FY16 Taxes** | | | | **3,913,113** | **2,523,424** | | | **758,492** | | | |
| - CEA/Atlantic Bayside Trust | 09/23 | 15 YEARS | 8 | 29,268,370 | 0 | 29,268,370 | Formula | | 355,000 | | |
| - CEA/Blue Atlantic | 08/18 | 11 YEARS | 9 | 16,312,380 | 0 | 16,312,380 | Formula | | 108,749 | | |
| **WATERFRONT** | **03/32** | **30 YEARS** | **14** | **41,426,010** | **7,667,340** | **33,758,670** | **69%** | **23,188,830** | **185,047** | **293,339** | **376,233** |
| FY16 Taxes | | | | 854,619 | 158,177 | | | 478,386 | | | |
| - CEA/Waterfront Maine | 12/31 | 20 YEARS | 5 | 15,187,300 | 950,930 | 14,236,370 | 63% | | 185,047 | | |
| **DOWNTOWN TOD TIF** | 16/45 | 30 YEARS | **1** | 1,040,381,920 | 968,136,850 | 72,245,070 | 12% | 8,669,408 | | 178,850 | 21,284,229 |
| FY16 Taxes | | | | 21,463,079 | 19,972,663 | 1,490,416 | | 178,850 | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Value:** | | | | **1,311,149,460** | **1,107,923,550** | **203,487,510** | | **87,288,368** | | | |
| **Total Taxes:** | | | | **27,049,013** | **22,856,463** | **4,197,947** | | **1,800,759** | **997,388** | **803,251** | **25,253,772** |

June 5, 2017

Economic Development Committee
City of Portland
389 Congress Street
Portland, ME 04101

Re: City of Portland TIF Policy Amendment Proposal

**Dear Chair Brenerman and Members of the Economic Development Committee:**

We are writing today as owners and developers of Thompson's Point, a Tax Increment Financing (TIF) District, and as members of the community concerned about the impact of the proposal on economic growth in Portland. In our view, current TIF policy effectively spurs investment and development and provides many benefits to the community. If the City would like to see additional community benefit from certain TIF projects, we believe that the better approach would be to stipulate such benefits as part of the Credit Enhancement Agreements that are negotiated for each project, rather than making blanket changes to TIF Policy.

TIFs are powerful tools for municipalities to spur investment in the community. Indeed, some projects would not feasible without TIF assistance. Thompson's Point is a good example. In many instances, the proposed blanket rules would negate the TIF incentive by increasing project development costs, limiting a TIF's ability to stimulate growth. Moreover, such requirements would also put Portland at a competitive disadvantage relative to other communities which employ TIFs without these overarching requirements.

The Thompson's Point Project is a strong example of a TIF's ability to stimulate investment in targeted areas. Located at the City's Transportation Hub, a once blighted parcel is being transformed into a vibrant neighborhood. The land remained underutilized for decades due to the need for substantial infrastructure improvements including new utility, stormwater, and road/sidewalk systems. The TIF helped finance the improvements and stimulated development which otherwise would have been cost prohibitive. Additionally, the spectre of a "clawback" (such as is also being considered at the State level, even for existing TIFs) would make it impossible for a developer to structure TIF-secured loans. Without this type of financing, we would have had a very hard time building out this expensive infrastructure scope, which would have stalled our project before it started—even before factoring in the expense of the other TIF policy changes.

Recent newspaper coverage suggested that the justification for the proposed changes is that if the City is providing a tax break to a developer, it should require more of a benefit to the community. We fully agree that TIF projects should provide community benefit, but it's important to remember that the "tax break" can only occur if the development creates additional taxable value in the first place, and also meets a series of rigorous criteria for eligibility at the outset of its review. Additionally, current TIF Policy already requires City Council approval of any proposed TIF project. If the City does not think a project provides enough community benefit to merit a TIF, then the Council can vote against its approval, or require additional community benefits from certain projects by requiring that these be included in those projects' Credit Enhancement agreements.

We strongly believe it is a mistake to make these wholesale changes to current TIF policy because it removes the flexibility and creativity that ought to be the hallmark of any negotiated Credit Enhancement Agreement between a developer and the City. Where additional community benefit is sought, such requirements are better stipulated within TIF and Credit Enhancement Agreements (CEA) on a case by case basis. The proposed changes create a one-size-fits-all set of requirements whose implementation would blunt the power of one of the most effective tools used by the City to promote private investment. They would certainly have stopped our project its tracks had they been required of us.

