

**AGENDA**  
**SCARBOROUGH TOWN COUNCIL**  
**WEDNESDAY – DECEMBER 20, 2023**  
**WORKSHOP RE: ALGER HALL LEASE – 5:30**  
**& AUDIT PRESENTATION - 6:15 P.M.**  
**HYBRID MEETING**

**TO VIEW TOWN COUNCIL MEETING & OFFER PUBLIC COMMENT:**

<https://scarboroughmaine.zoom.us/j/84286414999>

**TO VIEW TOWN COUNCIL MEETING ONLY:**

<https://www.youtube.com/channel/UCD5Y8CFy5HpXMftV3xX73aw>

**Item 1.** Call to Order.

**Item 2.** Those Present.

**Item 3.** Discussion on the following::

- Lease Agreement on Alger Hall – 5:30 p.m.
- Audit Presentation – 6:15 p.m.

**Item 4.** Adjournment.



**Town Of  
Scarborough  
Maine**  
<http://www.scarboroughmaine.org>

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1 in = 47 feet





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To: Scarborough Town Council  
From: Thomas J. Hall, ~~Town~~ Manager  
RE: Lease Agreement – Alger Hall  
Date: December 19, 2023

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A workshop has been arranged for the purpose of testing the concept of leasing Alger Hall to the Scarborough Land Trust. The purpose is to receive input from the Town Council on the concept, no decisions are expected. Assuming there is a favorable reception to the concept, a formal lease agreement would be prepared for Town Council consideration. This memo intends to provide additional information for context and to support the discussion:

**Background:**

In 2020 the Town became aware that the Governor King Masonic Lodge (formerly known as Alger Hall) was listed for sale. Given the historic significance of the structure and its proximity to the Dunstan Fire House (Engine 4), the Town Council authorized the use of land bond funds to purchase the property (\$367,000) and to perform some basic improvements to secure the structure (\$31,000), which included a new roof, replacement of the boiler and foundation repairs. Since the acquisition, the building has not been utilized in part because of the pandemic, but also to allow for thorough consideration for a municipal use. After a review of Town needs we have determined that it serves no immediate purpose to support Town operations.

Given its location to Engine 4 and the Historical Society we have not offered the space on the open market to find a tenant; however, in the intervening years I have been approached, unsolicited, by two church groups and a private business interested in the building. In early 2023 the Scarborough Land Trust (SLT) expressed interest in the space and discussions have continued as they considered improvements that would be necessary to accommodate their use. Before proceeding further, we seek Town Council input to determine if this concept is viable.

**Office of the Town Manager**

259 US Route One | PO Box 360 | Scarborough, Maine 04070 | P: 207.730.4030 | [scarboroughmaine.org](http://scarboroughmaine.org)

### **Proposed Use:**

SLT is in rented space currently that no longer meets their administrative needs, much less support their education pursuits. SLT proposes to use the building to support their administrative offices and serve as a "Conservation HUB" to support activities and education in pursuit of the Town's 30 By 30 initiative as well as their stewardship efforts.

Given our close working relationship, SLT is the ideal tenant as they will cooperate to support our needs at Engine 4. They are considering investing over \$250,000 in the building (\$200K leasehold improvements and \$50K in FFE) to suit their needs – SLT can provide an overview of the anticipated improvements. They intend to conduct a fundraising campaign to raise the money for interior improvements, but have requested that the Town consider covering the costs (not to exceed \$20,000) of constructing an ADA ramp to ensure handicap accessibility to the building. In consideration of cooperation we can expect from them as tenant and the amount of investment they are contemplating, the request is for no rent to be paid for the initial term of twenty (20) years. In an effort to receive productive input from the Town Council, for discussion purposes I have prepared a summary (attached hereto) of potential terms of a lease agreement should the Town Council be willing to consider it.

### **Financial Aspects:**

For comparison purposes, Karen Martin has prepared an overview of market rate lease rates in Scarborough. Based on current lease rates and the condition of the property, it appears that the market lease rate for the first floor is in the range of \$14.00/sf and \$5.00/sf for the basement level, translating to an annual lease cost of approximately \$42,000 if this property was subjected to the market lease terms.

