



MINUTES

COMMUNITY DEVELOPMENT COMMITTEE

MAY 12, 2010

A meeting of the Portland City Council's Community Development Committee (CDC) was held on Wednesday, May 12, 2010, at 5:00 p.m. in Room 209 on the second floor of Portland City Hall. Present from the CDC was its Chair Councilor Cheryl Leeman and members Councilors John Anton and Dory Richards-Waxman. Also present from the City Councilor were Mayor Nicholas Mavodones and Councilor Daniel Skolnik. Present from the City staff were Assistant City Manager Pat Finnigan, Associate Corporation Counsel Ann Freeman, City Manager Joe Gray, Economic Development Director Greg Mitchell, and Senior Executive Assistant Lori Paulette.

Item #1: Review and accept Minutes of previous meeting held on March 24, 2010.

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

Item #2: Cumberland Cold Storage Building Redevelopment Project/Pierce Atwood TIF Request (30 Minutes)

- a. **Action Requested: Review City staff enclosed Memorandum and vote to recommend to City Council.**
- b. **Note: The Committee may go into executive session pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A to review and discuss proprietary information.**

Mr. Mitchell said that this project is proposed as a private/public partnership for the redevelopment of the Cumberland Cold Storage (CCS) building on Commercial Street through Tax Increment Financing (TIF) as part of the Waterfront TIF program.

The anchor tenant at CCS would be the law firm of Pierce Atwood (PA). He noted that Dennis Keeler, partner at PA, is present today. This redevelopment would renovate the CCS building into a Class A office building. It has been a cold storage building since the late 80's when purchased by Waterfront Maine.

PA would occupy half of the second floor and all of floors 3, 4, and 5. Marine use would remain on the first floor as required by the Zoning Ordinance. Regarding parking, there are 60 spaces on site, and PA is going before the Fish Pier Authority early June as part of its proposal to lease 70 spaces from the Authority at market rate of \$80 per space per month.

Mr. Mitchell said the original assessed value for the CCS property is \$950,900, which brings in annually approximately \$17,000 per year in taxes. When renovations are completed, it is expected that the assessed value will increase by \$12 Million, generating approximately over \$212,000 annually in new taxes. The TIF proposal is for 20 years and is capped at \$2.86 Million to the developer over the 20 years, or 51% of new taxes. The City's estimated share of new taxes over the 20 years is \$2.7 Million, or 49% of new taxes. There is also savings in sheltering values under TIF, particularly with regard to the school funding formula, state municipal revenue share, and the County budget. Under this TIF scenario, the City is estimated to save approximately \$1.1 Million over the 20 years.

Mr. Mitchell said that to enter into a Credit Enhancement Agreement and add the CCS property to the Waterfront TIF (WTIF) district, the WTIF development program of 2002 would need to be amended to include the CCS as a sub-district and allow for Credit Enhancement Agreements in the Waterfront Central Zone (WCZ) of the district, which runs from the Maine State Pier (Maine State Pier not part of the WCZ) and up to the

International Marine Terminal (IMT not included in the WCZ). Since the WTIF was first adopted and five individual properties identified as part of the TIF program, no other properties have been added. Mr. Mitchell said that there would also be amendments to update the WTIF program and extend it for 20 years.

Mr. Mitchell then highlighted the public benefits associated with the project, including building upgrade, site upgrade, business retention, direct and indirect economic impacts.

Mr. Mitchell said that projects involving City involvement, such as TIFs, need to meet LEED Silver Certification. The developer has applied for a waiver to instead meet the equivalent of LEED Silver Certification. The Director of Planning and Urban Development would make that decision.

Chair Leeman thanked Mr. Mitchell and opened the meeting for public comment.

Steven Scharf said that he is opposed to this TIF since he did not feel it appropriate to subsidize moving one Portland business to another location in Portland. He also said that PA would make the move anyway, with or without the TIF. Mr. Scharf then said this TIF would cost the average homeowner approximately \$36 each year.

