

**The Downs**  
**Annual Performance Update**  
**CEA Year 4 (April 1, 2022 – March 31, 2023)**

**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 three 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 20, 2023.

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. 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, 2023)**

The Downs mixed-use planned development continues to be on track with the projected development as forecasted in the CEA and is ahead of schedule in terms of performance standards. The first phase of development (Mill Village District) is complete with 131,102 SF of non-residential development. This area is served by a completed and publicly accepted Scarborough Downs Road of 2,300’ and requisite artery infrastructure and utilities that access this development and has been 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 original subdivision is fully sold out at this time. As of March 31, 2023, 322,117 SF of non-residential development is complete and occupied; 325,800 SF of non-residential development is under construction (this includes the Costco development and IDEXX phase 1

building) and another 52,000 SF of non-residential development in the contract, pre-construction and permitting phases. The infrastructure for this phase is close to full 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. This includes a planned roundabout intersection where Scarborough Downs Rd and Innovation Rd intersect. This will be the first roundabout intersection within the Town of Scarborough.

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 2023 includes 89,946 SF of non-residential that is complete (rental apartments and small office) and 194,788 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 and Sanitary District.

The fourth phase of development is the Haigis Parkway District, which is a commercial district offering a mix of restaurant, retail, brewery and office space. This development commenced in the winter of 2022 with the construction of Market Street off from Haigis Parkway with future connection to the planned Town Center and Scarborough Downs Road. This phase included 46,980 SF of non-residential development which is in the permitting stage. The infrastructure for this phase includes 1,250 ft of roadway and enabling infrastructure (Market Street – connecting to Scarborough Downs Road).

The fifth phase of development is the Town Center District, which will consist of a wide range of commercial and non-residential uses, mixed with residential development as is customary with a vibrant town center setting. Planning and permitting for this phase got underway in the winter of 2023, and as of March 31, 2023 includes 210,472 SF of non-residential development which is in the permitting stage. The infrastructure for this phase was also under design as of March of 2023, and not yet commenced construction.

### **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, 2023: **274%***
  - a. 543,482 sq. ft. completed
  - b. 366,588 sq. ft. under construction
  - c. 463,452 sq. ft. under contract and/or 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:*

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 (90% complete) - 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 (90% complete) – 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, 2024:**

1. *Non-residential square footage:*

Light Industrial/Commercial Buildings – 306,000 +/- SF  
 Apartments / Mixed Use – 93,588 +/- 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/Fronrunner – 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 Route 1/ Downs Rd signalized intersection with turn lanes, crosswalk and new sidewalk system along Route 1; Route 1 adaptive signal system upgrades, including ADA improvements; and Eight Corners adaptive signal improvements.

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/Payne District is a direct result. As of March 2023, 3 years after starting construction, all lots were sold and 675,000 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. Further, the gateway into Innovation District is the future home of the State of Maine’s first Costco Wholesale store that was well underway in March of 2023 and is slated to open in November. This 163,000 SF store and fuel station will provide a major retail draw and amenity to shoppers in Scarborough, greater Portland and the entire State, as well as be a significant new employer to the local economy.

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 modern economic development. Further, a 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.

As noted above in this report, Crossroads has been and continues to invest heavily in planning, design and permitting of the Town Center area of the project and will be moving forward with construction of the first phases of the Town Center area in late 2023 and into 2024.

#### **IV. Development Restrictions**

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

Construction costs, material costs, a limited construction labor market and continued increases in interest rates are mounting economic head-winds. These factors have slowed the pace of non-residential development activity in greater-Portland (and nationally) and have increasingly prevented end-users and investors from moving forward with new real estate investments, leases, expansions and similar growth opportunities. Further, the pandemic has changed the nature of office space and demand as well as retail trends and bricks and mortar, which has slowed investment in those sectors particularly. These factors are challenging convention in commercial real estate and have been, and will likely continue to be, restrictions on non-residential development until they normalize over the coming years.

#### **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 20, 2023. 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, 2023, 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, wholesale retail in the Payne Rd Gateway, 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 2024 and beyond is 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.