



**MINUTES**  
**COMMUNITY DEVELOPMENT COMMITTEE**

**JANUARY 14, 2009**

A meeting of the Portland City Council's Community Development Committee (CDC) was held on Wednesday, January 14, 2009, at 5:00 p.m. in Room 209 on the second floor of Portland City Hall. Present from the Committee were its Chair Councilor Cheryl Leeman and members Councilors Nicholas Mavodones and Daniel Skolnik. Also present from the City Council were Councilors Kevin Donoghue and Dory Waxman. Present from City staff were Assistant City Manager Pat Finnigan, Planning and Urban Development Director Penny St. Louis Littell, Housing and Neighborhood Services Director T. J. Martzial, Economic Development Director Greg Mitchell, Sr. Executive Assistant Lori Paulette, Parking Manager John Peverada, and HCD Program Manager Amy Grommes-Pulaski.

**1. Minutes**

**Review and accept minutes of previous meetings (August 20, September 10, October 22, and November 12, 2008)**

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

**2. Beckett Green Project (former Adams School) [15 Minutes]**

**Update on status of negotiations for the sale and reuse of the former Adams School with Avesta Housing – T. J. Martzial, Director/Housing and Neighborhood Services Note: Pursuant to 1 M.R.S.A. 405(6)(C) AND 5 M.R.S.A. 13119(A), the Committee may go into executive session to review and discuss this item.**

Chair Leeman noted that although the agenda notes that the Committee may go into executive session for this item and the following two items, these items are updates to the

Committee. The exception is the last item being the Casco Bay Garage. The Committee will be asked to authorize the City Manager to obtain an appraisal of Garage.

Mr. Martzial then updated the Committee on the Beckett Green Project saying that when the CDC last reviewed the proposal in September, staff received direction to negotiate various points in the proposal with the developer. Mr. Martzial also noted that he met with the new Economic Development Director Greg Mitchell, together with the newest member of this Committee, Councilor Skolnik, this month to get everyone up to speed on the project.

Mr. Martzial said that staff met with the design team before the holidays and looked at the concepts of increasing units from 40 to 44, or from 40-48 units. At this point, however, because of schedules of both the City and the developer during the holidays, both just met this past Friday. Therefore, a thorough review will need to be done regarding concepts and financing. Mr. Mitchell will assist in the TIF aspect of the proposal, with the original request being a 100% TIF. New financing concepts include the Neighborhood Stabilization Program (NSP) the State has, with the City will receiving \$1.3 Million in grant funds for projects. The NSP is designed to alleviate some of the effects of the mortgage crisis and assist in blighted and foreclosed properties. The Adams School property does fall into the blight category. Because of the NSP program, TIF funding will be requested at a lesser percentage, perhaps 50%. There is also the possibility of \$300,000 in subsidy from the City's HOME program.

Mr. Martzial said that the Avesta team has been flexible, creative, and he is confident that the City and the developer will come up with a workable financing package for both. Mr. Martzial noted that the additional units do not have significant

impact on the project development costs, but making the parking space area smaller could have an effect on the marketability of the units. By the next CDC meeting on February 11, Mr. Martzial expected to be able to provide more of a recommendation based on further review of alternatives.

Mr. Martzial noted that two concerns from the last CDC meeting included the 100% TIF and parking. The TIF percentage concern now is coming down based on the NSP.

Chair Leeman also noted that the Adams School is a valuable piece of property and the projects needs to give something back to the taxpayers.

Mr. Martzial noted that the Developer is paying \$600,000 for the property, with the Chair noting that it was a valuable piece of real estate.

Councilor Mavodones had a timing question, asking if the project is moving along at a pace that is acceptable to the developer and the City.

Dana Totman, President of Avesta (the developer), noted that the schedule was fine with Avesta. During the six months that have passed since the last CDC meeting, there have been two meetings – one right after the CDC meeting, at which time staff advised Avesta about the concern with the 100% TIF and it needing to be lower, and the other is the cost of the park with City funds.

Mr. Totman said that the additional units do not help the financing package. A higher price for the units also precludes some subsidies and other sources of funds, which would impact the size of the park. Together with the current economic state, prices have come down on housing, but Avesta is prepared to go forward.

Regarding the park, Avesta will find a way to make it less expensive and will take responsibility for the green space that is directly tied with the development.

All in all, if all the pieces come together, Mr. Totman said that the project could work.

Chair Leeman said with the upcoming stimulus package from the Federal Government, it may be worthwhile to take time to see how that works out. She would suggest not coming back to this Committee for the February meeting, but instead plan for the March 11 meeting. She also noted that the TIF request could be a difficult one for the City, giving the current state of the upcoming budget for FY10.

Mr. Totman agreed. They would continue moving forward, noting that site control may be an issue as the financing package comes together.

Councilor Mavodones shared concerns about the upcoming City budget, but a 50% TIF versus the original 100% TIF goes along way for him in this project. Regarding parking concerns, is there any modification based on the additional units?

Mr. Totman said that more units do make parking issues worse. The parking plans, however, are still the same as the original package. This needs further study.

Councilor Skolnik asked about height restrictions and if the units could go further up.

Mr. Totman said that the development team spent a lot of effort on having the project fit in with the neighborhood buildings.

Alan Kuniholm, project architect, noted that the zoning allows higher building, but the RFP noted a desire to keep the development in line with the current building heights.

Councilor Donoghue asked about the NSP funds and their use in the purchase of the property based on the appraisal and for affordable housing.

Mr. Martzial said that NSP funds for the property acquisition in this project can be used but the purchase price cannot be more than 85% of the appraised value.

Chair Leeman said that although an appraisal was not obtained, she recalled the assessed value was approximately \$1.2 Million.

