

The Downs
Annual Performance Update
CEA Year 2 (April 1, 2021 – March 31, 2022)

I. Purpose of the Report

Pursuant to Section 8.13 of the Credit Enhancement Agreement between the Town and Crossroads Holdings LLC (“Developer”) dated December 12, 2018 (the “CEA”), the Developer has agreed to make a presentation and provide a written report to the Town Council on an annual basis for the first four years of the CEA. A report was provided the past two years. Consistent with the timing of last year’s report, the Town Council and Crossroads have agreed to provide this annual report late summer of each year and have scheduled a Council workshop for Wednesday September 7, 2022.

Section 8.13 outlines the specific components to be included in the Developer’s annual presentation and written report to the Town Council. The purpose of the presentation and report is to update the Town regarding the status and progress of the Developer’s project. Specifically, the presentation and written report are intended to provide the status and progress of the Developer in meeting the various performance metrics set forth in the CEA including the amount of non-residential development underway or constructed, the construction of infrastructure such as utilities and roads necessary to serve the project and the amount of increased assessed value generated by the project. The presentation and written report are also intended to highlight conditions that restrict non-residential development and the Developer’s ability to meet the performance metrics noted above, initiatives underway to promote non-residential development and development expected to occur over the next year.

The Town is required under Section 8.13 to assist the Developer with the compilation of the information presented herein and the Town will be presenting that data during the workshop. Lastly, the Town is required to provide an update to the Developer on the progress made in relation to the public processes required to define the elements and costs of a Downtown and Community Center within the project. All other reporting requirements of Section 8.13 are addressed in this report.

II. Project Status (as of March 31, 2022)

The Downs mixed-use planned development continues to be on track with the projected development as forecasted in the CEA. The first phase of development (Mill Village District) is nearing full completion with 88,266 SF of non-residential square feet complete, 45,760 SF under construction (senior affordable rental and 14 unit apartment). This area is served by a completed and publicly accepted Downs Rd of 2300’ and requisite artery infrastructure and utilities that access this development and is being extended to enable future non-residential development in the project center.

The second phase of development (the Innovation District) is the project’s light industrial park and economic hub that has experienced an unprecedented level of interest and development activity and the subdivision is fully sold out at this time. As of March 31, 2022, 325,264 SF of non-residential development is complete and occupied; 7,490 SF of non-residential development was

under construction but substantially complete (to be complete by July of 2022); and another 336,690 SF of non-residential development in the contract, pre-construction and permitting phases. The infrastructure for this phase is very close to completion with over 3,000 feet of enabling roadway and utility infrastructure, stormwater management and site prep that has substantially been installed and completed, but not yet turned over to the town.

The third phase of development is the Town Center Residential District, a mixed-use residential phase. This phase of development commenced in the summer of 2020, and as of March 2022 includes 56,946 SF of non-residential that is complete (rental apartments and small office) and 187,000 SF in the contract, pre-construction and permitting stage (Senior Care Facility and rental apartments). The infrastructure for this phase is close to completion with 3,485 feet of enabling roadway and utility infrastructure (include a new sewer pump station) that is substantially completed, but not yet turned over to the town.

III. Progress toward CEA Performance Measures (CEA Section 2.3(b)(2))

A. Non-residential Square Footage

1. *Requirement: 500,000 sq. ft. by March 31, 2029*
2. *Percent completion toward requirement as of March 31, 2020: 219%*
 - a. 470,476 sq. ft. completed
 - b. 53,250 sq. ft. under construction
 - c. 569,450 sq. ft. in permitting

B. Infrastructure

1. *Requirement: Enabling roads, utilities and site prep necessary to serve non-residential development completed and sized to serve future development.*
2. *Enabling infrastructure completion toward requirement as of March 31, 2022:*
 - a. Enabling Roads, Infrastructure & Offsites:

Downs Rd – Phase 1 (complete) - 2,300 ft roadway including enabling sewer, water, electric, gas & fiber

Downs Rd – Phase 2 (90% complete) – 1,600 ft roadway including enabling sewer, water, electric, gas & fiber

Downs Rd – Payne to Innovation - 1,500 ft roadway including enabling water line, three-phase power, gas, & fiber

Innovation District (90% complete) - 1,700 ft roadway

Innovation District (90% complete) - 2,800 ft artery water, 3,500 ft artery sewer, three-phase power, gas, and fiber

Innovation District (100% complete) - enabling site prep

Hackamore/Frontrunner – TCR (underway) – 1,885 ft roadway including enabling sewer, water, electric, gas & fiber

III. Outlook for Future Development

A. Additional work to be completed by March 31, 2023:

1. *Non-residential square footage:*

Light Industrial/Commercial Buildings – 144,000 +/- SF

Apartments / Mixed Use – 48,360 +/- SF

Senior Rental Housing – 30,400 +/- SF

2. *Infrastructure:*

Innovation District – completion of Innovation District Infrastructure (roads, water, sewer, electricity, natural gas, fiber and off-site improvements)

Downs Rd – completion of Downs Rd Phase 2 1,600 ft toward Town Center and associated enabling utilities

Hackamore/Frontrunner – completion of 1,885 ft roadway including enabling sewer, water, electric, gas & fiber

Pump Station #2 – completion of sanitary sewer pump station to serve portion of Town Center Residential District and planned Town Center

Off-Site Town-wide Transportation Improvements – completion of new Haigis Prkway right turn lane at Payne Rd; widening, new lanes and alternating merge on Payne Rd by Ginn Rd; Payne/Holmes/Downs intersection improvements and new lanes; Payne Rd/Bridges Dr. safety improvements; and Route 1 traffic signal improvements and pedestrian safety improvements at all intersections between Municipal Dr. and Green Acres intersection

B. Initiatives to promote non-residential development:

The Downs development team has worked tirelessly to invest in, activate and market the non-residential, economic development components of the project in the initial years of the development and CEA. The success of the Innovation District is a direct result. As of March 2022, 2 1/2 years after starting construction, all lots were sold and 669,444 SF of non-residential development is either complete, under construction or in permitting within the Innovation District.

