



TO: Scarborough Town Council
FROM: SEDCO Board of Directors
SUBJECT: Analysis of The Downs Proposal
DATE: November 7, 2018

Overview

The Board of Directors of the Scarborough Economic Development Corporation's mission is to support economic and business development to improve the quality of life in Scarborough.

In light of our mission, we have reviewed the current project proposed for the Scarborough Downs' property and find compelling reasons to support the project as proposed, to support the formation of the Downtown Tax Increment Financing District, and to support the proposed Credit Enhancement Agreement with Crossroads LLC.

This memo summarizes our key findings. As a reminder, our board includes expertise in the fields of marketing, real estate analysis, construction, engineering, real estate law, small business, retail, lending and senior care. (Biographies are included as an attachment.)

While we are focused on the economic benefits, the Board absolutely recognizes that the Town Council must look at this project through a number of lenses, not just economic development, to come to a decision. That said, from the SEDCO Board's perspective, The Downs project has the potential to be one of the most significant projects in the town's history and positions Scarborough for success in a highly competitive regional and national market place for jobs.

Key Findings: Downtown TIF

Two fundamental questions are before the Council. First, should the Town designate an area that includes Oak Hill and the Scarborough Down's Property as a Tax Increment Financing District (TIF). Second, should the Town enter into an agreement with Crossroads LLC., to reimburse a portion of the developer's future property taxes.

The concept of designating the area of Oak Hill and the Downs as a TIF District acknowledges the potential role of both the Oak Hill area and the Downs property to serve as a town center for Scarborough. The TIF District is an economic development tool that provides the town with additional options for financing services and facilities which serve community and economic development goals. A TIF district is also required if a community chooses to enter into a Credit Enhancement Agreement (CEA) with a developer.

In this case, the town is seeking to designate the area under the special provisions of a "Downtown" TIF, which is the only type of TIF that would allow the Town to enter into a partnership with a private developer to lease space for a Community center. The Downtown TIF

designation has additional features which make it ideal for Scarborough's needs - such as a downtown TIF is not limited in acreage.

The concepts for the Downtown are profiled in the strategy, "A Downtown for Scarborough". This document is required for the designation of a downtown TIF and was compiled based on the Downs proposal, the Comprehensive Plans and existing studies.

Given that the Downtown TIF provides options for the Town to both plan for and finance improvements for economic development activities for both the Oak Hill area and the Downs, the Board supports the strategy and the creation of the Downtown TIF.

Key Findings - Credit Enhancement Agreement for Crossroads, LLC.

Within a designated TIF district, towns have the option of entering into an agreement with developers to offset certain costs by returning a percentage of new property taxes for a period of time. This type of an agreement is known as a Credit Enhancement Agreement (CEA).

The agreement is based on the property tax created by new development within the designated TIF district. Reimbursement of existing property taxes is not allowed. All parties to such an agreement must pay their full share of property taxes due on the new development. Once the taxes are paid, the Town may reimburse a portion of those taxes back to the developer for a period of time as specified in a credit enhancement agreement.

The reimbursement is a function of the new value created, which means should new taxable value not be created, and no new property taxes are collected, then no reimbursement takes place.

In the case of Scarborough Downs, Crossroads LLC, the developer of the property is requesting assistance from the town to offset a portion of the cost of providing key infrastructure throughout the property. This investment allows the developer to provide a better mix of development sooner, bringing along non-residential development with the residential development. The non-residential development helps offset the costs associated with residential development.

The SEDCO Board of Directors supports the Credit Enhancement Agreement as proposed for the following reasons:

- 1) Under this agreement, the developer assumes the risk of paying for the infrastructure required to support the proposed project. Unlike Haigis Parkway, where the Town bonded and constructed the infrastructure, the developer assumes the upfront risk of paying for the needed infrastructure.
- 2) With assistance in the form of this agreement, the developer proposes to build just under 1.9 million square feet of non-residential development resulting in a potential of 2,400 jobs in the

community. This level of development will have indirect impacts as well, with additional jobs and spending throughout the community.

- 3) This level of development moves us closer to the Town's goal of creating a diversified tax base with 25% of that base from non-residential development.
- 4) The development includes just under 2,000 housing units with approximately 30% of those as single family and another 27% as age restricted units. The mix of structures increases the diversity of the Town's housing stock, providing opportunities for workers to live in proximity to employment centers. This level of development could result in an additional 3,600 residents, providing customers to existing Scarborough businesses.
- 5) The project is unique in its scale and adherence to the articulated policies of the 2006 Comprehensive Plan and the draft 2018 Comprehensive Plan Update.
- 6) The mix of uses within the 500 acres creates a modern approach to nonresidential development, providing Scarborough with office and production space in proximity to services, restaurants and retail.
- 7) The project will have a spillover effect for Haigis Parkway. The proposed activity at Scarborough Downs is already stirring interest along Haigis.
- 8) The project offers the opportunity to create a diverse and attractive center of town that will support Oak Hill and The Downs. This vision of the future will attract future employers as well as create a center of activity for our residents.
- 9) The project contains manufacturing and production space, which is in critically short supply in Scarborough and the region. The CEA helps to offset the cost of bringing the services to the section of the development where these uses are permitted. By bringing the services in first few years, the developer is able to capture this market now.
- 10) Crossroads LLC., is the only developer within a long list of potential buyers of the Scarborough Downs property over the last five or so years that had the knowledge and faith in the community to follow through with the purchase. Partners that comprise Crossroads LLC are local and well known.
- 11) The negotiation process with the developers took into consideration the cost to serve for line item departments. Estimates and projections of both service costs and revenues were used to guide the negotiation process. While other towns may offer higher reimbursement agreements as incentives for economic development, the Town wanted to insulate current tax payers by reserving adequate funds for providing services.
- 12) The revenues do not include capital costs. We understand that the developer will be paying impact fees in the neighborhood of \$29 Million combined for schools, roads and sewer. In addition, the developer is responsible for certain roadway impacts that are determined in site plan process.

