



MEMORANDUM

TO: Peter E. Joseph, Town Manager
Freeport Town Council

FROM: Keith A. McBride, FEDC Executive Director

DATE: March 17, 2020

RE: **FEDC Findings of Fact
Concord Gully Brook TIF**

As per the town's TIF policy, FEDC has developed Findings of Fact and recommendations for the above-referenced TIF proposal.

I. Overview

FEDC's mission is as follows:

To partner with the community to promote sustainable economic growth that strengthens and diversifies the economic base and enhances the quality of life and unique character of Freeport.

Pursuant to the town's TIF Policy, FEDC has been at the center of the TIF process, acting as a liaison between the applicant and the town, collecting information and feedback and communicating with all parties involved. FEDC's mission and experience puts it in the best position to be an objective party, and help the town arrive at a decision on this complicated financial arrangement. Part of our role in this process is to develop "Findings of Fact," and to forward these findings, with our recommendations, to the council. This document serves that purpose.

The Concord Gully Brook TIF district will capture incremental increases in value over 30 years resulting from investment that L.L.Bean, Inc., is making at its corporate headquarters on Casco Street. Aside from adding 400,000 square feet of office space and building a 900 seat conference center, the company also proposes comprehensive stormwater improvements throughout the campus site. The total improvements at the site are planned in 3 phases, to be completed in 2024. It's estimated that the

investments and improvements will increase the assessed value of the property from approximately \$34 million (current valuation) to \$65 million, as per the Freeport Tax Assessor. We expect further increases in property value from appreciation and inflation over the next 30 years. The captured incremental tax revenues over the life of the TIF will be divided between a proposed credit enhancement agreement, a municipal development fund and the town general fund.

I. With regard to the Casco Street re-development project and the proposed use of TIF, we find:

1. L.L.Bean's existing Casco Street site is 50 years old, and in need of upgrades. Mechanical systems, for example, (including heating/air conditioning) are not energy efficient. The company has chosen to invest in Freeport and prioritize renovation of its existing space.
2. The Casco Street site will undergo significant redevelopment and rehabilitation, including façade improvements, utilities and stormwater upgrades (among others). The focus of the re-development is an existing warehouse building that will be re-invented as a modern office environment, as well as comprehensive stormwater improvements to the entire site.
3. L.L.Bean is the town's biggest private employer, the highest tax payer and the largest landowner. L.L.Bean is also a strong steward of the environment, and has been an important community partner that has invested in many local initiatives in Freeport and the State of Maine.

THEREFORE, IN OUR JUDGMENT we find that fostering our relationship with L.L.Bean is responsible economic development.

4. Freeport has a history of using TIFs responsibly as an efficient way to expand public infrastructure and to benefit the local economy. This includes previous TIF partnerships and credit enhancement agreements with L.L.Bean that expanded utilities and infrastructure on Desert Road, and expanded and enhanced the downtown retail campus.
5. FEDC has previously stated that this proposal is an appropriate use of TIF for the town, because:
 - the development will result in millions of dollars in new property tax value as well as environmental improvement and new public infrastructure;
 - The project creates public infrastructure facilities that have application beyond the particular development, specifically environmental remediation;
 - The project is consistent with goals and actions stated in the town's Comprehensive Plan;
 - The project assists an established business in the town to wit, L.L.Bean, which our comprehensive plan describes as "the cornerstone of Freeport's economy;"
 - The project supports or will support community projects and supports local contractors and suppliers.

II. With regard to Credit Enhancement Agreement and Proposed Stormwater Improvements, we find:

1. Concord Gully Brook is a small stream with multiple branches that collects stormwater from a watershed encompassing most of downtown Freeport/Main Street and Lower Main Street. It drains into the Harraseeket River, and then into Casco Bay.

2. Due to stormwater demands placed on Concord Gully Brook from development in the watershed, the brook is degraded, and shows evidence of severe erosion and other impacts of increased volume and intensity of stormwater run-off.
3. Concord Gully Brook does not meet Maine DEP water quality standards. It has elevated levels of chlorides and bacteria, lacks aquatic organisms and habitats, and has been designated as an “urban impaired stream.”
4. The inception of L.L.Bean’s plan to improve stormwater at this site was communications from the town, Maine DEP and the Cumberland County Soil and Water District dating back to 2015 which emphasized the condition of the brook and the importance of stormwater controls in the watershed. They are now taking action in collaboration with the town.
5. L.L.Bean’s property on Casco Street (the five parcels in question) are approximately 16% of all land in the watershed. The impervious surfaces on the site are approximately 29% of all impervious cover in the watershed. All stormwater from this site flows into Concord Gully Brook.
6. The impervious surfaces at the existing L.L.Bean site do not comply with current DEP stormwater regulations, but were in compliance and permitted by DEP at the time they were originally constructed and are therefore grandfathered as compliant. They are proposing stormwater improvements for all 30 acres of impervious on their property that would exceed current DEP stormwater requirements.
7. The stormwater improvements are designed to eliminate chlorides and saline, retain sediment and reduce erosion.
8. The town has allocated a total of \$150,000 to Concord Gully Brook remediation in the capital plans for fiscal years 2018, 2019 and 2020. The town has also leveraged these funds to receive over \$200,000 in grants for Concord Gully Brook improvement projects.
9. Freeport has been and wants to continue to be a leader in social, economic and environmental sustainability. Freeport cares deeply about its environment and natural resources.

