

economic **impact** report

*The Economic & Fiscal Impact on the Greater
Portland Region & Maine of Redevelopment
of 58 Fore Street, Portland, ME*



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SUMMARY

DEVELOPMENT OF 58 FORE STREET—THE site of the Portland Company—presents a unique opportunity for the City of Portland.

It is a relatively large (approximately 10 acres) parcel, and is strategically located between the thriving Old Port district, the developing commercial waterfront area, and Munjoy Hill residential neighborhoods. The site has the potential to meet the goals of the City's **WATERFRONT MASTER PLAN**, to build on the City's extensive investment in the Ocean Gateway terminal and surrounding public infrastructure, and to generate substantial tax revenues to help the City weather fiscal challenges.

The best way to explore the possible economic impacts of developing this critical parcel is to imagine what it could mean to the City if this parcel developed similar to the pattern seen in the neighboring Old Port area.

If this 10-acre parcel was developed to match a model 10-acre area of the Old Port, it could upon completion:

- » *Generate direct and indirect **ANNUAL OPERATING SALES** for Maine businesses of over \$38 million supporting the full-time equivalent of 325 jobs with earnings of approximately \$16.5 million. Most of this impact would flow to Portland businesses and employees;*
- » *Generate **ADDITIONAL TAX AND FEE REVENUE** of \$6.7 million **FOR MUNICIPALITIES IN THE PORTLAND REGION** and across the state where workers and vendors connected to this development reside, including the \$1.7 million property tax revenue flowing to the City of Portland;*
- » *Generate additional **SALES, INCOME, FUEL AND OTHER TAX AND FEE REVENUE** of \$6.9 million **FOR STATE GOVERNMENT** from the activities of workers and vendors connected to development of 58 Fore Street; and*
- » *Help the City realize the goals of its Waterfront Master Plan, add to its stock of housing, make full use of the investments it has made along its commercial waterfront, encourage other investments in largely empty land near the Ocean Gateway terminal, and create an iconic and memorable first impression for visitors coming to the City from the sea.*
- » *Add \$85 million to **PORTLAND'S TAX BASE** and, at its current property tax rate, \$1.7 million of annual **PROPERTY TAX REVENUE**;*
- » *Generate direct and indirect **CONSTRUCTION-RELATED SPENDING** of over \$215 million supporting the full-time equivalent of 1,400 jobs earning wages totalling nearly \$68 million;. Many of these impacts would flow to Portland businesses and employees;*





I.

Background & Introduction

DEVELOPMENT OF THE PROPERTY AT 58 Fore Street is critical to Portland's future prosperity for a number of reasons:

- » *it is large (+/- 10 acres) and strategically located at the eastern end of a largely underdeveloped area between Portland's vibrant downtown, its working waterfront, and the beginning of its Eastern Promenade residential neighborhoods. There are few parcels of equivalent potential significance along the East Coast of the United States;*
- » *it represents a keystone piece in the City's continuing efforts to link its vibrant downtown to the vast potential of its commercial waterfront. Careful development of this parcel will help the City realize the benefits of its investments in the Ocean Gateway and related infrastructure;*
- » *it would help move other investments in the eastern waterfront forward, in effect helping release the pent up demand embodied in several potential projects that have been tied up in litigation and delayed because of financial uncertainty;*
- » *as a whole, this area presents an unparalleled opportunity to grow the City's tax base, add much-needed housing, and create jobs—all critically needed to help the City cope with increasingly tight fiscal conditions; and*
- » *it could, as a catalyst for change in this area, improve the quality of life for all Portland residents by facilitating access to the waterfront, adding capacity for events that draw residents and visitors, and enable the City's cruise ship terminal to live up to its name as a truly memorable gateway.*



Figure 1 - Ocean Gateway Area. Source: Maine GIS Orthographic Imagery & Planning Decisions, Inc.

The best way to realize this site’s potential and meet the goals set forth in the City’s **WATERFRONT MASTER PLAN**¹ is not to prematurely consider a specific redevelopment proposal, but rather to explore the impacts of various development options to better understand which will work best for Portland.