Based on our multiple years of ownership, the annual operating expenses of maintaining the building at a minimal level are \$6000/year. In addition, the Town has historically provided \$4000/year in the annual budget to support SLT's efforts. A lease would obviously eliminate operating costs to the Town and the suggestion is that in view of the favorable lease rate, the annual support to SLT be discontinued, combined a \$10,000 net annual savings to the Town.

### **Conclusion:**

The fact is that we own a property that was acquired to preserve an important part of our history and to protect our interests at Engine 4 and for the Historical Society, but the property serves no purpose to municipal operations. SLT has proven to be a perfect partner for the Town and with the 30 By 30 initiative we need to strengthen this partnership even more. I encourage the Town Council to give this concept serious consideration and provide feedback regarding next steps.

Attachments:            Summary of Potential Lease Terms  
                                  Memo from Karen Martin on Lease Rates

### **Office of the Town Manager**

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## Summary of Potential Lease Terms - Alger Hall

### Location

Property Location: 649 US Route 1  
Assessors Map/Lot: MAP U31/Lot33

### Dates

Effective Date: To be determined  
Commencement Date: To be determined

### Square Feet

Leasable Space: 4,532 square feet: 2,260 First Floor, 2128 Basement with limited use  
Lot Size: .25 Acres  
Tenant's Portion: 100% of Building

### Rates

Base Lease Rate: *In consideration of the leasehold improvement Tenant intends to make to the Lease Premises, the Base Rent for the Initial Term shall be one dollar (\$1.00). Landlord shall consider the rent for any Renewal period and shall notify Tenant of any proposed changes to the rent*

**Market Comparison: \$14/SqFt Annually for first Floor/\$31,640  
\$5/SqFt Annually for Basement/\$10,640  
\$42,280 Total Annual Lease Rate**

Other Charges: *Tenant is responsible for all utilities, including electric, telephone, internet, gas, water sewer, cable, trash collection. Tenant is responsible for all janitorial and landscaping services. Landlord will be responsible for snow removal*

Lease Term: *Initial Term of 20 Years, then 3 additional five-year terms, Landlord reserves the right to review the terms of the lease renewal for each of the successive renewal periods, and propose revised terms to the Tenant for consideration.*

### Improvements

Landlord Improvements: *Building to be delivered to Tenant is "AS IS" condition.*

Tenant Improvements: *Tenant intends to make significant renovations to the premises and is solely responsible for the cost of improvements that may be required for handicapped accessibility purposes or desired by the Tenant for their use and enjoyment. All exterior alterations should observe the historical nature of the structure and seek to minimize impact. Tenant must seek and secure all necessary local, state and federal approvals and permits that may be required.*

### Property Description:

*Year Built:* 1900  
*# of Stories:* 1 (not including basement)  
*Roof:* Gable/Hip Roof with Asphalt Shingles/Composite  
*Siding:* Vinyl Siding  
*Flooring:* Hardwood on main floor  
*HVAC:* Hot water for heat/No AC  
*Utilities:* Gas for heating, Public Sewer, Public Water  
*Restrooms:* 2  
*Signage:* Tenant shall be allowed to install signage on the exterior of the Premises in compliance with all governmental codes and regulations. All signage shall also be approved in advance by the Landlord, such approval shall not be unreasonably withheld or denied.  
*Zoning:* TVC  
*Parking Spaces:* 1,000 SqFt of paving/ 5 to 10 Spaces  
*Accessibility:* **SLT requests that Landlord install an ADA ramp to access the top floor.** All other Improvements must be made by the tenant to comply with handicapped accessibility requirements

### Property Restrictions:

*Subletting:* Tenant shall not assign the lease or sublease any or all of the premises without first obtaining written consent of Landlord. The consent shall not be unreasonably withheld or denied.

*Other:* The Parties acknowledge the proximity of the Premises to the Dunstan Fire Station and the Scarborough Historical Society and the need to cooperate on parking. The Parties further acknowledge that maintaining access and parking for the Dunstan Fire Station is a priority. The Parties agree to collaborate on securing additional parking for the Tenant.

Tenant may, from time to time during the term of the Lease, make interior, non-structural alterations to the Premises and alter the exterior appearance of the Premises with the prior approval of the Scarborough Land Trust and Landlord.

### Maintenance and Repairs

Tenant shall keep the premises and all doors, fixtures, equipment and appurtenances (including lighting, heating and plumbing fixtures and the alarm system) in good order, condition and repair, damage by casualty expected. In addition, Tenant shall be solely responsible for breakage and damage to windows and glass and shall promptly replace all broken glass.