As the City's partners in a Transit Oriented Development TIF District that has begun to bear fruit after many years of effort, we offer these comments and feedback in the spirit of constructive dialogue as the City seeks to balance a variety of competing objectives.

Respectfully,

Jed Troubh
Chris Thompson

SOUTHERN MAINE COMMUNITY COLLEGE
envision a future

Office of the President

June 12, 2017

Dear Members of the Economic Development Committee:

Thank you for the invitation for Southern Maine Community College (SMCC) to speak with your Committee on June 6, 2017. We welcomed the opportunity to inform the Committee about SMCC's vast experience with workforce development in the Greater Portland region. As discussed, SMCC is flexible in its delivery methods to suit the needs of industry, job seekers and those looking to upgrade their skills. Most of our trades related courses, certificates and degree programs have curriculum recognized by national associations and many programs have transfer agreements with other colleges allowing students seamless transitions to earning bachelor degrees. We partner with employers to offer an array of workforce development ranging from non-credit to credit courses, apprenticeship, certificate and degree programs.

Students completing trades programs and coursework are qualified to take national and state certification and licensing exams, which are portable credentials. For example, our Heavy Equipment Operations certificate program is recognized by the National Center for Construction Education and Research (NCCER) and students completing courses in our Precision Machining, Manufacturing and Welding programs are qualified to take national certification exams with the National Institute for Metalworking Skills (NIMS) and the American Welding Society (AWS).

As mentioned at the Committee meeting, we have recently updated our Construction courses to offer a broad range of accessibility and flexibility from low-barrier workforce training courses to a certificate and an associate degree – each level of education building upon the other. Students in these courses gain progressive skills to take them from general laborer jobs leading to construction supervisor and assistant project manager positions, all the way up to roles as construction managers and project managers. An overview of these courses is attached.

Our many partnerships with businesses are vital to develop programs that are timely, relevant and beneficial to local industry and job seekers. In this complex world, we are responding to workforce needs by supplying Maine business with the skilled employees they need to be competitive.
If either of us can help you as you continue your conversations, please feel free to contact us. We look forward to our continued collaboration with the City of Portland and area employers.

Sincerely,

Ronald G. Cantor, Ph.D.
President

Julie Chase
Dean of Business and Community Partnerships

# SMCC
# Construction Offerings

SOUTHERN MAINE COMMUNITY COLLEGE
envision a future

SMCC offers a broad range of accessible and flexible construction courses designed to fit your individual needs. Choose from **low-barrier workforce training courses** to further your skills for employment or follow our **financial aid-eligible certificate and degree tracks**. Whichever direction you decide to take, SMCC will provide you the path to a better future.

## Beginner Workforce & Certificate of Readiness

### CONSTRUCTION INSTITUTE

- Building Concepts & Leveling (30 hours/2 credits)
- Construction & Tool Safety (OSHA 30) (30 hours/2 credit)
- Print Reading (30 hours/2 credits)
- Framing Methods (30 hours/2 credits)

**OUTCOMES:**

- Earn an industry-recognized Certificate of Readiness
- Be prepared for employment in positions such as a Construction Assistant or Construction Laborer

AND/OR

- Continue to earn a degree or certificate

## Intermediate Workforce & College Certificate

### CONSTRUCTION CERTIFICATE

- Construction Institute Courses (120 hours/8 credits)
- Roof Framing (30 hours/2 credits)
- Exterior Finishes (30 hours/2 credits)
- Interior Finishes (30 hours/2 credits)
- Building Science & Energy Auditing (45 hours/3 credits)
- FIG (15 hours/1 credit)
- English Composition (45 hours/3 credits)
- Math Elective (45 hours/3 credits)

**OUTCOMES:**

- Earn a college Certificate in Construction
- Be prepared for employment in positions such as Construction Supervisor or Assistant Project Manager

AND/OR

- Continue to earn a degree

## Advanced Workforce & College Degree

### CONSTRUCTION DEGREE

- Construction Institute Courses (120 hours/8 credits)
- Construction Certificate Courses (240 hours/16 credits)
- Construction Electives (180 hours/12 credits)
- Open Electives (135 hours/9 credits)
- General Education Courses (240 hours/16 credits)

**OUTCOMES:**

- Earn a college degree and be prepared for employment in positions such as Construction Manager or Project Manager

**For more information,** contact the Registration Office at **207-741-5800 (x2)** or **registration@smccME.edu**