The purpose of this report is to establish a framework—a dynamic model—for considering the economic and fiscal impacts of a range of redevelopment possibilities. The model is built using current (April 1, 2014) city tax records, population and employment data from the U.S. Bureau of the Census and the Maine Department of Labor, and the IMPLAN economic impact analysis model² to trace the construction-related and operational effects of development possibilities for 58 Fore Street.

The framework allows users to examine the consequences of different development scenarios by altering combinations of land use (residential, commercial, retail, food and lodging) activities on the site. The report is designed to help all parties through the visioning and development process, and to facilitate thoughtful and collaborative consideration of how best to enable the site to realize its vast potential.

1 - Final Report of the Waterfront Development and Master Planning Committee, September 2006: asp.portlandmaine.gov/planning/easternwaterfrontmasterplan.pdf

2 - IMPLAN is a widely used model that depicts the inter-industry flows of a state or county economy and thus can be used to estimate the total impact on an area of an initial change in economic activity. <http://implan.com>.

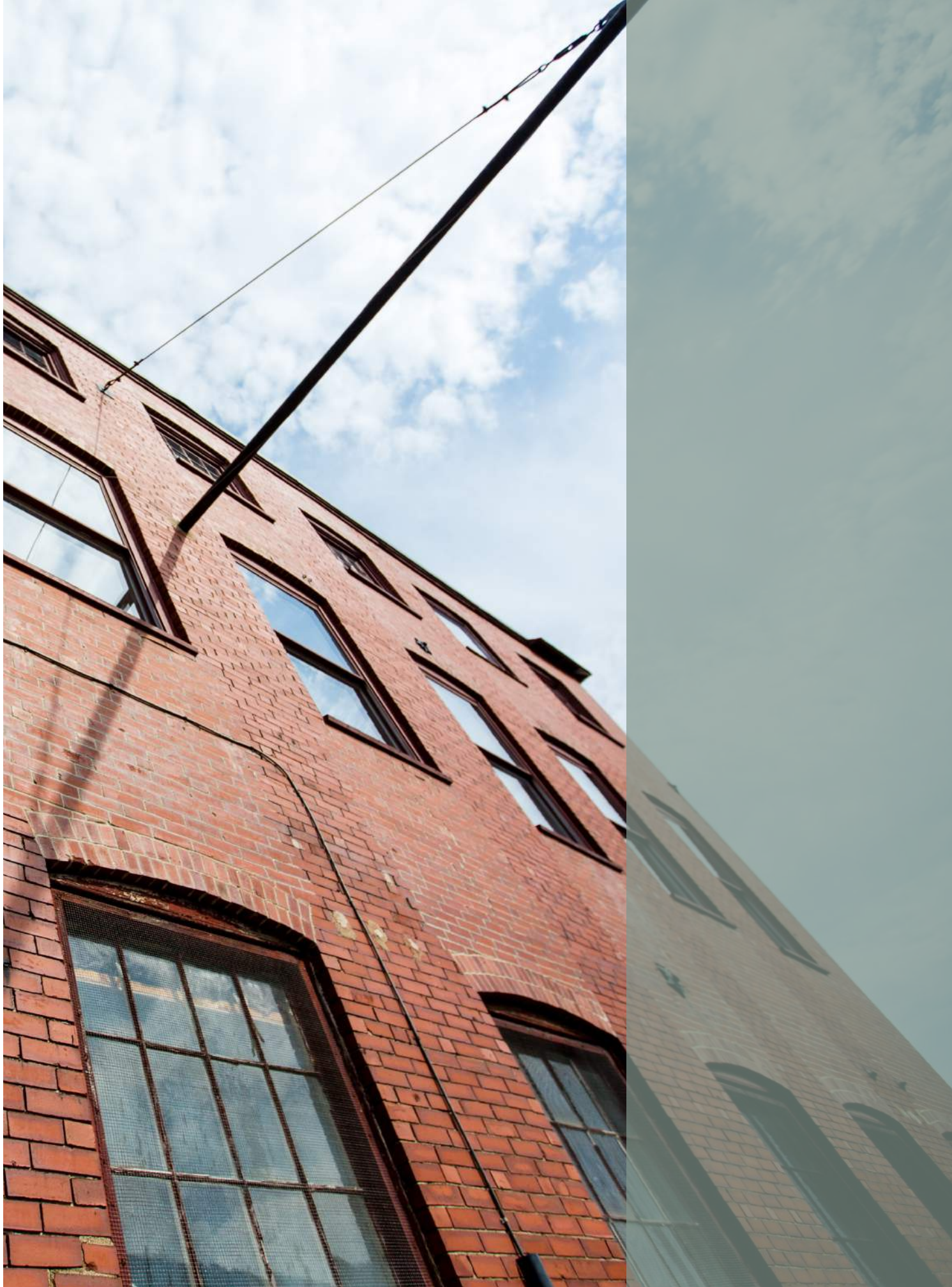




Figure 2 - Fore Street Site. Source: Maine GIS Orthographic Imagery

FIGURE 2 DEPICTS THE PROJECT site at 58 Fore Street between Portland’s Old Port and India Street Neighborhood. **TABLE 1** summarizes its current assessed value:

Table 1 - 58 Fore Street Site Assessing Data

Property Assessment: Lots 18-A-1-2 and 18-A-3	
Acres	9.8 (assessed)
Assessed Land Value (\$)	\$ 6,580,200
Assessed Building Value (\$)	\$ 1,856,000
Personal Property Value (\$)	\$ 215,010
Assessed Total Value (\$)	\$ 8,651,210
Floor Area (ft²)	301,299
Value of Built Area (assessed \$/ft²)	\$6.16

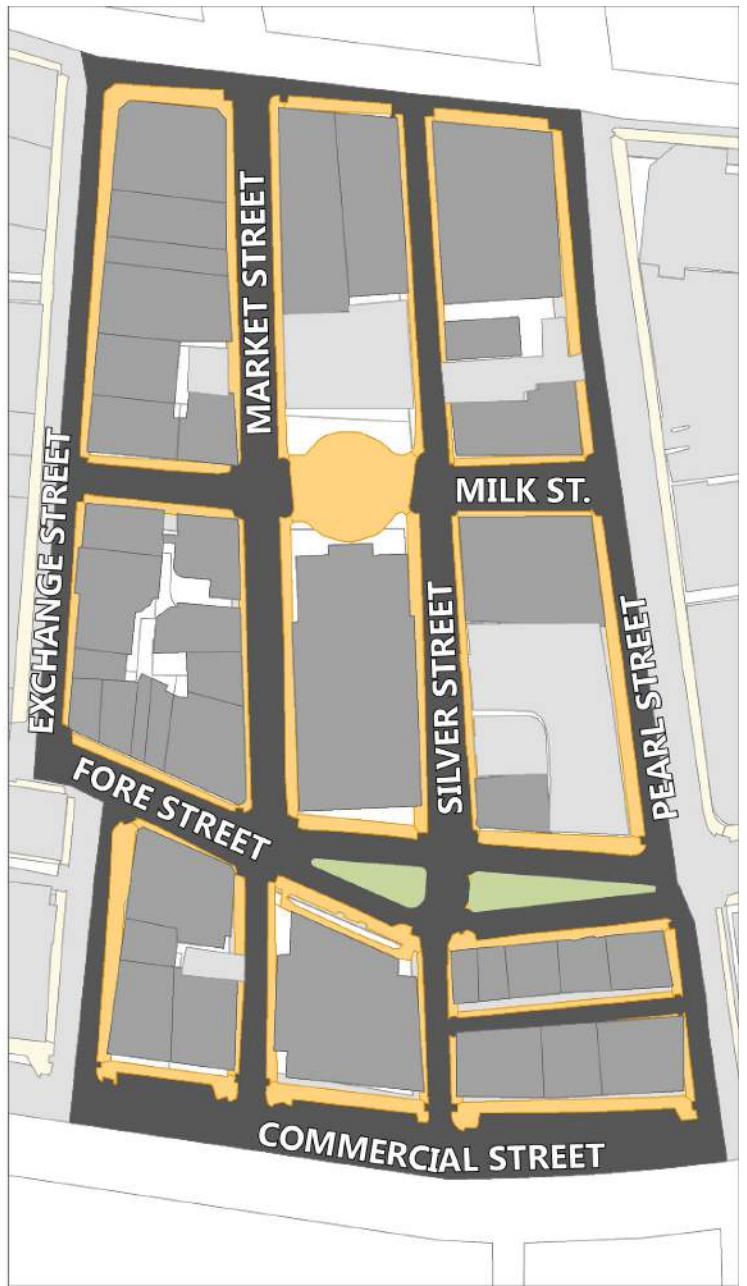
Source: City of Portland Assessor data (2014)