Landlord is responsible for repair and maintenance of all exterior and structural elements, including the roof, foundation, parking areas, electrical, plumbing and boiler existing at time of lease execution.

### Right of First Refusal

If the Landlord chooses to sell or otherwise dispose of the property in the initial term of lease, the tenant has the right of first refusal.



**TO:** Tom Hall, Scarborough Town Manager  
**FROM:** Karen Martin, SEDCO Executive Director  
**DATE:** December 18, 2023  
**SUBJECT:** Lease Rates in Scarborough

The following lease rates for buildings in Scarborough were pulled from active listings on December 18, 2023 using the New England Commercial Property Exchange on the Catylist platform. A summary table as well as the detailed listings are provided.

The majority of the leases are listed as Triple Net (NNN) meaning that almost all services (utilities/snow removal, common areas) are charged above and beyond the base lease. For example, the property at Gateway shoppes lists NNN expenses as an additional \$5.60/SqFt.

The lease for a stand-alone building, where the tenant is taking the entire property is often slightly higher.

For a reference on an existing Town-owned property, Gawron Turgeon leases the entire building at 29 Black Point Road. The negotiated lease rate for the property is \$15.10/SqFt annually or \$66,000 for 4,371 square feet of space.

### **General Office Rates**

Range: \$14.75 to \$20.00/SqFt Annually  
Comparison of a 5,000 SqFt Space  
\$73,750 annually/\$6,145 monthly to  
\$100,000 annually/\$8,333 monthly

### **Medical/Flex Space**

Range \$12-\$22/SqFt Annually  
Comparison of a 5,000 SqFt Space  
\$60,000 annually/\$5,000 monthly to  
\$100,000 annually/\$8,333 monthly

### **Industrial Rates**

Range: \$9 to \$11.75/SqFt Annually  
Comparison Range on a 5,000 SqFt Space  
\$45,000 annually/\$3,750 monthly to  
\$58,750 annually/\$4,896

### **Example Buildings Lease Rates:**

#### **General Office**

- 1) Willowdale Place/360 US Rt. 1 – \$20/SqFt, Annually (Modified Gross), up to 3,412 SqFt available
- 2) Gateway Shoppes/100 Cabela Blvd – \$18/SqFt, Annually (NNN), up to 4,600 SqFt available

- 3) 482 Payne Rd – \$15/SqFt, Annually (NNN), up to 9,696 to 19,392 SqFt available
- 4) 246 US Rt 1 – \$14.75/SqFt, Annually (Modified Gross), 4,540 SqFt available
- 5) Centervale Farm, 200 US Rt 1 – \$18/SqFt Annually (NNN) up to 4,631 Sqft available
- 6) Roundwood Business Park, 6 Ashley Drive – \$15/SqFt Annually (NNN) up to 54,191 sq ft available

### **Medical/Flexible Space**

- 7) 6 Science Park Rd – \$12/SqFt, Annually (Modified Gross), 1,200 SqFt available
- 8) 175 Innovation Way – 22/SqFt Annually (NNN) 5,057 SqFt available (former Scorebuilders Building)
- 9) 51 US Rt 1 (Corner of Pleasant Hill and Rt 1) – \$13.50/SqFt Annually (NNN) 2,435 SqFt available
- 10) 8 Science Park Rd (Renovated) – \$12-\$16/SqFt Annually (NNN) 3,184 to 9,417 SqFt available
- 11) 306 US Rt 1 (Medical Office) – \$12/SqFt Annually (NNN), 1,567 SqFt available
- 12) 71 US Rt 1 (Elevation Center) - \$14/SqFt Annually (NNN), 5,566 SqFt available

### **Industrial**

- 13) 28 Pond View Drive (Former LAI International/Industrial Space) – \$9/SqFt (Modified Gross), 7,090 SqFt available
- 14) 26 Washington Ave (Industrial) – \$11.75/SqFt Annually (NNN) 15,118 SqFt available
- 15) 40 Manson Libby Rd (Industrial) – \$10/SqFt Annually, (NNN) 5,500 SqFt available

Based on the above current rates, \$14.00/SqFt would be a reasonable market lease rate for the Alger Hall. This rate would place the property in the range of the renovated Science Park Rd office space. The rate is slightly lower than the Gawron Turgeon Lease rate, which makes sense given the locational advantages of Oak Hill.