Councilor Donoghue asked about the land value and building value to make up that \$1.2 Million, and those numbers were not readily available.

Councilor Donoghue commented if thought had been given to possibly leasing the land to a developer and the City receiving tax revenue from the building, so as not to lose control of the land.

Mr. Totman said that this has been done before but had not been contemplated for this project. It would take a reworking of a multitude of legal documents.

Chair Leeman asked if there were further comments/questions. There being none, she thanked everyone for the update and looked forward to seeing the project come back to the Committee in March and how issues/concerns have been negotiated and the resulting recommendations.

### **3. St. Joseph's Convent [15 Minutes]**

**Update on St. Joseph's Convent and Campus project on Stevens Avenue and TIF district – Greg Mitchell, Director/Economic Development -- NOTE: Pursuant to 1 M.R.S.A. 405(6) (F) and 5 M.R.S.A. 13119—A, the Committee may go into executive session to review proprietary financial information.**

Greg Mitchell noted that the Committee last reviewed this item at its October 2008 meeting. The proposal calls for a senior living complex with market rate residential units. The Motherhouse would have 50 residential rental apartments, 38 rental or coop purchase (market dependent) apartments in an addition to the Motherhouse, with another 36 town home apartments for purchase in three buildings next to the Motherhouse.

Mr. Mitchell said that the entire property is now tax exempt and, with this project, will be converted to a taxpaying property. It is \$25 Million project that will bring in approximately \$300,000 in new taxes annually when completed. The TIF request now is a 75% request, fixed rate for 30 years. The reason for the TIF request is the high cost of renovation of the historic property, as well as maintenance. Federal and local historic tax credits will be part of the financing package as well.

In reading through the Committee's minutes of October, Mr. Mitchell noted support from the Committee and for staff and the developer to negotiate the TIF package. He met with the developer, together with the City's attorney Ann Freeman, last week and toured the building with Councilor Waxman just prior to today's CDC meeting. He is getting up to speed with the project, and this week received budget and proprietary information to begin review of the financing package and associated TIF request. At the Committee's February meeting he will be able to provide a recommendation on the project and TIF request.

Councilor Mavodones asked Mr. Mitchell about his sense as to whether this project could go forward without the TIF?

Mr. Mitchell indicated that he did not think the project could go forward without the TIF. He will work with the developer and the Sisters of Mercy to make a project that works for everyone.

Councilor Skolnik asked Mr. Mitchell about the 75% TIF and how it worked.

Mr. Mitchell said that with various projects, you start with the "but for" test, as in the project cannot go forward but for the TIF. TIFs are appropriate to close gaps in projects. The City receiving a percentage of something is more than getting a percentage

of nothing if the project does not go forward. With a municipality having a TIF district in place, it shelters new assessed value in that district from the school funding formula, revenue sharing, and county taxes. For every new dollar of the assessed value, the municipality shelters that dollar so that it does not have to pay a percentage of that dollar to the school funding formula, revenue sharing, and county taxes. In Portland, the ratio is approximately 30 cents on every assessed dollar goes to those three payment area. The City would save that money by sheltering the new assessed value in a TIF district. Every year, the City will receive a benefit, regardless of the percentages of the formulas for school, county, and revenue sharing.

Councilor Skolnik asked how much money will the City pay upfront for this project.

Mr. Mitchell said that in this case, it will create \$25 Million in new value which generates approximately \$300,000 in new real estate taxes annually. If this TIF were approved at capturing 100% of the new value and with 75% of the new taxes going to the Developer, the Developer would annually receive approximately \$225,000 back and the City would retain approximately \$75,000 in new taxes it would not have otherwise received, plus saving approximately \$90,000 it would have had to pay out to revenue sharing, county taxes, and school funding formula using the 30% rule stated above. He said he would provide scenarios at the February Committee meeting.

Chair Leeman said that would be helpful, noting that the State may be taking back more for their budgets.

Councilor Donoghue asked about current large parking lot along Walton Street and if there was any improvements planned to do more with that land.

Mr. Mitchell indicated the parking lot is needed for the students at McAuley High School, as well as for events. As far as the three new buildings for townhouse apartments, Mr. Mitchell said that parking is planned for underneath the apartments.

Chair Leeman said that parking issues will need to be addressed, as parking is being pushed out along Walton Street.

Chair Leeman asked if there were further questions/comments. There being none, she thanked Mr. Mitchell and looked forward to seeing this item at next month's meeting.

#### **4. Casco Bay Garage [15 Minutes]**

**Discussion regarding request to purchase the City's interest in the Casco Bay Garage and possible disposition of a portion. Note: Pursuant to 1 M.R.S.A. 405(6)(C) and 5 M.R.S.A. 13119(A), the Committee may go into executive session to review and discuss this item.**

Councilor Mavodones said that he will be excusing himself from this item due to a conflict of interest as his employer, Casco Bay Lines, has an office in this building.

Chair Leeman indicated that this item is before this Committee because it is being asked to authorize the City Manager to obtain an appraisal for the property.

Ms. Finnigan said that the City owns half of this garage and MHR owns the other half. MHR would like to make a proposal to the City to purchase the City's portion of the garage. Without an appraisal, however, the City cannot entertain that proposal.

Chair Leeman discussed process, saying that perhaps the City may want to go out with an RFP rather than negotiate with just one potential purchaser.

Ms. Finnigan said that the condo agreement between the City and MHR gives MHR the right of first refusal.

Chair Leeman noted that and asked if there were further questions/comments. There being none, a motion was then made and seconded to authorize the City Manager to obtain an appraisal for the garage, and this motion was then passed unanimously.

There being no further business to come before the Committee, the meeting was then adjourned at approximately 5:50 p.m.

Respectfully submitted,

Lori Paulette