As a way of measuring and evaluating development possibilities for this property, Planning Decisions, Inc. (PDI) posed the following question, “What would be the fiscal and economic impact on the City and the State if this parcel developed in a fashion similar to that seen in the nearby Old Port?”

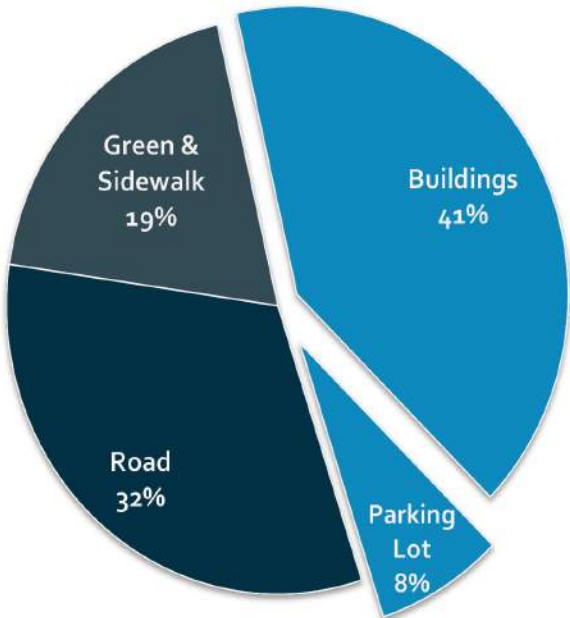
To answer that question, PDI gathered valuation and employment data for an area of the Old Port representative of what could develop at 58 Fore Street. This Old Port section—approximately 10 acres bounded by Middle, Exchange, Commercial and Pearl Streets—is well known and encompasses a wide range of activities, including housing, retail, office, restaurant and hotel uses. **FIGURE 3** summarizes land use across these broad categories. The accompanying charts depict the distribution of land use types and the activities occurring in developed properties.

2.

Ways to Measure & Evaluate Alternative Development Proposals



LAND USE TYPE



BUILT AREA ACTIVITY

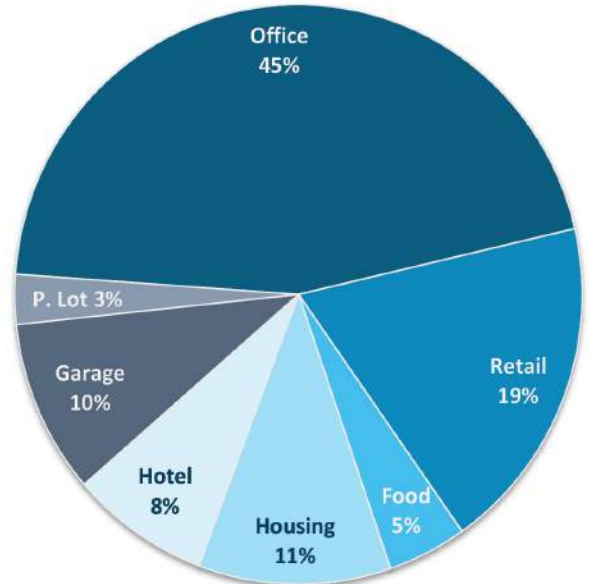


Figure 3 - Land Use Types and Activities in the Selected Section of Old Port, Portland, ME. Source: Maine GI, & City of Portland Assessor Data (2014)