Town of Scarborough  
June 2023  
Financial Statement  
Audit Results

December 20, 2023

Presented by  
James D. Wilkinson, CPA  
Partner

**MARCUM**  
ACCOUNTANTS ▲ ADVISORS

# Introduction

- Presentation will review the Town and School's 2023 financial statement audit and financial results
- Status of Uniform Guidance Federal Compliance audit
- Feel free to ask questions at any time

## Measurement Focus/Basis of Accounting

- What is being presented in the Town's "fund" financial statements
  - Modified accrual basis of accounting
    - Revenues recognized when available and measurable
    - Expenditures recognized when fund liability is incurred, if measurable (with some exceptions)

## Measurement Focus/Basis of Accounting

- Fund financial statements utilize the “current financial resources” measurement focus
  - Recognizes cash or other assets that are expected to be converted to cash within or shortly after the accounting period
  - No reporting of long-term capital assets or long-term obligations

# Town General Fund

- Total Fund Balance increased by \$ 481,909 from current year operations
- Unassigned Fund Balance = \$ 10,549,179
  - Represents 10% of General Fund prior year budgeted expenditures

# School General Fund

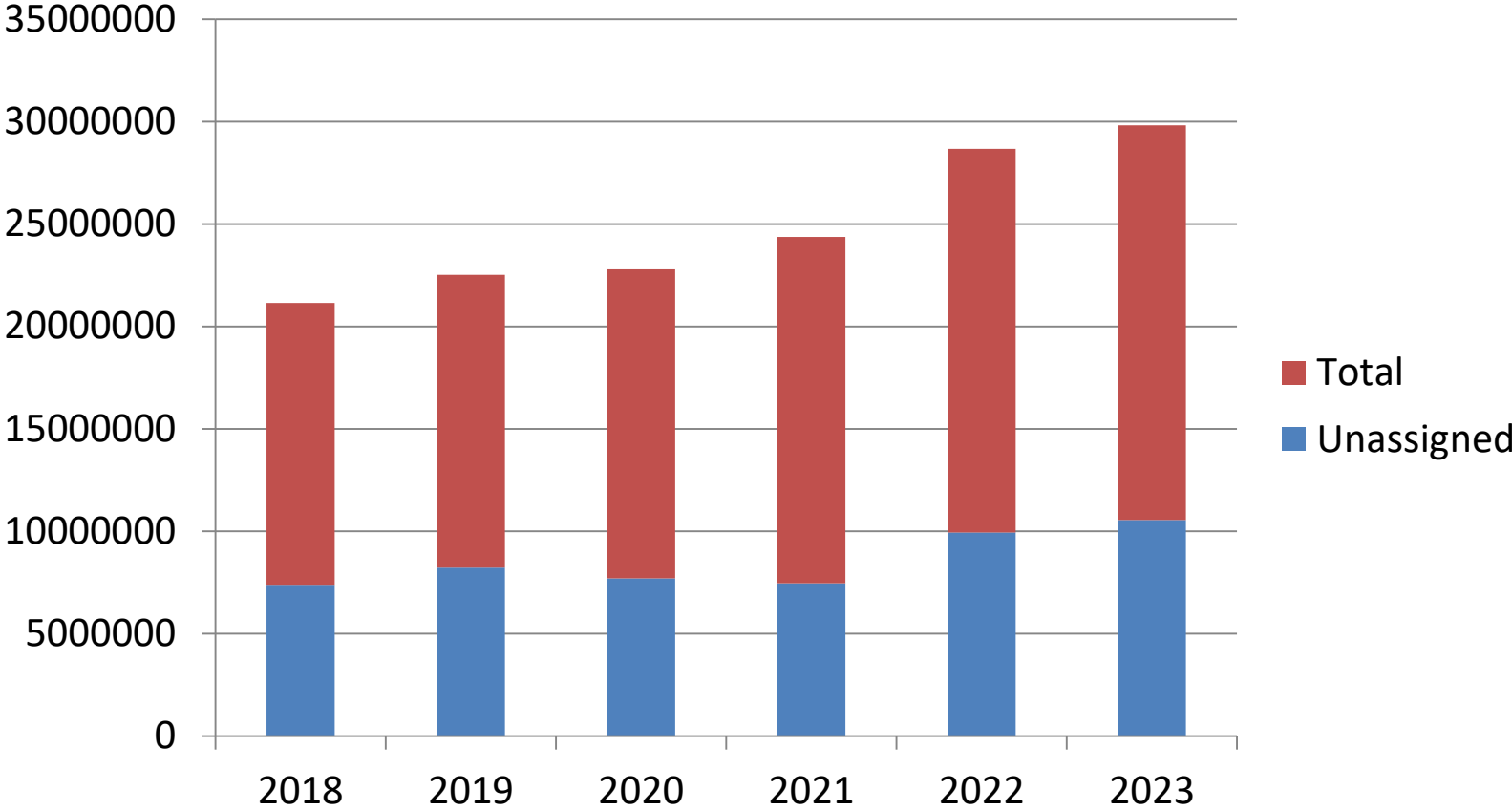
- Total Fund Balance increased by \$46,165
- Unassigned Fund Balance = \$0
- Total Fund Balance = \$3,719,174
  - 100% Earmarked for educational purposes

