



MINUTES
COMMUNITY DEVELOPMENT COMMITTEE

SEPTEMBER 16, 2009

A meeting of the Portland City Council's Community Development Committee (CDC) was held on Wednesday, September 16, 2009, at 5:00 p.m. in Room 24 in the basement of Portland City Hall. Present from the CDC was its Chair Councilor Cheryl Leeman and members Councilors Nick Mavodones and Dan Skolnik. Present from the City Council was Councilor David Marshall. Present from the City staff were Business Development Representative Nelle Hanig, Economic Development Director Greg Mitchell, and Senior Executive Assistant Lori Paulette.

Item #1: Review and accept Minutes of previous meetings held on July 22, 2009, and August 12, 2009.

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

Item #2: Portland Technology Park Update

Mr. Mitchell said that the City is awaiting word, this week, from the Federal Economic Development Administration (EDA) for its award of a \$660,000 grant. The City has already set aside the match of \$660,000 in the CIP. These funds will be used for public infrastructure for the business park – road and utilities. It has proximity to the turnpike which is always a benefit, and when fully tenanted it is expected to bring in 400 jobs and have an investment of approximately \$12 to \$14 Million.

Mr. Mitchell said that once the award is finalized, the City will move forward with permits and approvals for the road and utility work, request for bids for the road

work, and hope the business park to be open a year from this Fall. It will be marketed for sale simultaneously with road construction and utility work underway.

Chair Leeman thanked Mr. Mitchell for the update.

Item #3: Baxter Library Redevelopment

- 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.**

Chair Leeman said that the Committee would be going into executive session first, and then will come out of executive session for presentation and discussion.

On motion made and seconded, the Committee then voted unanimously at approximately 5:15 p.m. to 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. At approximately 5:50 p.m., the Committee came out of executive session.

Mr. Mitchell said that the subject property is currently tax exempt and, in fact, has always been tax exempt since it was first built and donated to the City in 1888 and operated as the Baxter Library until it was sold to the Maine College of Art (MeCA) in 1983. MeCA is also tax exempt.

The proposal before the Committee is for the City's assistance through tax increment financing to cover a portion of the Library's redevelopment expense. The tenant for the property would be The VIA Group, an existing Portland head-quartered marketing company started in 1993 and currently has 64 employees. The breakdown of those employees and salaries is as follows: 3 under \$30,000/year; 31 in the \$30,000 to \$60,000/year range; 19 in the \$60,000 to \$100,000/year range; and 11 over \$100,000 per year.

Mr. Mitchell said that the “all-in” investment for the project is estimated at \$4.6 Million. The property is currently in the Arts TIF District, which is ten-year district with nine years remaining. The recommendation would be for the Arts TIF District to be amended to allow for Credit Enhancement Agreements (CEA), in the same fashion as the Bayside TIF District. The terms of the CEA for the Baxter Library Project would be a nine-year TIF with 65% of the new taxes going to the project, and 35% going to the Arts TIF district fund or City General Fund at the City Council’s discretion. The new total gross taxes going to the project, over the life of the nine-year agreement, is estimated at \$272,124, and an estimate of \$146,528 into the Arts TIF District or City General Fund.

For the project financing, however, the \$272,124 amount as taken to a bank as a source of the financing would be discounted to \$165,444 for bank lending purposes as part of the overall financing schedule of upfront project financial sources.

Regarding the City’s Green Code, Mr. Mitchell indicated that the Project will be requesting a waiver. However, the redevelopment project will meet the equivalent of LEED Certification due to the historical nature of the structure.

Mr. Mitchell then noted the public benefits of the project, including job retention and possible expansion; reuse, redevelopment and preservation of a “hallmark” downtown building; additional City tax revenue; and, building redeveloped to meet the equivalent criteria for a LEED designed project.

Before Committee questions/discussion, Chair Leeman opened the meeting for public comment.

Greg Shinberg, owner/developer of Portland Hall, indicated his support for the Baxter Library Project. It will be a beneficial project for this area of Congress Street, the

developer does a great job, and the variety of jobs that VIA Group will bring can only add to the vitality of upper Congress Street.

Justin Alford, partner with Mr. Shinberg in the Portland Hall Project, also indicated his support for the Baxter Library Project. The VIA Group is in Portland for the long term, and their project is inventive and clean. This area of Congress Street can only thrive with this Project.

Jim Baker, President of MeCA, echoed the comments made. MeCA is excited about the developer and tenant. With this transaction, MeCA will be moving what remains in the Baxter Library to the Porteous building. Mr. Baker said that the Porteous building has an acre of interior space that still needs to be developed, and this sale will allow for that to start.

Steven Sharf indicated his opposition to the TIF. TIF is used for blighted areas or buildings. He is also concerned about moving jobs from Danforth Street to Congress Street.

Dennis Carolin, CFO of the VIA Group, mentioned that John Coleman, President of VIA, could not attend the meeting because he was in New York and then Chicago for business purposes. The Baxter Library building is a destination for VIA. VIA had looked in and outside of Portland for expansion/relocation. The Baxter Library location is just what VIA had been looking for and they are all excited about the space. The Danforth Street space was no longer sufficient for its operations. VIA Group is committed to Portland, even with the competition it has with New York and Chicago, particularly for employees.

Nancy Akers indicated her opposition for the TIF, saying that it is corporate welfare that takes away limited tax dollars from the citizenry of Portland.

