

Brownfields Revitalization Study

CITY OF BELFAST, ME

June 29, 2021



Introductions



Jim Damicis
Principal-in-Charge

EXPERTISE

- Complex, regional strategies
- Development finance
- Community collaboration

EDUCATION

- Master of Public Policy & Administration



Dan Stevens
Project Manager/Real Estate Team Leader

EXPERTISE

- Real estate market analysis
- Community planning and design
- Feasibility analysis

EDUCATION

- Master of Urban Planning



Tonight's Agenda

1. Project Background and Process

2. Key Findings

- Inventory: Property, Land, and Parking
- Real Estate Market Analysis

3. Q&A

Project Background: Objectives

1. To encourage one or multiple entities to develop and invest in City-owned properties
2. To encourage private owners to develop and invest in their own properties
3. To conduct sufficient due diligence to achieve objectives 1&2 (*i.e., quantifiable data*)

Project Background: Study Areas

1. Downtown and Waterfront Area

2. 115 Congress Street (Former DPW)



Study Area 1
Total area (gray-shaded area) = ~73 acres
Total area of parcels containing brownfields
that have been assessed and/or remediated = ~19.9 acres
Brownfield-containing parcels are ~27.2% of Study Area 1

STUDY AREA 1

73 Acres



STUDY AREA 2

4.2 Acres

Study Area 2:
Total area (gray-shaded area) = ~4.2 acres
Total area of parcels containing
brownfields that have been
assessed and/or remediated = ~4.2 acres
Brownfield-containing parcels
are ~100.0% of Study Area 2

Scope of Work

1. Economic Overview

2. Inventory

- Spaces
- Parking
- Undeveloped Land

3. Analysis

- Market demand/opportunities
- Development feasibility
- Build out potential

Detailed Measures for Space Inventory

- Area (square feet)
- Avg./med. lease rate
- Time between vacancies
- New builds
- Number of sales
- Avg./med. Price
- Price range (by quartile)
- Build out potential (square feet)

KEY FINDINGS:

INVENTORY

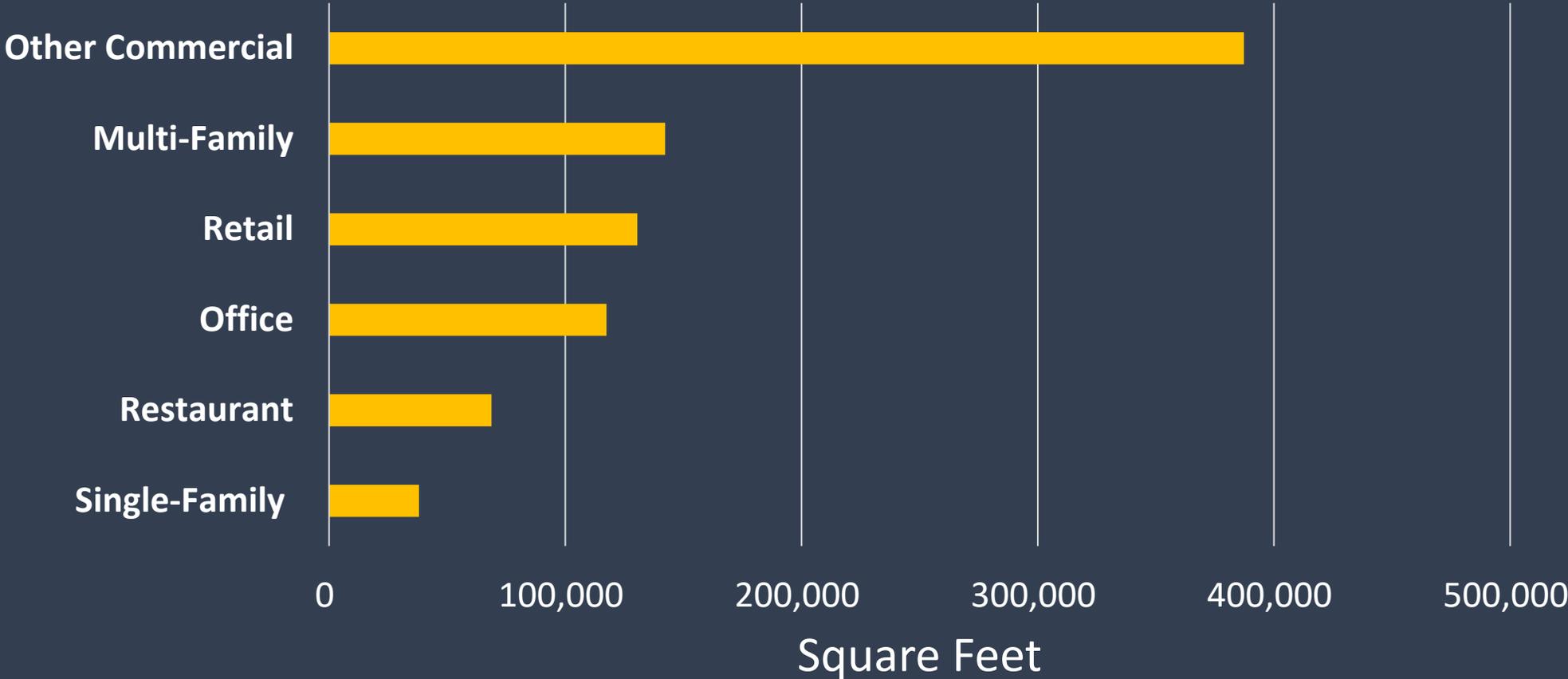
Inventory: Inventory of Spaces

Where Did Inventory Information Come From?

- Property Owner Online Inventory Form
- City Property Tax Assessment Records
- Waldo County Registry of Deeds
- City Economic Development and Planning Departments
- Our Town Belfast
- Direct Outreach and Visual Observation

Inventory: Inventory of Spaces

Space Inventory: Summary by Use (SF)



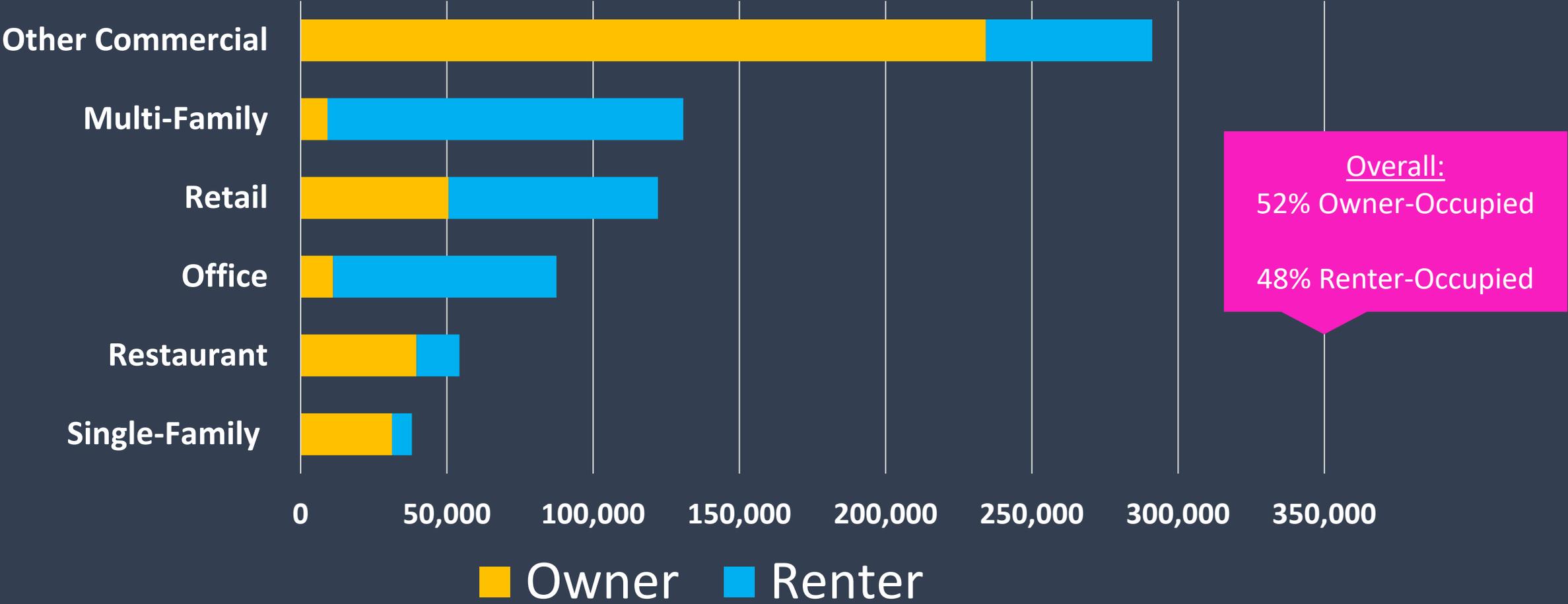
Inventory: Inventory of Spaces (by Rate)

Inventory of Spaces Summary by Median Rental Rate (per SF/Month)



Inventory: Inventory of Spaces (by Occupancy)