Mr. Keeler said that he would like to respond to one point made. PA was close to moving out of Portland in January this year. It had plans for a building in South Portland, and then decided, as a courtesy, to speak with the City of Portland about those plans. At that point, PA decided to take a step back and rethink about staying in the downtown. PA has a long history in Portland since the late 1800s. With the City participating in a TIF, it makes costs of renovating the Cumberland Cold Storage more palatable and assist PA in remaining.

Chair Leeman asked if there were any additional comments. There being none, the public comment session was closed.

Mayor Mavodones asked about Mr. Scharf's comment on additional tax burden to the taxpayer and where the information came from.

Mr. Gray said that he was not aware where that information came from.

Chair Leeman said that she had a difference of opinion on TIF use. If nothing were done at the CCS site, there would be no new taxes. Over the course of 20 years with this project, the City will have an additional \$2.7 Million in the General Fund.

Councilor Waxman asked if the project was using Historic Tax Credits.

Mr. Mitchell said that the project looked at all financial resources, and this resource was not an option due to exterior changes that will occur.

Councilor Anton asked what supporting documents would be going to the City Council as part of the packet.

Mr. Mitchell said the Credit Enhancement Agreement and the amended WTIF development program.

Councilor Anton said that his primary motivation in moving this forward is the building and site values and their renovations. Taking the CCS and making it into Class A office space is something that he would be comfortable in a TIF arrangement. He would like to see in a CEA that the marine use on the first floor remain for the life of the CEA.

Regarding LEED and the waiver request, Councilor Anton said that LEED is for energy efficiency, and he would like more information pertaining to energy efficiency related to investments associated with this project as they relate to LEED point certification.

Councilor Anton then referred to the table on Attachment 1. He would like to see what the NPV is for the City, as this only notes it for the Developer. Also, he would like to have footnotes about the tax shelter analysis.

Councilor Skolnik said that he would like to have some information on why Pierce Atwood chose One Monument Square and why it is now choosing to locate to the CCS.

Councilor Anton added that he would like to have information on what PA would be paying for rent at the CCS building and have it compared with like rents. He believed PA would be paying in the top range at CCS.

Regarding the TIF CEA, Councilor Anton said that this agreement would need to be between the City and Waterfront Maine Limited Partnership. This is a CEA for the building and property only, and the City is not involved with leasing arrangements between the landlord and PA. If the percentages in the Table of Attachment 1 would need to be amended to get to the same NPV, then staff should make those changes.

Chair Leeman said that she notes two policy issues: (1) reference in the CEA that the first floor remains marine-related during the life the agreement; and, (2) not to tie the City's position in the CEA to the lease arrangement between the landlord of CCS and PA.

Chair Leeman noted that the fishermen use a laydown area for their nets and asked if this area would be protected.

Mr. Mitchell said that area is the property of the Fish Pier Authority and can be accessed through the Authority property.

A motion made and seconded to recommend to the City Council that the CEA be between City and Waterfront Maine Limited partnership, so that the CEA is not tied to the lease arrangement between Pierce Atwood and Waterfront Maine Limited

Partnership. The motion also noted that should some percentages over the 20-year TIF need to be amended from what is reflected in this packet to get to the same Net Present Value, staff should amend as needed. The motion also indicated that the CEA reflect that marine use on the first floor will continue during the life of the agreement, as well as berthing along the bulkhead.

Chair Leeman asked if there was further discussion. There being none, she asked for a vote on the motion and it passed unanimously.

At the Committee's request, Mr. Mitchell then handed out a draft marked revision document to amend the WTIF Development Program. He noted that the City Council annually decides during budget time the percentage of new taxes it will capture.

Chair Leeman asked if there was any public comment.

Steven Scharf said that that this is quite a bit of information to take in and changes what the Task Force originally intended.

Chair Leeman asked if there was any further public comment. There being none, the public comment session was closed.

