

LEWISTON CITY COUNCIL WORKSHOP AGENDA

CITY COUNCIL CHAMBERS, CITY HALL

TUESDAY, DECEMBER 22, 2015

6:00 p.m. Workshop

Pledge of Allegiance to the Flag.
Moment of Silence.

Presentation of Potential Joint Development and TIF Agreements - Exit 80

EXECUTIVE SESSION

- * ES-1 Executive Session pursuant to MRSA Title 1, section 405 (6) (c) to discuss an Economic Development issue of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.

LEWISTON CITY COUNCIL
WORKSHOP AGENDA
TUESDAY, December 22, 2015
CITY COUNCIL CHAMBERS, LEWISTON CITY HALL
6:00 PM

1. Potential Joint Development and TIF Agreements – Exit 80 Area

Staff has been in discussions with the owner of a variety of vacant land in the Exit 80 area in regard to a potential development opportunity. The land in question is zoned for a variety of non-residential purposes. The developer is in discussions with a potential tenant for the initial project and with the City regarding excessive site development costs related to the presence of considerable ledge and other extraordinary costs associated with the initial project, which is anticipated to be the first in a multi-year development plan for the area. Please see the attached memo from Linc Jeffers.

Economic and Community Development

Lincoln Jeffers
Director



To: Honorable Mayor and Members of the City Council
From: Lincoln Jeffers
RE: Exit 80-South Lewiston TIF District and Development Program
Date: December 18, 2015

Dave Gendron (GRE), under various corporate names, is a major land owner in the vicinity of Exit 80 and extending south toward Lisbon. GRE is a long time and active developer in the community with a proven track record of delivering projects on time and budget.

Several months ago GRE approached the city to make us aware of interest from a major retailer that was conducting due diligence to site a new store at Exit 80. Development of retail at Exit 80 has long been a goal of the City and a desire often articulated by the public. GRE informed the City the costs to develop the land for retail far exceeded the amount the retailer was willing to pay for the land. GRE asked if the city would be willing to enter into a public/private partnership that would allow this initial project to go forward and to provide a catalyst for additional future development in the area. City staff has been negotiating with GRE for the last several months to structure an agreement that will assist in the redevelopment of the Exit 80-South Lewiston area.

Much of the land in this area of the city is challenging to develop. Ledge and wetlands are prevalent. There are slopes and some of the land is significantly higher or lower than existing roads. Ledge is expensive to blast and haul away and the filling of wetlands is expensive to mitigate. The existing road and utility network has limited capacity to accommodate growth. GRE is taking a long view of its ownership in that area and the cost to develop it. They are willing to fund the costs of improvements, but are asking that the City create a TIF District and Program that will return a portion of the new tax revenues generated within the District to make GRE whole over time for the extraordinary site costs GRE incurs.

Attached is a map showing a significant portion of GRE ownership in the Exit 80 - South Lewiston area. It includes approximately 426 acres. A build out scenario for this land conducted by Mike Gotto of Stonybrook Consulting projects GRE land on the map the area could accommodate:

2,165,000 s.f. of Commercial/warehouse
540,000 s.f. of retail
231,000 s.f. of Office

13,000 s.f. of Restaurant
3,000 s.f. of Gas Station
200 Hotel rooms

The actual square footage of development in the various categories will likely be different as market demand influences what's built, but the analysis summarized above is a reasonable build out scenario.

City Assessor Bill Healey has estimated that if all of that development existed in Lewiston today it would have total real property Assessed Valuation of \$150,152,247. At today's mil rate of .02737 that value would generate \$4,109,675 annually in taxes.

The site of initial retail anchor interest has turnpike visibility and proximity, but will require the blasting of more than 300,000 square yards of ledge, the relocation of a major pipeline, construction of a large retaining wall, and the a major rock cut for a road to get access to the site from Alfred Plourde Parkway.

The initial inquiry from GRE seeking municipal support for the initial retail project has evolved into taking a longer and more comprehensive view of development in the South Lewiston area. As noted above, the area can accommodate nearly 3 million square feet of new commercial development that could generate over \$4 million annually in taxes

Following is an outline of the agreement that has been negotiated.

Omnibus Tax Increment Financing District

Historically, Lewiston has created TIF districts and agreements on a project by project basis. Over the last several years, the state has created a mechanism that allows for the creation of a large TIF *district* (that must be specifically defined) in which different TIF *agreements* can be created. The large district that is defined and created is called an "Omnibus TIF District."