Table 2 - Metrics of Project Impact

(1) Land Use	(2) Assessed Value, Improvements & Personal Prty (\$)	(3) Floor Area (ft ²)	(4) Assessed Value (\$/ft ²)	(5) Employees per 10,000ft ²	(6) People per HH
Residential	\$ 12,014,774	104,719	\$115		1.3
Enclosed Parking	\$ 8,048,000	207,000	\$32	< 1	
Surface Parking	\$ 52,250	26,589	\$2	< 1	
Office	\$ 46,007,703	431,935	\$92	13	
Retail	\$ 15,578,527	180,247	\$75	6	
Food and Drink	\$ 3,635,415	43,168	\$68	47	
Hotel	\$ 7,716,850	75,561	\$92	8	
Total Improved	\$ 93,055,019	757,500	\$83		
Land Value	\$ 16,051,152	N/A	N/A		
Total Value	\$ 109,106,171	N/A	N/A		

Source: City of Portland Assessor data

TABLE 2 LISTS THE TAXABLE values—both in terms of the total for land and buildings and on a square foot basis for each land use activity—taken from the City’s assessing records. Column 5 in the table lists the number of residents and employees per 10,000 square feet derived from Census and Department of Labor data for the Old Port area.

Together, **FIGURE 3** and **TABLE 2** make it possible to examine the fiscal and employment implications of alternative development patterns for the 58 Fore Street property. For example, **TABLE 3** depicts one possible outcome.



Table 3 - Hypothetical Development at 58 Fore Street

(1) Land Use	(2) Area Developed (\$)	(3) Assessed Value (\$)	(4) Residents or Jobs
Residential	317,000	\$36,370,510	387
Enclosed Parking	178,220	\$6,930,347	2
Surface Parking	71,280	\$140,072	At least 1
Office	86,000	\$9,160,319	108
Retail	25,000	\$2,160,719	14
Food and Drink	4,500	\$378,970	21
Hotel	67,500	\$10,575,000	54
Marina	8,000	\$2,882,123	9
Total Improved	757,500	\$68,598,061	208 jobs
Land Value	N/A	\$16,051,152	N/A
Total Value	N/A	\$84,649,212	N/A

Source: Source: City of Portland Assessor data; U.S. Census; Maine Department of Labor. Assumes 2.2 people per household. Employment calculated by industry data for the Old Port sample area divided by the space assessed for each use. Marina jobs are based on a 25% increase over the current marina total

58 FORE ST: DEVELOPMENT SCENARIO

In this scenario, if 58 Fore Street was developed in a fashion similar to what already exists in the Old Port as depicted in **FIGURE 3** and with the hypothetical distribution of activities listed in **TABLE 3**, the City of Portland would see an assessed value for the property totalling nearly **\$85 MILLION**. This would represent an increase of nearly \$76 million over the property's current assessment of \$8.6 million. At the City's current tax rate of \$20.00 per \$1,000 of assessed value, the increase in value of the site would result in additional property tax revenue to the City of more **\$1.5 MILLION** each year.

In addition, full development of the property as modelled in the scenario—based on residents per housing unit and jobs per square foot of commercial activity in the sample Old Port area—could create **HOUSING FOR 387 PEOPLE** and **JOBS FOR 208 WORKERS**. These jobs would be in addition to those created in various construction trades and supplies industries over the course of the development process.

\$1.5 million new property tax revenue

208 NEW operational jobs



Image source: www.cpb2.com

3.

Economic & Fiscal Impacts

*Impacts of direct and
indirect construction
spending:
1,400 jobs*

USING TABLE 3 AS AN example of what 58 Fore Street could become when fully developed makes it possible to explore the economic impacts of the development. This report examines three impacts: (1) construction impacts, (2) operational impacts, and (3) synergistic impacts (those resulting from linking this development with other municipal investments and goals for the neighborhood).

1. CONSTRUCTION IMPACTS

Using current construction cost estimates, development of 58 Fore Street similar to the Old Port sample area (**FIGURE 3** and **TABLE 3**) would entail a total construction expenditure of approximately \$126 million. This spending would support the full-time equivalent of 713 jobs earning wages of nearly \$36 million.

