

Minutes
Economic Development Committee
March 7, 2017

A meeting of the Economic Development Committee (EDC) of the Portland City Council was held Tuesday, March 7, 2017 at 5:30 p.m. in Room 24, Basement Conference Room of Portland City Hall. Present from the Committee was its Chair Councilor David Brenerman and members Councilors Pious Ali and Spencer Thibodeau. Also present from the City Council was Councilor Justin Costa. Present from City staff were Public Facilities Director Kathy Alves, Associate Corporation Counsel Michael Goldman, City Manager Jon Jennings, Economic Development Director Greg Mitchell, Associate Corporation Counsel Victoria Morales, Waterfront Coordinator William Needelman, and Senior Executive Assistant Lori Paulette.

Item #1: Review and accept Minutes of previous meetings held on January 31, 2017, and February 27, 2017.

On motion made and seconded, the Committee voted unanimously (3-0) to accept both sets of Minutes as presented.

Item #2: Review and vote on sale approach for City-owned former Department of Public Works occupied properties.

Mr. Mitchell said that the EDC discussed these properties at its January 3 meeting; held a public hearing on possible disposition of these lots on January 31; which was followed by an EDC meeting for a tour of the properties with the real estate broker, CBRE/The Boulos Company, on February 27th.

Mr. Mitchell said that the subject Public Works Bayside properties are smaller and do not need to be subdivided and then highlighted the various properties to the Committee. Staff is

looking for direction from the EDC as to whether these properties should be placed on the market with or without restrictions. Staff is recommending no restrictions, as the City's Zoning and Height Overlay regulations, and Planning Board site plan approval process, provide protections to support redevelopment or new development of these sites. In addition, restrictions reduce the property values, and sale revenue is critical to support relocation of the remaining Public Works uses out of Bayside. The City Council has already approved two separate property acquisitions totaling \$6 Million in debt for the purchase of the Canco Road properties; any more debt will likely trigger a community referendum.

Mr. Mitchell noted that the commercial broker "call for offers" approach provides the City the opportunity to evaluate sale and use opportunities which best fit the neighborhood. Mr. Mitchell also said that this will, at a minimum, involve a two-step public hearing process – at an EDC meeting and at a City Council meeting - to approve purchase and sale agreements for property sales.

Mr. Jennings thanked Mr. Mitchell for this overview and staff's recommendations. Mr. Jennings also noted that a year 2000 article in the *Portland Press Herald* indicated that the City is contemplating sale of these properties. Mr. Jennings said that he is pleased to be moving forward now on the sales. Staff has spent a lot of time speaking with the Bayside Neighborhood Association and the neighborhood and has a good sense of what is wanted in Bayside.

Mr. Levine said that most of the properties are in the B-2 zone, which generally has a base height limit of 45-feet. He noted, however, that the lots being offered are in a height overlay that allows for additional height. Lots 3 and 4 are in the B-7 zone and heights can be 125 feet. Regarding residential uses in the B-2 zone, Mr. Levine said that this is at 100-units per acre.

Councilor Thibodeau asked about Lot 1 being a parking lot and potential reuse. Mr. Mitchell said the broker is here but there can be a mix of uses.

Councilor Ali asked about offers and the opportunity for the Committee to see what we have. Mr. Jennings said that the EDC will initially see the offers in executive session because of proprietary information and real estate negotiations.

Councilor Ali understood and noted the opportunity for the public to speak when the Committee reviews these publicly for a recommendation to the City Council.

Chair Brenerman said that by placing no restrictions on the property, does the City have the right to reject any offer(s), and Mr. Mitchell said that it does. The EDC and City Council are in complete control of the process. Mr. Jennings added that once the City Council has approved a Purchase and Sale Agreement, there will be even more public process as the Planning Board reviews the proposed project(s). Mr. Levine also noted that, depending on size, most of the development projects would require a Level 3 Site Plan Review, which includes a neighborhood meeting and Planning Board Workshop, then a Planning Board public meeting and public comment opportunity. Development projects would be reviewed for zoning and compliance with the Comprehensive Plan.

Chair Brenerman asked Boulos Broker Drew Sigfridson about various options for these properties.