Councilor Anton asked if this would include amendments to the Waterfront Program Ordinance. It was indicated that that there would be no Ordinance amendments. Councilor Anton said that at some future time, it may be good to take another look at that ordinance.

Councilor Anton suggested that staff share this document with waterfront stakeholders as there are a lot of changes. It is intended to streamline and update uses of TIF funds for City projects, including staffing of the Economic Development Division and Credit Enhancement Agreements for properties in the WCZ. The latter is for properties on the water side of Commercial Street in that zone. Those properties do have

more of a hardship due to the WCZ, and City assistance through the use of CEAs is appropriate.

Mr. Gray noted that CEA would not be a tool for use at the Maine State Pier property or the upland area.

Chair Leeman said that she was on the Council when the City's original TIF policy was adopted. It was intended for blighted sights and buildings, and the CCS building is an appropriate property for TIF assistance. In addition, the City will get payback on the investment. This tools helps the City expand its tax base.

As far as a business in Portland moving to another location in Portland and TIF being used, it is another good investment in retaining a business and jobs. A TIF was done for the Baxter Library Development which helped retain VIA Group in Portland. Those employees and Pierce Atwood's employees support local businesses in these two different areas of Portland.

Chair Leeman summed up her support for the project by indicating the CCS building has been eyesore for well over 25 years, and this TIF will help in bringing the blighted building into a first class office space.

Chair Leeman asked if there were further questions/comments. There being none, a motion made and seconded and voted unanimously to recommend to the City Council that it approve of the WTIF Amendments substantially in the form as outlined/amended, with the document to be circulated among waterfront stakeholders.

Item #3: Sale of City property on Riverside Street (30 Minutes).

- a. **Action Requested: Recommendation on enclosed Purchase and Sale Agreement.**
- b. **Note: The Committee may go into executive session pursuant to 1 M.R.S.A. 405(6)(C) and 5 M.R.S.A. 13119—A, to review and discuss sale negotiations.**

Mr. Mitchell said that in negotiations for sale of the Riverside Street property, which the City recently acquired from the Trust for Public Land, there is one remaining parcel available, that being Lot #2 as depicted on the map displayed and in the Agenda packets. Lot #3 is now under contract with Addison Capital (a/k/a Lucas Tree), and Lot #1 was sold to NEMR. Lots #4 and #5 are being retained at this time should this be the future home of the City's Public Services Department.

The purchase proposal under consideration at this time is for Lot #2 to Don St. Jean for the cash purchase price of \$450,000 for approximately three acres and two metal buildings. This equates to \$125,000 per acre for two acres, and \$200,000 for the upper acre and two metal buildings. The draft Purchase & Sale Agreement has conditions regarding limiting curb cuts, locations of access drives, lay-out, City securing subdivision approval, utility services, environmental remediation, and an option to Purchase a portion of Lot #7 should NEMR not exercise its option to purchase Lot #7. NEMR has one year after occupancy to exercise its option to purchase Lot #7.

Ms. Freeman said that NEMR has this option in order to determine if Lot #7 would be needed for buffering if there are noise issues.

Mr. Mitchell said that Don St. Jean would acquire Lot #2 and intends to lease the existing buildings in their present form and then tear down the buildings when the market improves and rebuild.

Chair Leeman asked if there were public comments.

Steven Scharf asked about the size of Lot #7, and it was indicated to be 1.63 acres.

Councilor Waxman asked about access should Public Services locate on Lots #4 and #5.

Mr. Mitchell said that at this time it is being contemplated that that access would be a 60-foot wide strip from Lot #4 or access from Lot #5.

Chair Leeman asked if there were any further comments/questions. There being none, a motion was then made and seconded and voted unanimously to forward this item to the City Council with a recommendation that the Purchase and Sale Agreement be approved in substantially the form as presented.

There being no further business to come before the Committee, the meeting was then adjourned at approximately 6:30 p.m.

Respectfully,

Lori Paulette