The Innovation District at the Downs has defined itself as southern Maine's light industrial hub for new construction with very notable end-users, such as IDEXX, Crown Lift, AV Technik, Mainely Tubs, Throttle and a variety of other end-users. The significant investment, speed to market, attention to quality of design and place, the larger planned community with housing and a future Town Center, and the availability of lots and flexibility lot sizes have been key components to attracting this non-residential development.

In addition to the Innovation District, the Down's focus on delivering a unique mixed-use community including a diverse range of housing types and price points is a fundamental ingredient to attract and promote non-residential development. Housing supply, affordability and access/short commutes for employees is critical to attracting modern, growing businesses and to activate economic development. Further, mixed-use downtown type environments with restaurants, shops, entertainment and associated amenities are an equally important component to initiate other types of commercial and non-residential development, as businesses need both people and vitality.

Crossroads has been and continues to invest heavily in planning and design the future downtown in the project and the mixed residential housing necessary to activate it and has been ready to move forward, dependent on the Growth Management Ordinance exemption needed for the type of mixed-use and multi-family housing necessary for a new, modern mixed-use town center.

IV. Development Restrictions

A. Conditions restricting progress of additional non-residential development and the execution of the mixed-use project:

The Town's Growth Management Ordinance (GMO), and its restrictions on development within the CPD District without an exemption, has become a very significant restriction on the project's ability to proceed. More specifically, these restrictions on development in the CPD Zone are heavily restricting and will soon halt progress of the following:

- Extending infrastructure to the planned Town Center for non-residential and mixed-use development & public amenities – Multi-family and mixed-use housing is a primary component in the land use mix, design, layout and financing of the a mixed-use Town

Center. The mixed-use Town Center cannot get started nor be sustained without the type and density of housing that is planned. This has been documented through the Downtown Committee process and confirmed by the Town's planning consultant. Without Section 7.F. approval, the mixed-use Town Center is restricted from moving forward.

- Development of mixed-use buildings with non-residential space – Mixed-use buildings with first floor commercial space and residential units on upper stories are restricted by the current GMO, as they cannot be permitted, financed and constructed in a mixed-use building format without Section 7.F. approval.
- Extending and looping new infrastructure for non-residential development as required by Town Zoning, Town engineering, public utilities & MaineDOT – The Town is requiring under zoning and local approvals that roads and utility infrastructure be looped and interconnected (not dead-ending). This includes extending road infrastructure into the Town Center and out to Haigis Parkway as a condition of Town and MaineDOT approvals that are already in place. This infrastructure cannot be looped without Section 7.F. approval and the ability to permit, finance and construct the first phases of the Town Center.
- Completion of Town & MaineDOT traffic improvements – The Town required the pre-permitting of traffic for the project (instead of site by site review), which resulted in a comprehensive permit and \$12.5-\$15 Million set of town-wide traffic improvements that address project impacts and longstanding congestion issues that have not been addressed by the Town. The GMO is restricting the development that is already approved by the Town, that is the reason for the permit, and is the means to finance these improvements.

Without approval under Section 7.F. of the GMO (Section 7.F. was created for this project and ones like it) the project will not proceed as planned in accordance with the Town's Zoning, the Town's Downtown Revitalization Plan, the CEA Agreement, the Town approved Master Plan, and the Town's Comprehensive Plan.

Another restriction on progress is the continued increases in building construction costs, material supply chain issues and delays, the limited construction labor market, and the significant increases in interest rates. So far these costs and economic head-winds have not stopped or entirely stifled building construction, but there are non-residential end users that have not moved forward due to these dynamics and there is increasing potential that these construction and investment costs can and will prevent meaningful non-residential building projects from moving forward.

V. Additional Updates

Beyond the reporting requirements of the CEA and the elements related thereto as outlined above, the Developer intends to offer additional information related to the status of the project during the workshop on September 7, 2022. While not required as part of the annual

CEA update, we believe this information is critical to understand and appreciate the progress achieved to date and the outlook for future development.

VI. Conclusion

As of March 31, 2022, The Downs has generated non-residential development as planned under the CEA agreement, master plan, Town zoning and the Town's Comprehensive Plan. This non-residential development has been focused on commercial, light industrial and bio-science development in the Innovation District and senior care, senior rental and apartment development in the Residential Districts of the project and has been incredibly successful in executing key town goals for economic development and affordable and workforce housing.

Further, Crossroads has completed the on and off-site infrastructure improvements according to the CEA agreement and Town and State permitting requirements and agreements, including sizing all infrastructure for future development in the Town Center and addressing comprehensive town-wide transportation improvements, also key town goals for infrastructure and transportation.

The project Outlook for 2023 and beyond is dependent on Section 7.F. approval under the Town's GMO, as outlined under IV. This approval by the Town Council can enable the project to proceed as planned with the activation of the mixed-use Town Center; the creation of additional non-residential development including restaurants, breweries, and other commercial end-users; and the continuation and completion of Town required infrastructure extensions and transportation improvements, all of which were designed and permitted to serve the future mixed use build out of the project.

This is the outlook spelled out in the Town approved master plan, the CEA agreement, zoning, Downtown Revitalization Plan, Downtown Committee Report, Planning Board approvals, and Town Comprehensive Plan, and is the outlook that Crossroads is committed to.