Mr. Sigfridson said that he anticipates a variety of uses, noting some might be first floor retail, with upper floors office and residential. For lots 4 and 5, with their higher ceilings, he suggested these could see a similar type of development as with the former Nissan Building on Washington Avenue, as well as with the reuse of buildings at Thompson's Point. He also noted that, over time, because of height and density, additional development could go up.

Chair Brenerman thanked Mr. Sigfridson and asked if there was any public comment on this item.

Steven Scharf of Salem Street said that he is pleased this is moving forward and that any interested buyer could propose a zoning change to B-7 to allow for more height. He then questioned lot #2 being sold, particularly if the City would be retaining any of it for the realignment of Kennebec Street. He also noted that 55 Portland Street is the most marketable piece and suggested it be marketed for a high-rise development.

Joe Brunelle, 61 Kellogg Street, then noted that he would like to read a letter from Ian Jacob who could not be present; please see attached letter.

Nasir Shir, 70 Portland Street, said that the Mosque could use parking and Lot 1 could provide that, as the Mosque does use it now.

Ross Furman, property owner in this section of Bayside, has been there since 1978, when there were many brick buildings and very few people. He now has over 35 tenants within 3 blocks. He applauded the City moving forward on these property sales.

Marcos Miller, 71 Atlantic Street, agreed with Mr. Furman. He suggested that the City encourage Boulos to market these for workforce housing.

Tom Blackburn of Hanover Street said that he has been watching Bayside for over 20 years. Regarding the highest and best use for Lot 4, he noted that the City needs skilled trades and workers. With Portland's growing population of immigrants, converting this building into an apprentice training facility would be a great addition to the area, and good for immigrants. If not, this site should be master planned or carved out of the sale.

Chair Brenerman, noting no further public comment, closed the public comment session.

Mr. Mitchell, in response to Mr. Jacob's letter, said that staff is recommending no

restrictions. He noted that the City put an RFP out for Lot 5, with extensive restrictions for affordable housing. This lot has an assessed value at \$800K, and the City received one proposal from Avesta Housing to purchase it for \$1.00 in order to comply with all the restrictions. Whenever there are restrictions, it results in a lower property value. In real numbers today in terms of cost of redevelopment, half of the total Assessed value is in the land. If the building were demolished, you erase \$400,000 of assessed value. Demolition is at \$5 per sq. ft. or \$65,000 for this building. Other potential costs could include environmental remediation. Due to these costs, among others, staff recommends no restrictions.

Councilor Thibodeau asked about an estimate for remediation, and Mr. Mitchell estimated approximately \$25,000 per property if needed. He also noted that the City has a proposal from Credere to conduct a Phase 1 Environmental Site Assessment (ESA) for all of these properties, which assessments have a 6-month shelf life. In this case, the Phase I ESAs will make sense to provide comfort to a buyer of any existing conditions. Phase I ESAs determine if more testing needs to be done.

Councilor Thibodeau said that Lot 4 would cost \$160,000 to demolish; Lot 5 to demolish is \$65,000; so together this would cost approximately \$225,000 to be demolished and used for housing, with no environmental issues. If there were, it would be even more costly.

Councilor Thibodeau asked about selling each property or all of them at one time, and Mr. Mitchell said that it could either way depending on offers received. The EDC can provide that direction once offers are received and reviewed.

Mr. Mitchell then noted that Lot 2 does overlap with the planned realignment of Kennebec Street, and this would be taken care of during negotiations to protect the City in moving forward with that realignment.

Mr. Levine said that the Comprehensive Plan is not a detailed document but rather policy minded. When offers are in, the City will evaluate them based on elements in the Comprehensive Plan.

Regarding parking for the Mosque, Mr. Jennings said that parking can be a temporary use, but the highest and best use for that lot (#1) is not for parking.

Regarding Lot 4 for apprentice training, Mr. Jennings said that he has been speaking with organized labor for a training facility. Organized labor is important, but organized labor/unions do not have funds for a training facility, and he does not feel this is the place for one. Mr. Jennings further noted that the EDC can provide direction to staff.