With the significant GRE land holdings in South Lewiston, an Omnibus TIF District is well suited to achieving GRE and the City's goals. The City and GRE have negotiated terms of the initial TIF agreement (summarized below), which include the city making some public infrastructure investments and reimbursing Gendron a portion of the new taxes generated over time. Having a larger TIF district than just the land used by the initial retail anchor allows the taxes generated by new investment within the District, even when it does not require City infrastructure investment or incur extraordinary site costs to GRE, to be used to more quickly pay off the extraordinary site costs incurred by GRE through larger payments. The percentage of the TIF payment going to Gendron would not increase, just the size of the payments, which would be attributable to other new investment within the District.

If subsequent development projects within the Omnibus TIF *District* require infrastructure or other municipal support; or if GRE expects to incur extraordinary site costs beyond what they can recoup through sale or lease of

the land, the City and GRE have the opportunity to negotiate a new TIF *Agreement*. There is no requirement for the city to participate in future TIF *Agreements*; each will be evaluated on its own merits and their return on investment to the city.

The real estate to be included in an "Exit 80-South Lewiston Omnibus TIF District" is still being finalized, but it currently includes most of the Gendron owned land in that area of the City. It will not include land that is already in the Gendron Business Park Phase II TIF District. It is recommended that the Omnibus TIF District be established with a term of 30 years, which is the maximum allowed by statute.

It is important to note that although the district may have a term of 30 years, it does not need to direct revenues back to the developer or be used to pay city costs for 30 years. How additional tax revenue generated within the district is used will be determined by the TIF *agreements* created within the district. Each TIF agreement created within the district will have its own negotiated business points as well a specified length of time where TIF revenues are directed to the project.

Anchor Tenant TIF Agreement

It has long been recognized that for retail to develop at Exit 80 a major retail anchor must be secured. The first TIF Agreement proposed for creation within the Exit 80- South Lewiston Omnibus TIF District is one that will provide municipal support to support GRE in its effort to attract a major retail anchor. There is a large gap between what the retailer is willing to pay GRE for the site and the costs for preparing the site for the retail development. Following is an outline of the TIF terms being negotiated:

City Obligations

1. Extend water and sewer utilities within existing city street to service project
2. Pay for offsite traffic improvements as required by a traffic study.
3. Provide GRE 40% of new tax revenue attributable to increased valuations generated within the Omnibus TIF District.

Gendron Obligations

1. Extend utilities on private land to service the project, blast ledge on the turnpike on-ramp side of the property, build roads to service the interior of the parcel, relocate an oil pipeline
2. Many of the costs noted in #1 above are extraordinary. Staff are negotiating to more clearly define what "ordinary" site costs will be, and what are "extraordinary." Any retail project would need to have land leveled, utilities extended, and roads built. However, most would not need to have 300,000+ square yards of ledge removed, 40' deep road cuts, or a tall and long retaining wall built.
3. Gendron will pay the costs noted in # 2 above, but is seeking to have the *extraordinary* site costs reimbursed by the city through TIF revenues.

City Protections

- a. City gets to review project costs and come to agreement with GRE on what will qualify as extraordinary.
- b. City gets to sign off on traffic improvements required by traffic study before moving forward with project.
- c. If the City incurs costs to support the development, and the retail anchor ultimately does not come to Lewiston, GRE will pay the debt service incurred by the city in support of the project.
- d. TIF revenues will first flow to the City to pay debt service and other costs incurred in extending utilities and making offsite improvements. Only after the city costs are paid will revenue flow to GRE.
- e. If the District does not generate enough revenue to cover city costs and pay GRE 40% of new revenues, GRE receives whatever percentage is left after the city's costs.
- f. If GRE receives less than 40% in any given year, the shortfall will be carried forward into a subsequent year(s).
- g. The 40% TIF payment to GRE ends when they have has been made whole on extraordinary site costs or when the term of the TIF ends, *whichever comes first*.
- h. Subsequent TIF Agreements within the district will need to be approved by the City Council. Each is evaluated for economic viability and the return on investment to the city. If it doesn't make sense, the city is not obligated to approve subsequent TIF Agreements. In practice, as subsequent TIFs are approved, a running tally will be created where extraordinary site costs and city debt incurred and paid through TIF revenues will be tracked.
- i. Some projects developed within the Omnibus TIF District will not require city participation. Those projects will increase the TIF revenues raised without increasing City costs. Those increased TIF revenues will allow for faster repayment of Gendron's extraordinary site costs, which would result in a shorter TIF Agreement term and more money available to the General Fund.

I look forward to discussing this opportunity with you in greater detail at the December 22nd City Council workshop. Creation of the Exit 80 –South Lewiston Omnibus TIF District and approval of the original Anchor Tenant TIF Program is scheduled for City Council action on December 29th.