# Governmental Funds – Fund Balance

## June 30, 2023

Fund Balances:	<u>General Fund</u>	<u>Haigis Parkway Assessments</u>	<u>Other</u>	<u>Total</u>
Non-spendable	20,655		264,801	285,456
Restricted	4,974,393		2,616,897	7,591,290
Committed and Assigned	3,727,737		6,903,338	10,631,075
Unassigned	10,549,179	(2,685,388)	(4,741,615)	3,122,176
<b>Totals</b>	<b>19,271,964</b>	<b>(2,685,388)</b>	<b>5,043,421</b>	<b>21,629,997</b>
Change from 2022	528,074	(4,810)	(4,291,529)	(3,768,265)

# Fund Balance (Town and School combined): last 6 years





# Governmental Funds – Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2023

Revenues and Expenditures	<u>General Fund</u>	<u>Haigis Parkway Assessments</u>	<u>Others</u>
<b>Revenues:</b>			
Taxes	83,132,265	-	827,000
Intergovernmental	17,115,255	-	10,758,712
Charges	1,435,227	-	-
Other	6,839,660	688	8,735,133
Totals	108,522,407	-	20,320,845
<b>Expenditures:</b>			
Current	100,914,358	-	17,106,311
Debt service	6,388,650	-	-
Capital outlay	1,823,768	-	6,379,118
Totals	109,126,776	-	23,485,429
<b>Other:</b>			
Proceeds from debt	-	-	-
Transfers	1,132,443	(5,498)	(1,126,945)
Totals	1,132,443	(5,498)	(1,126,945)
Net Results	528,074	(4,810)	(4,291,529)

# Results of Operations-Town

- Total Revenues were above budget by \$1,525,129
- Taxes (all types combined) came in \$92,617 above what was anticipated
- Licenses and permits came in \$225,142 above what was anticipated
- Intergovernmental revenue came in \$530,176 above what was anticipated.
- Actual results for other revenue groups for FY23
  - *Investment income – above budget \$310,359*
  - *Other – above budget \$366,835*

# Results of Operations - Town (continued)

- Expenditures and other financing activities were \$2,449,407 below appropriated amounts in total.
  - Largest functional variances were-
    - Education - \$2.4M
    - Public safety - \$310k
    - Public works - \$227k
    - Debt proceeds – (\$805k) – delay in debt issuance
- Our review of other function/department-level budget variances (positive and negative) indicated that results were impacted by one-time items and isolated changes in operating plans.

# Pension Plans

- Plans report Town's Net Pension Liability of \$5,370,975 at June 30, 2023 (2022 valuation)
  - PLD = \$4,425,398
  - Teachers = \$945,577
  - Funding has consistently been at or above Annually Required Contribution (ARC).
  - As expected, significant impact of negative investment returns in 2022 valuation results.

# Other Post-Employment Benefits

- \$9,582,122 OPEB Liability
  - Obligation is satisfied on pay-as-you-go basis each year, with no assets set aside in dedicated OPEB Trust (not required)
  - Actuarial computations are highly dependent on long-term assumptions regarding healthcare costs

# Findings, Recommendations

- Communication with Those Charged with Governance
- No material weaknesses or significant deficiencies in controls noted in financial statement audit. Any federal program findings will be reported in conjunction with Uniform Guidance compliance audit.

Questions?



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Thank You.