Councilor Ali asked Mr. Jennings if he is continuing to work with organized labor. Mr. Jennings said that he is and will continue to do so, noting that SMCC may provide the place for that opportunity.

Councilor Thibodeau said that he would like the broker to try and encourage/leverage workforce housing for Lot 1.

Mr. Sigfridson said that Boulos can make that concerted effort and assist with determining under what terms development of workforce could be a viable option, noting the Housing Tax Credits are granted in October, as well as looking at City resources.

Councilor Thibodeau said that his hope today is to give Boulos direction to market for workforce housing as much as possible and approach those housing developers; Chair Brenerman and Councilor Ali agreed.

Chair Brenerman said that the way the City is doing this is flexible enough so the City can determine what can be done there. This Committee will review offers, looking at price and development proposed. The City can accept or reject any offer/proposal. If it likes a mixed use

offer, it can go with it. The City does need to move forward on this, noting that the former Schlotterbeck & Foss building is being redeveloped into housing.

Councilor Thibodeau agreed with the Chair. The City is not boxed in in any way. His hope is to see mixed use, which seems to be happening organically now. These should be marketed for sale, particularly encouraging workforce housing on Lot #1.

Chair Brenerman said that it there has been many years talk of moving Public Works out of Bayside. The City is finally doing this, and these sales proceeds are important to continue to move out the remaining uses and not put this on the taxpayers. This will improve the neighborhood.

Councilor Thibodeau then made a motion to have the Boulos Company market all of the properties with no restrictions, with an attempt to encourage workforce housing on Lot 1.

Councilor Ali seconded the motion and it passed unanimously (3-0).

Item #3: Review and vote to recommend to the City Council proposed amendments to the JB Brown and City of Portland Land Exchange Agreement, including the possible sale of the City-owned Cotton Street surface parking lot.

Councilor Thibodeau said that he is recusing himself from participating and voting on this item because his employer represents JB Brown on a number of matters.

Mr. Mitchell said that because of the recent City Council Workshop on this matter, he will highlight just a few things and displayed a map showing the locations of the proposed properties to be exchanged, including sale of the Cotton Street surface parking lot in place of the City One Cambridge Street property. The original land exchange was of equivalent value to both the City and JB Brown; the Cambridge Street property got complicated due to area-wide drainage needs and environmental contamination. The Agreement could have been terminated

but both parties continued to discuss possibilities, with the resultant replacement of the Cotton Street surface parking lot, which is jointly owned by the City and JB Brown and the City portion leased to JB Brown. JB Brown owns abutting properties on either side of the surface parking lot. There are 175 total parking spaces; 88 of which are on the City's portion. The Lease expires in 2019, with renewal options.

Mr. Mitchell said that City had appraisals done and based on an analysis, this would net the City \$1.175 Million. Mr. Mitchell noted that the City has occupied the JB Brown property, Parcel 1, from the Fall of 2015 to date at no charge for the sand/salt sheds and vehicle/truck storage.

Mr. Levine added that the Cotton Street property was purchased by the City using CDBG funds. The current leasing partnership with JB Brown nets \$120,000 yearly to the City which revenues go back into the CDBG program, helping the CDBG Program due to declining funding from the Federal Government. Revenues from the sale of this lot can be used for CDBG eligible activities.

Mr. Jennings suggested that a portion of the revenue, \$100,000, be used for the opiate crisis. He has been working with the Greater Portland Addiction Collaborative (GPAC) to address this crisis, and there is a need for more treatment and beds. The funds would go to the Milestone Foundation to enhance their current services, upon Council approval. He also noted that GPAC is seeking federal funding to expand and strengthen Milestone's treatment services.

Mr. Jennings suggested that another portion of the revenue, \$25,000, be used for a pilot program to address the panhandling issue. The pilot program calls for the City employing up to 5 panhandlers daily at minimum wage, and providing breakfast and lunch and connections with social service programs. It is anticipated that another \$18,000 would come from the CDBG

program for a total Pilot cost of \$43,000 for one year. It has been successful in other areas of the country.