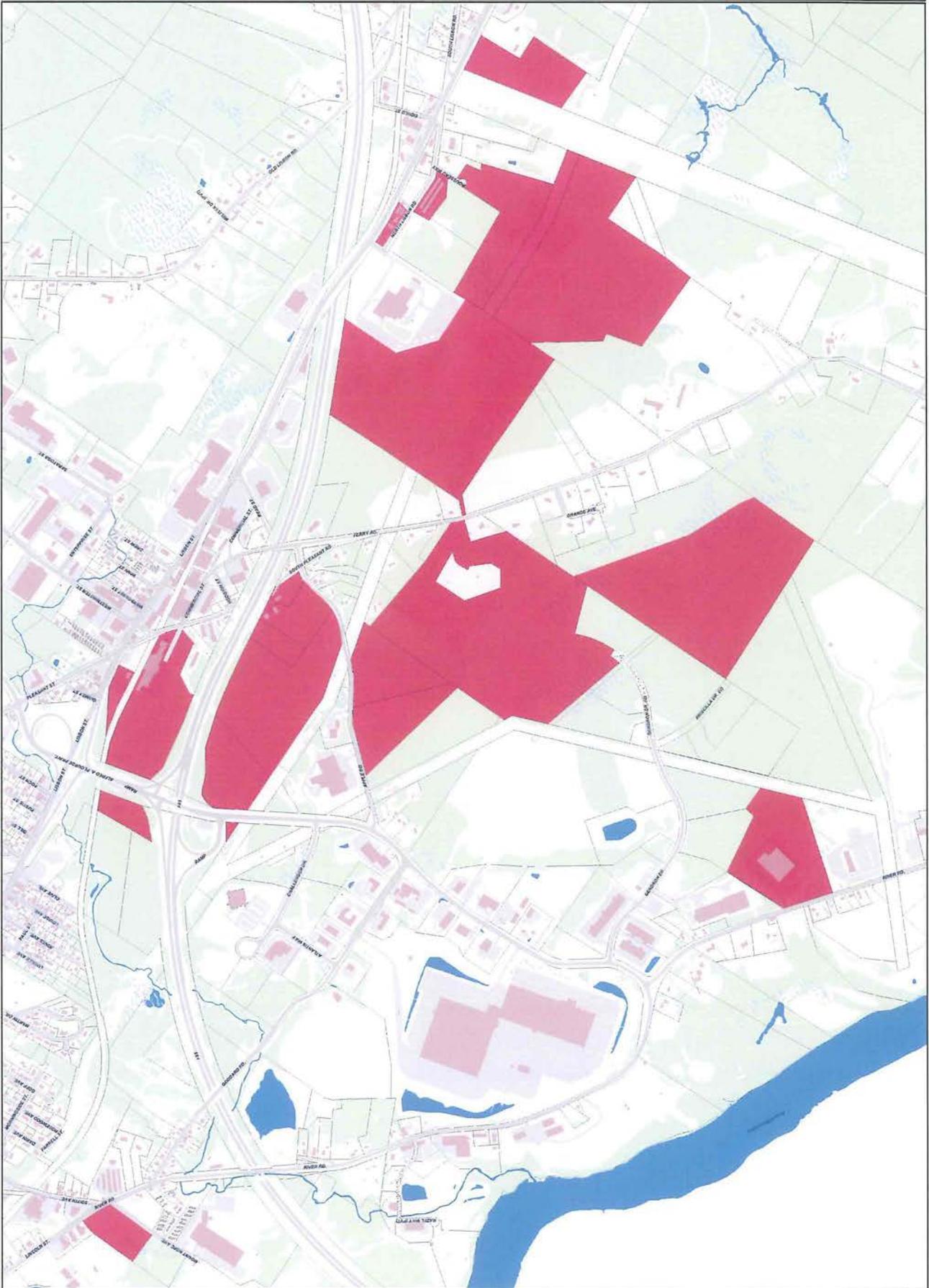


Proposed
**Exit 80/
South Lewiston
TIF District**

Total Acreage: 431.72

December 2015

Scale: 1" = 450'



LEWISTON CITY COUNCIL
MEETING OF DECEMBER 22, 2015

AGENDA INFORMATION SHEET:

AGENDA ITEM NO. ES-1

SUBJECT:

Executive Session pursuant to MRSA Title 1, section 405 (6) (c) to discuss an Economic Development issue of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.

INFORMATION:

The Maine State Statutes, Title 1, section 405, define the permissible grounds and subject matters of executive sessions for public meetings.

APPROVAL AND/OR COMMENTS OF CITY ADMINISTRATOR:

State statutes define the purposes for entering into an executive session.

EAB/kmm

REQUESTED ACTION:

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To enter into an Executive Session pursuant to MRSA Title 1, section 405 (6) (c) to discuss an Economic Development issue of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.