As this spending flows out into Portland and surrounding communities, it provides revenue to building contractors, trades-people, materials and equipment suppliers, banks, auto dealers and professional services providers, who in turn further disburse their revenues through payrolls, purchases and investment expenditures. Thus, a portion of construction spending on redevelopment of 58 Fore Street re-circulates in the Greater Portland region through vendor supply chains and employee spending. Adding these indirect impacts to the direct construction spending brings the total economic impact in the region to just over \$216 million, supporting the full-time equivalent of 1,400 jobs with wages totaling nearly \$68 million.

All of these economic activities generate tax and fee revenue for Maine's state and local governments—approximately \$4.7 million for state government through sales, income and fuel taxes and approximately \$1.7 million in local property and excise taxes for the municipalities where the businesses and workers engaged in the construction reside. Much of this revenue will flow to the City of Portland.

2. OPERATIONAL IMPACTS

Construction impacts flow from capital investments made to develop a property. Operational impacts result from the sales, jobs and wages created by using the assets created by an investment. In this case, operational impacts refer to those resulting from people working in offices, eating at restaurants, shopping at stores, staying at hotels and using the marina at 58 Fore Street once it is redeveloped.

Using employment estimates derived from similar activities in neighboring areas of the City, the operational impact of a redevelopment with land use activities matching those depicted in **TABLE 3** can amount to sales for Maine businesses of more than \$23 million, supporting the full-time equivalent of 208 jobs earning wages of approximately \$10 million.

As with construction spending, direct operational spending by businesses located at 58 Fore Street could also create indirect impacts through supply chain and employee spending activity. Adding these indirect impacts brings the project's total annual operational impact to sales for Maine businesses to more than \$38 million supporting the full-time equivalent of 323 jobs with earnings of just over \$16 million.

Construction and operational activities also generate taxes and fees for Maine's state and local governments. Approximately \$1.7 million in property tax, excise tax and other fee revenue can accrue to the City of Portland from the developed property, the businesses eventually operating at the site, and the employees working in those businesses. An additional \$0.8 million in property and excise taxes can be generated for Portland and other municipalities in the region through indirect vendor supply chain and employee spending activities flowing from activities occurring on the property, and \$1.1 million to state government from sales, income, fuel and other taxes and fees paid as a result of the activities taking place in the development and the indirect impacts flowing from them.



Image source: www.cpb2.com

Table 4 - Summary of Fiscal and Economic Impacts for 58 Fore Street

	Total Economic Impact at Completion	Annual Operating Impact at Completion
Maine Vendors Sales	\$254 million	\$38 million
Jobs Supported:	1,740	325
Earnings:	\$84 million	\$16.5 million
State Revenue:	\$6.9 million	\$1.1 million
Local Revenue:	\$6.7 million	\$2.5 million
Annual Revenue to Portland	\$1.7 million (property and excise taxes, & other fee revenues)	

Source: IMPLAN Model of the Maine Economy operated by Planning Decisions, Inc. (2015)

3. SYNERGISTIC IMPACTS

In addition to the purely financial impacts noted above, redevelopment of 58 Fore Street can have a variety of other impacts that are difficult to quantify but are equally important in that they help achieve community goals and may stimulate further financial gains in the future.

PDI refers to the project's beneficial impacts on neighboring properties as synergistic impacts. The City has and is continuing to make major investments in its waterfront area, of which the Ocean Gateway is the most visible. The City has begun a variety of inter-related infrastructure, public transportation and economic development investments aimed at extending the thriving activity in the Old Port further east, promoting economic development (including adding much-needed housing), and expanding available public space for hosting events and festivals that ultimately add to the City's ambience and create a memorable and iconic impression on visitors to Portland.

These municipal investments, when combined with private investment to redevelop 58 Fore Street, can encourage complementary activities in vacant and underutilized properties nearby, creating a virtuous circle of mutual reinforcement and helping to realize the community's ambitious development goals for the waterfront area. Redevelopment of 58 Fore Street can help improve access to and use of the waterfront, help ease the City's housing and fiscal pressures, and improve the overall quality of life for Portland residents.



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