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To: Scarborough Town Council and Tom Hall, Town Manager

From: Crossroads Holdings LLC

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Crossroads Holdings LLC is pleased to provide the following responses to the Town Council's inquiries, based on the feedback that we have received from Town Manager Tom Hall. We appreciate the Council's consideration of the necessary public-private partnership to activate and make the Downs a tremendous success for the community.

Why the urgency?

There is incredible interest in commercial and light industrial development within the Downs project, most particularly in the area of the project furthest from existing public utilities (1 ½ miles from infrastructure in Route 1 and ¾ of a mile from infrastructure within Haigis Parkway). This area is the northernmost portion of the site off of Payne Road where light industrial, manufacturing, and research / technology uses are exclusively allowed. This is the exact location the Town seeks to see this type of economic development. Further, there is significant market demand and virtually no supply for light industrial and manufacturing space both in Scarborough and Greater Portland, with a vacancy rate at or below 1.25%. This is a tremendous economic development opportunity and the time is now.

As evidence by this market demand, there are at least eight different commercial, manufacturing, and light industrial users totaling 450,000 SF of prospective space that are interested in locating at the Downs and seek to start construction in 2019 alone, and this is without marketing the property yet. But all of these prospective deals are contingent on starting work in the first half of 2019.

The challenge and urgency is that the costs of the public infrastructure extensions and improvements to enable this development are extraordinary and necessitate a TIF partnership to unlock this economic development opportunity, create new employment, and generate significant new value for Scarborough.

These deals need certainty within the next month in order to be realized, so that design, permitting, and financing can all proceed and be secured. The design and permitting of this area will take over 6 months and the development team needs this partnership to move forward. If these timeframes aren't met and infrastructure isn't installed, these businesses will find other space in the region and the Town will lose these users to surrounding communities.

In addition to the acute market demand for light industrial and commercial development, there is also a broader urgency for the design, vision and marketing of the Downs as a planned, mixed-use community. This is a vision that has been highlighted in the Town's 2006 Comprehensive Plan and the current Crossroads Planned Development District (CPD) since 2013 and one that the development team has followed down to every finer detail. We have an aim of delivering a project that will provide not only a modern day downtown and vast public amenities, but also a robust economic engine that will fuel the community for years to come and we have based our approach



on the Town's Comprehensive Plan that emphasized the criticality of this property to the Town and a public-private partnership to enable it.

Why is it more expensive to develop in Scarborough?

There are a wide range of impact fees, development fees, and code requirements that make development within the Town of Scarborough consistently and significantly more expensive than other surrounding communities.

These requirements that are unique to Scarborough include:

- Four different traffic impact fee districts (for Downs - estimate \$3.5 Million)
- School impact fees (for Downs - estimate \$4.25 Million)
- Sanitary District Capacity Reserve fees (for Downs – estimate \$10 Million)
- Fire Department fire suppression requirements beyond typical in other communities

We understand the Town and agency rationales for these requirements and ordinances, and their intent to limit the impact of new development on the existing taxpayers or ratepayers within the community, but they are significant costs and a competitive disadvantage and disincentive for development.

While it is often said that these are the costs of doing business in Scarborough, these costs when combined with the extraordinary upfront infrastructure investment to just activate and start developing the Downs can cumulatively stifle economic development and value creation, and cause businesses and users to locate elsewhere.

What do you now know about the land that you didn't know when you purchased it, that affects the cost of development?

There are a variety of development challenges that have come into focus as all the details of the project are becoming known:

- More wetlands – due to haphazard timber harvesting and rutting by skidders and a wide range of past wetland delineations, there is significantly more wetlands on the site (created by skidders etc) that have reduced the upland areas by over 50 acres and have increased the cost of infrastructure and permitting to overcome wetlands and crossings. With significantly more wetlands around the edges of the site, it is significantly costlier to run infrastructure without return to get to the development areas.
- Stormwater management – With additional soil investigation and the needs and requirements of Maine DEP and the protection of Mill and Willowdale Brooks, significant amounts of fill and material is needed to build up the site and design the necessary stormwater management systems for development on this property. This adds significant cost to development on this site, particular for higher value and larger footprint development, such as commercial and non-residential buildings.
- New area for light industrial development – Since the team acquired the property, we worked with the Town Council, Long Range Planning Committee and Planning Board on establishing a specific portion of the property for a new economic development area to



create a light industrial and manufacturing industry cluster. This area was specifically approved through a zoning amendment to be allowed only in the northerly area of the site close to Payne Road and Exit 42, but very distant from the necessary infrastructure. This location of the property was purposeful for the long term, but creates a significant and extraordinary challenge to activate this development, warranting a public-private partnership.

What infrastructure is needed to make pod 4 ready for development?

Pod 4 requires:

- Sewer to be run from Haigis Parkway up to Payne Road and through the Pod 4 area *(3/4 of a mile to get from Route 1 to start of Pod 4)*
- New Sewer Pump Station in Core
- Stream crossings for sewer and future street from Haigis
- Watermain from Route 1 to Payne Rd and through Pod 4 area
- Natural Gas Extension from Route 1 and Haigis Parkway
- New Electrical and Communication from Route 1 through to Payne Rd *(1 ½ miles to get from Route 1 to start of Pod 4)*
- New Fiber Optics from Route 1 *(1 ½ miles to get from Route 1 to start of Pod 4)*
- Payne Rd / Downs Road Intersection Improvements
- New Downs Road from Payne Road to and through Pod 4
- Significant Wetland Permitting and Crossings
- Significant Fill to Elevate the Site for Stormwater and Site Prep

These are extraordinary infrastructure improvements and costs to activate the tremendous economic development potential of the Pod 4 Light Industrial area, and aren't comparable to any development the Town has ever seen in terms of upfront costs of the developer and then economic return and value creation resulting from the private investment in public infrastructure.

What are the components of the "downtown" in the two development scenarios?

Our development plan includes the creation of a special, modern day downtown at the heart of the Downs and in direct response to the Town's 2006 Comprehensive Plan and the Crossroads Zoning District. We see this downtown as including a wide range of public focused amenities, including: a new town common; a Main Street for shopping, dining, entertainment, and residences; a re-purposed Grandstand that is a landmark building with both public and private space; public recreation space, including a location for a potential new community and recreation center; as well as new buildings, streets and urban fabric that is high quality and high value and will be an attraction for town residents, visitors, and employers and can serve as an economic, civic and cultural hub for the Town and the region.

Creating this downtown environment requires a credit enhancement agreement through a public-private partnership, given the significant upfront costs that will be born solely by the development team. And with private development investment and risk, such a heavily amenitized downtown will foster tremendous tax value that will propel economic development and tax value creation on the property and throughout this part of the community. Without a credit enhancement agreement for the enabling infrastructure and a partnership on the downtown, a downtown development and its associated benefits will not be realized.