Rex Bell, Northland Development, said that Northland has been working with MeCA for quite some time regarding the Baxter Library. Initially, they had an agreement that improvement would be cosmetic for a diversified group of businesses locating to the Baxter building, including arts, architecture, and photography – but because they could not get firm commitments for tenancy, bank financing was not possible and the agreement was terminated in 2008. Now with VIA Group, they are looking at a variety of sources for financing, including Historic Tax Credits and New Market Tax Credits, among others, to make this work. It has been a struggle to get all the sources needed to make the project feasible, but with the TIF included in the mix, they are ready to go forward. The sources also include a \$3.1 Million personal loan guaranties from himself and his partner.

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

Councilor Skolnik asked about parking for VIA's employees.

Mr. Carolin indicated that he is in discussions with the Gateway Garage and Geno's. Parking is not going to be a problem.

Councilor Mavodones asked about the LEED waiver timing, the economic impact of 64 jobs, and the TIF benefits and sheltering effect.

Mr. Mitchell said that the developer has submitted a letter requesting the waiver. This would be processed before the TIF is presented to the Council. Regarding the 64 jobs, there would be the multiplier effect to area businesses, which would also create more new jobs for area businesses.

Regarding the TIF benefits, Mr. Mitchell said that property is now in the Arts TIF District. The property has always been tax exempt, and this proposal will put it into a

tax-paying entity. The TIF is needed for the project as a source of funds, and it will also contribute to the Arts TIF district, where it does not now as a tax exempt property.

Regarding the overall Arts TIF District, the City Council decides on an annual basis the percentage of taxes from the entire District that will go to the Arts TIF. The Arts TIF District is a ten-year district. FY10 is year one of the District; the Baxter Library Project CEA would be for nine years, the remainder of the life of the Arts District. After nine years, all tax revenue will go to the General Fund.

Mr. Mitchell said that the sheltering effect of the TIF District would save the City approximately 40 cents of every tax dollar from the District.

Councilor Mavodones asked about the timing of the development.

Mr. Bell indicated that they are hoping to close on the sale in October of this year and to be able to do the underground utility work shortly thereafter. There was discussion that generally after November 15, Public Services does not allow the street to be opened.

Councilor Mavodones asked about the tax credits component.

Mr. Bell said that New Market Tax Credit (NMTC) programs are used for distressed areas/buildings, and Historic Tax Credit (HTC) programs can be used because of the historic aspect of the building. Bangor Savings is working with CEI which allocates the NMTCs, which will help in lowering the mortgage rate. The risk with these credits is that the project has to be delivered as promised or funds would have to be paid back.

Councilor Mavodones said that the Committee questions the low dollar value of the TIF.

Mr. Bell said that the request was backed into by exhausting all other sources of funds first.

Chair Leeman asked about the sources that were contacted, noting that TIFs are generally used for large projects.

Mr. Bell said that MDECD was contacted and this contact resulted in the use of the Maine Rural Development Program. MeCA is lending \$100,000, and Mr. Baker interjected that MeCA does not have an additional \$165,000 to lend which the TIF would provide. Mr. Bell also indicated that the original purchase price was \$800,000, and now MeCA has come down to \$705,000 essentially providing an additional \$95,000.

Chair Leeman asked about the lease with VIA, and Mr. Bell indicated that it would be a ten-year lease with an option to purchase after seven years due to the nature of the NMTC program. If VIA should leave at year five, for example, of the lease, it would have to pay five years of lease payments. They have agreed with the lease arrangement.

Chair Leeman said that she had a difficult time with the Net Present Value of the nine-year TIF revenue of approximately \$165,000, noting how that could not be absorbed into the project.

Mr. Bell said that the property will not generate a lot of cash flow. This piece is what it needs to make it feasible. The development team takes this into consideration with each project it does. Again, for this project, a personal guaranty of \$3.1 Million is also being required of him and his partner.

Josh Benthien of Northland added that the development team tried not to come to the City to request a TIF. However, because it needed assistance with this piece, contact

was made with Greg Mitchell. They are requesting the lowest TIF assistance from the City that it could.

Mr. Mitchell noted that when the project first came to him, he indicated that the development team should find other resources rather than a TIF. The team, after exhausting all other resources, came back with this TIF request and it is at this point that he decided he could move forward with the request. The financing schedule is as tight as it can be.

After discussion, the Committee's sense was to table this item to the September 30 meeting of the CDC, noting that if timing was an issue, this could be forwarded to the Council with a recommendation that the second reading be waived to get this done in one Council meeting instead of two. The Committee also requested a tour of the building and financial resources sought for gap financing.

Chair Leeman thanked everyone, noting that it would be brought back to the September 30th meeting of this Committee as noted above, together with the tour and information requested.

5. Executive Session (25 minutes)

- a. *Action requested:* Pursuant 1 M.R.S.A. 405(6)(C), the Committee will be going into executive session to discuss and give guidance to City staff regarding the sale and lease of City-owned property.**

Steven Sharf asked which City-owned property the Committee would be discussed, and Mr. Mitchell indicated the Riverside Street property and no action would be taken after the executive session was over.

On motion made and seconded, the Committee voted unanimously at approximately 6:45 p.m. to go into executive session pursuant to 1 M.R.S.A. 405(6)(c) to discuss and give guidance to City staff regarding the sale and lease of City-owned

property. At approximately 6:55, the Committee came out of executive session and the meeting then adjourned.

Respectfully submitted,

Lori Paulette