Mr. Levine said that his Department conducted an analysis of the best use of the remaining \$1 Million from the sale, considering the annual decline of CDBG funding, and the end of the estimated \$120,000 revenue from the Cotton Street lease proceeds to CDBG programs. This analysis included: (1) spending the revenue annually (\$120,000) until depleted after 8 to 10 years; (2) use of a small revenue stream from Downtown TOD TIF revenue that would be devoted to community development related programs that are TIF eligible, suggesting \$120,000 annually, while expending the \$1 Million in the short term. Mr. Levine noted that social service programs are not TIF eligible. The third analysis includes a combination of the two, that is committing the \$1 Million to social services programs and other TIF-ineligible activities and supplemented with Downtown TIF funds to extend the life of those proceeds. For example, if \$20,000 were taken yearly from the \$1 Million to fund social services, and \$120,000 for CDBG programs were funded out of the Downtown TIF, social service programs would be funded for 50 years. Staff is recommending this approach.

Mr. Jennings agreed, also noting that the City has not heard from the Federal Government about further cuts to CDBG at this time. He thanked Jeff Levine and Mary Davis for their work in this analysis.

Councilor Ali said he has no questions today because they were answered at the Council Workshop.

Chair Brenerman asked about the size of the Downtown TIF, and Mr. Mitchell said that it runs from Washington Avenue to State Street and marries up with the Bayside TIF and Waterfront TIF area. TIF funds are averaging \$400,000 annually, with \$100,000 of that revenue

going to Creative Portland. Mr. Jennings said that TIF revenues can also be used for infrastructure improvements not funded through the CIP.

Chair Brenerman opened the meeting for public comment.

Steven Scharf of Salem Street noted that this is the first opportunity to publicly comment on this. He does support the transaction and looked forward to seeing the surface parking lot redeveloped for its highest and best use. He would discourage the use of Downtown TIF Funds, rather spending the revenue as noted in Mr. Levine's option 1.

Marcos Miller, 17 Atlantic Street, said that he is in favor of this project, noting that there could be an element added to help with the redesign of Spring Street in that area.

Seeing no further public comment, the public comment session was then closed.

Mr. Levine said that City staff did take a look at that area of Spring Street and did not feel that that area would be likely to see any shift.

On motion then made and seconded, the Committee voted 2-0-1 (Thibodeau abstained) to recommend to the City Council approval of the Amended Land Exchange Agreement, with \$100,000 from the sale proceeds to go toward expanding the Milestone Foundation's work with the opiate crisis, \$25,000 go towards the panhandling pilot program, and using the 3rd approach for further use of sale proceeds.

Item #4: Review and vote to recommend to the City Council the Proposed CPB2/MDOT/City of Portland Land Exchange Agreement.

Mr. Needelman said that this was first introduced to the EDC in April 2016 regarding the anticipated three-party land exchange. The exchange takes into consideration a shift of the MDOT right-of-way to the south on City land and property exchange of small parcels, noting the equivalent of which is the City retains the same amount of land. The Planning Board has

approved the Portland Company Master Plan, which includes the right-of-way realignment. The cost for the realignment of the right-of-way will be borne by the Portland Company.

Mr. Jennings said that this a win for the City in providing it more water access, and it is good for all parties involved.

Councilor Ali said that before he takes a vote on this, he would like a tour of the area.

Chair Brenerman asked if there was any public comment.

Joe Brunelle of Kellogg Street appreciated the slight delay to possibly vote on this, as this is the first he has seen this. It would be good to better understand and get the word out.

Steven Scharf of Salem Street said that this is a good exchange and a win for the City.

Mary Costigan, representing the Portland Company, noted that the driving factor was to move the rail and trail closer to the water.

Seeing no further public comment, Chair Brenerman closed the public comment session.

On motion made and seconded, the Committee voted unanimously (3-0) to table this item to the next meeting.

Item #5: Review and vote to authorize the bid process to sell a small strip of Franklin Street right-of-way to an abutter.

Councilor Ali requested a tour of this property before he votes on it.

Chair Brenerman, seeing that members of the public were present for this item, requested that Mr. Mitchell provide a presentation of this item.