- 13) The revenues do not include any projection for equipment taxes for businesses located on the property, nor does it forecast potential revenues from fleet vehicles. This provides an additional cushion in the cost to revenue calculation.
- 14) Under the CEA, the developer will be reimbursed up to 40% of their property taxes based on new value creation. If there is no new value created, 40% of zero is zero. If they underperform, their reimbursement is reduced and potentially stopped.
- 15) The reimbursement is capped at \$55 million, with an additional provision that would allow them up to \$2 million per year, once they meet all of their performance standards. Based on their buildout scenario, they may receive up to \$81 Million, again, if they meet their performance standards. \$81 million would represent 16% of total projected new property taxes for the 30-year period.
- 16) The performance standards ensure that the developer creates the non-residential value promised in the development program.
- 17) The project preserves the possibility of including a community center and a main street, items desired by many residents. Further, the CEA lays out a process to let the residents determine the features of a potential community center, the associated costs and an agreed upon way to pay for the center.

For all of the above reasons, the SEDCO strongly endorses this project as presented. Crossroads, LLC has introduced a vision of the Downs property that fits the goals of the Comprehensive Plan, takes advantage of the transportation logistics and provides significant economic development opportunities for residents and businesses.

Jonathan Crasnick (Vice-Chair) specializes in commercial real estate finance with an MBA from the University of Southern Maine. Jon currently works for People's United Bank in Portland. He has over ten years of commercial real estate experience, having worked in both development and lending. Jon and his wife moved to Scarborough in 2011. They have two young children and understand the attraction of Scarborough to both residents and businesses in the Greater Portland region.

Kevin Freeman (Past-Chair) is the Vice President of Martini Northern, a construction management firm active in Maine and New Hampshire. Kevin brings 30 years of experience in the construction industry, having managed the business development efforts, client relations and strategic positioning for a number of leading regional construction firms. Throughout his career, he has been instrumental in assisting firms to achieve significant growth and market diversification. Kevin sees Scarborough as a wonderful vibrant community and enjoys being at the ocean, fields and woods all within Scarborough.

James (Jim) Hartley is both a resident and a business owner in the Dunstan area of Scarborough. Along with his father-in-law, Dick Whitmore, Jim founded Pine Tree Seafood and Produce Co., a family-run neighborhood market. Jim understands the dedication it takes to run a small business. In fact, he and his family live in the house next door to the market. He's had a passion for small business creation and promotion since childhood and joined the SEDCO Board to lend his skills and experience to help other entrepreneurs realize their dreams of owning a business.

Andrea C. Killiard (Chair) serves as the Marketing and Life Enrichment Director for Piper Shores. Andrea works to increase the awareness of lifecare retirement through strategic marketing, advertising and public relations programs. Prior to Piper Shores, Andrea held marketing positions with Hannaford Bros., GoFish/Seafax and Upstream LLC. Andrea's goals for Scarborough include furthering the community's vision statement for economic and community development and helping strike a balance between business growth and natural resource preservation.



Scarborough Economic
Development Corporation

2018-19 Board of Directors



David Martin is a structural engineer, manager, and business developer for the Portland office of Foley Buhl Roberts & Associates, a consulting firm specializing in education, healthcare, commercial, civic, long-term care and multi-unit residential buildings in New England and beyond. Dave brings over 20 years of experience in the building design industry, having managed structural design of projects from single-family residences to university hockey/basketball arenas. Dave, his wife, and their three young boys moved to Scarborough in 2016. Dave has been busy coaching his boys' baseball and soccer teams, and is excited to become more active in the community through SEDCO to help Scarborough prosper.

Allen Paul comes to the Board with 45 years of sales and management experience in the building automation, energy management and life safety industries. He served nine years as a member of the Scarborough Planning Board and is currently a member of the Long Range Planning Committee. When he and his family moved here over twenty years ago, they chose Scarborough for the quality education and lifestyle it provided. The town has doubled in size during this time yet, Scarborough still has a small town feel with big city amenities. In his free time, Allen enjoys outdoor activities with his family.

Rick Shinay (Clerk) is a Shareholder with the law firm of Drummond Woodsum in Portland. Rick has represented public and private clients in all aspects of real estate law in connection with acquisition, development, financing and sale of real estate. In Scarborough, Rick worked on many projects including those involving the Haigis Parkway. He has served on various boards and committees in Scarborough over the years and currently serves as a member of the Long Range Planning Committee and the Scarborough Land Trust. He considers good schools, good business climate, and good administration as well as great beaches and open space as the best assets of Scarborough.

Maureen Van Uden (Treasurer) is Androscoggin Savings Bank's Lead Commercial Loan Officer. Her passion is to help small business owners reach their growth and financial objectives. Maureen's expertise in small business financing is critical to SEDCO's mission of serving our growing community. Maureen considers our location, the quality of education and the involvement of the community as the greatest assets of the town. She also sees SEDCO's job as attracting businesses that add to the community both financially and socially. She lives in Scarborough with her husband and two boys.

Jean-Marie Caterina: Town Council Liaison to the SEDCO Board of Directors

Tom Hall: Town Manager, Ex Officio Member



SEDCO / 360 US Route One, Suite 204
PO BOX 550 / Scarborough, ME 04070-550
(207) 883-4893 / hello@sedcomaine.com
sedcomaine.com