THEREFORE, IN OUR JUDGMENT we find that this project accelerates progress on the town’s goal of environmental remediation for Concord Gully Brook. We also find that there is value to the town in having stormwater improvements at the Casco Street campus, because the property is in proximity to Concord Gully Brook. We also find that there is value in addressing stormwater at this site because it mitigates the impact of a larger portion of the total impervious in the watershed over a much faster timeframe than the town has been able to accomplish on their own.

10. Concord Gully Brook has been an environmental priority for the town for many years. Public-private partnerships will be a critical part of addressing this priority.
11. L.L.Bean is completing approximately \$1 million in required stormwater improvements in Phase 1, which will retain and treat run-off in a small portion of a parking lot, and also from the roof of the newly redeveloped office headquarters building. L.L.Bean is not seeking reimbursement for these costs. There is also an additional \$2.5 million in stormwater improvements in Phase 2, for which L.L.Bean is not seeking reimbursement in this TIF and CEA.

12. L.L.Bean is not seeking reimbursement for all financing and administrative and carrying costs for the Phase 3 improvements. In total, L.L.Bean's stormwater improvements during this construction project are estimated to cost in excess of \$16 million, including interest paid on financing over that time.
13. The full design and pricing of the Phase 3 stormwater improvements will be done in this fiscal year, but are not yet available.
14. If the town approves it, the \$10 million credit enhancement agreement would partially fund comprehensive stormwater improvements that would implement the town's "best management practice" solutions across all impervious surfaces on their property.

THEREFORE IN OUR JUDGMENT we find the cost of stormwater improvements will exceed the reimbursement requested in its CEA proposal, the cost-benefit of stormwater remediation is complex and cannot be quantified. We find that Concord Gully Brook's "urban-impaired" designation cannot efficiently be addressed without public-private partnerships. We find that there is great value in entering into the CEA and a partnership with L.L.Bean to complete comprehensive stormwater upgrades on their Casco Street property and improve the environmental quality of Concord Gully Brook. Consistent with our view of the value of this CEA partnership, we also find that the Town Engineer, as the town's expert in stormwater and steward of the existing Stormwater Management Plan for Concord Gully Brook, should monitor the design and the construction of the stormwater improvements to confirm that the environmental benefits are maximized.

III. With Regard to Other Public Benefits and the Proposed Municipal Development Fund projects, we find:

1. Funds captured by the TIF but not paid to L.L.Bean in the credit enhancement agreement will be divided between a "TIF Development Fund" for TIF-eligible uses, or to the town's General Fund.
2. State law allows for a variety of TIF-eligible projects to be funded from TIF, including recreational trails, economic development, environmental remediation, broadband service expansion, job training, certain infrastructure improvements, and others. Any of the allowed uses by state law could be included as eligible for funding in this TIF.
3. L.L. Bean will grant an easement to the town over their property for the development of a recreational trail connecting West Street to Pine Street to be constructed by the town, either through TIF development fund monies, or through some other means.
4. The issue of off-road, pedestrian trails is one that Active Living, the project review board, Freeport Conservation Trust, and others have identified as a major priority and opportunity for Freeport.
5. Freeport Economic Development Corporation has priorities for Freeport's downtown which will likely require continued funding beyond existing TIF funding sources. These include 1) coordinated marketing, 2) identifying and mitigating barriers to development, 3) enhancing the experiential nature of downtown Freeport and 4) diversifying uses in the district.

THEREFORE, IN OUR JUDGMENT, we find that the proposed trail which connects West Street to Pine Street has economic development benefit. We also find that the town should support an agreement with L.L.Bean that makes sufficient funds available earlier in the life of the TIF to contribute to some of the high-priority, TIF-eligible uses identified by the community. We also find that the town should capture enough to fund projects the town wants to include as TIF-eligible, including continued funding for economic development in the years after the credit enhancement agreement is paid off.

HOWEVER, we recognize that there are other factors in consideration which need to be resolved between the parties. These include:

1. The projects that the town seeks to include as TIF eligible in the Development Fund, and whether or not these projects should be funded over time as money accrues in the fund, or whether the funds should be used to pay back bonds taken by the town to complete these projects earlier in the life of the TIF;
2. The rates of division over time, which will dictate how funds are allocated between the credit enhancement agreement payments, the TIF development fund and the general fund;
3. The total amount of the stormwater costs reimbursed to L.L.Bean through the credit enhancement agreement and the manner and timing in which those payments are made

Without expressing any opinion on how these should be resolved, we support any resolution in a manner agreeable to both the community and L.L.Bean.