Mr. Mitchell said that the property in question is a piece of remnant property associated with the construction of Franklin Street. It has deed restrictions for it to provide an access to lot 28-C-18, essentially it is a driveway to 28-C-18.

(Councilor Thibodeau had to leave the meeting at this point.)

Mr. Mitchell said that an abutter to this remnant piece is interested to buy it for development opportunities. It can be used creatively, i.e., development could occur above or redirect access to 28-C-18. Staff supports its sale and recommends a bid process be authorized to accept bids from the two abutters only.

Chair Brenerman asked if there was public comment.

Marcos Miller of 17 Atlantic Street noted that the parcel being requested to purchase from the City is of no value to the City, but a significant value to the abutter. It increases their opportunity to build and increase tax revenue to the City. With this added piece, a development could have frontage on Franklin Street, which has always been the goal.

Tom Federle of New Height Group, which has the abutting property under contract to purchase, endorsed Councilor Ali's request to tour the property. If New Height Group had this piece of property, the development could then have frontage on Franklin Street, in the same fashion as another development they currently have under construction. He said he would like to participate in the tour.

Steven Scharf of Salem Street asked about a sidewalk on this portion of Franklin Street.

Seeing no further public comment, the public comment session was closed.

Mr. Levine said that regarding the sidewalk, this would be addressed during site plan review.

A motion was then made and seconded to table this item to the next Committee meeting.

A vote was then taken and it passed unanimously (2-0).

Item #6: Executive Session: Pursuant to 1 M.R.S.A. 405(6)(C), the Committee will go into executive session to provide City staff general policy guidance regarding:

- a. Proposed amendments to the City and Bay Ferries Lease; and,**
- b. Possible sale of 7 Acres of City-owned property at Riverside Street**

Chair Brenerman asked if there was any public comment.

Joe Brunelle asked if the Committee would be doing anything further after these items are done, and the Chair indicated in the negative.

There being no further public comment, the public comment was then closed.

On motion made and seconded, the Committee voted unanimously (2-0) to go into executive session at approximately 7:55 pursuant to 1 MR.S.A. 405(6)(C) to provide City staff general policy guidance regarding Items 6(a) and 6(b) above.

At approximately 8:30 p.m., the Committee came out of executive session and the meeting was then adjourned.

Respectfully, Lori Paulette

Public Comment for EDC Meeting March 7, 2017

Councilors and staff,

Five weeks ago you asked the public for feedback regarding the sale of City owned parcels in Bayside and the eastern waterfront. For the Bayside parcels, the majority of the public supported smaller land parcels for a more organic and human scaled development. I would ask the Committee to explain how this feedback will inform their recommendation and guidance to staff.

The Economic Development Department staff memo for today's meeting argues sale restrictions and dividing the parcels into smaller parcels would diminish sale potential, lower the parcels value and sale price, negatively affect tax revenue, and lower the pool of interested developers. I would ask the Committee to have staff substantiate these findings.

The City adopted the Bayside Vision many years ago to help guide, amongst other things, development in the neighborhood. While it may be time to revisit that document, the City does have another document to refer to and that is the new and at this time, draft Comprehensive Plan. The public's contextual feedback and recommendations are in keeping with the visions outlined in the Plan. The Economic Development Departments guidance, is at its simplest, about achieving the highest monetary return devoid of context. While this certainly makes sense in some cases, I would argue it does not in Bayside. I would ask the Committee to explain how the Comprehensive Plan and contextuality will inform their recommendation and guidance to staff.

The staff memo goes on to assure the Committee and the public that there will be adequate opportunity for public process along with protections from zoning and Planning Board review to ensure the proposals are the "best fit for the neighborhood." This would seem to suggest that potential developers will submit proposals that will only require minimal adjustment by staff based on public input. I would ask the Committee to explain how they will ensure that the proposals will be the best fit for the neighborhood.

In summary, I would ask the Committee to share with the public how incorporating public feedback, fair monetary compensation, and the guidance outlined in the Bayside Vision and the Comprehensive Plan, will ensure that the sale of these parcels will be in the best interest of the neighborhood, public at large, and the City.

Thank you for your time and consideration.