Inventory of Spaces Summary by Occupant Type and SF



Inventory: Inventory of Parking

➤ 1,728 total spaces

➤ 405 public

➤ 352 in public lots



KEY FINDINGS:

Market Analysis Findings

Analysis: Market Demand



Analysis: Market Demand - Housing

- Strong market opportunities for new housing in Study Areas
- Variety of market segments and price points with potential
- Overall, analysis estimates market demand potential for **150 multifamily housing units over 5 years ***
 - 66 Rental Units; 77 Owner-Occupied
 - Approximately 50/50 split between market rate and affordable/workforce rental units
- COVID has changed housing market, housing demand in Belfast likely higher than pre-Covid conditions would indicate

**Based on Pre-Covid conditions*

Analysis: Market Demand - Housing



Why Hasn't Much Housing Been Built in Recent Years?

- Not financially feasible:
 - Relatively high property tax rates in City
 - High cost of construction (not supported by market rates)
 - Speculative land prices
- “Unproven” housing market

Analysis: Market Demand - Office



- Generally lackluster regional office market
- Not substantial demand, but opportunities for smaller-scale market space **(5,000 SF over five-years)**
 - Opportunity for offices for under 5 people, including individual 1-person spaces
 - Covid has likely increased demand for small offices and flexible work spaces (e.g., coworking)
- Future demand expected for medical office (ambulatory care) **(8,800 SF over five-years)**

Analysis: Market Demand - Retail



- Strong retail market (going into Covid)
- Growing retail base, projected to continue growing
- Virtually no vacancy on Main Street in downtown – very desirable, little time between vacancies.
- Overall retail demand potential for 14,600 additional square feet over five years (based on pre-Covid conditions)
- COVID = likely slower to realize that potential

Analysis: Market Demand - Retail



- Types of retail with potential:
 - Restaurants
 - Clothing and Accessories
 - Book, Periodical, and Music Stores
 - Furniture and Home Furnishings (and Antiques)
 - General Merchandise

- Opportunity to capture additional tourism spending

Analysis: Market Demand - Tourism



- **Currently benefiting from tourism, but could capture a greater share of regional tourism spending (as travel industry begins to recover from Covid)**
- **Likely market opportunity for lodging (primarily Study Area 1)**
 - Successful short-term rental units
 - Strong hotel/motel market metrics (heading into Covid)
 - Concentration of amenities
- **Other business catering to tourists (restaurants & shopping)**

Analysis: Market Demand – Industrial



- **Existing industrial business in Study Area will have big impact on future industrial market**
- **Generally demand not expected from new large and mid-size industrial businesses in Study Area**
- **But, potential for certain types of “industrial”**
 - Small-scale and micro-producers (especially with retail component)
 - Beverage manufacturing (brewery, distillery)
 - Specialty foods manufacturing

Analysis: Development Feasibility

Scenario R2: Ground Floor Retail (per 1,000 SF)

Pro-Forma (first stabilized year)		
	Total	Per SF
Revenue		
Revenue Potential	\$15,490	\$15.49
Vacancy Loss	(\$775)	(\$0.77)
Net Rental Income	\$14,716	\$14.72
Expenses		
Real Estate Taxes	(\$2,239)	(\$2.24)
Other Operating Expenses	(\$3,679)	(\$3.68)
Total Expenses	(\$5,917)	(\$5.92)
Net Operating Income (NOI)	\$8,798	\$8.80
Debt Service Payment	(\$6,037)	(\$6.04)
Annual Cash Flow After Financing	\$2,761	\$2.76

Return on Investment (ROI) Analysis	
Annual ROI	
Equity Investment	\$39,771
Annual Cash Flow After Financing	\$2,761
(Annual) Equity Dividend Rate	6.9%
Overall ROI	
"Going-in" Cap Rate (yield-on-cost)	6.6%
Investment Threshold Cap Rate	9.0%
Development Spread (basis points)	-236
Return on Cost (Margin on Cost)	-26.3%

Feasibility Assessment	
Return on Cost Threshold	20.0%
Is Project a Viable Investment?	No
Rent per SF to Make Viable	\$25.21
Construction Cost per SF to Make Viable	\$81.49

Analysis: Development Feasibility

Return on Investment Project Viability Summary (New Construction)							
	Development Cost (Per 1,000 SF)	Annual Revenue (Per 1,000 SF)	Annual Expenses (Per 1,000 SF)*	Annual Cashflow After Financing (Per 1,000 SF)	Annual Equity Dividend Rate	Return on Cost	Project Viability (Yes/No)
Retail							
Below Ground	\$ 168,210	\$13,999	(\$13,398)	\$601	1.2%	-46.4%	No
Ground Floor	\$ 132,570	\$14,716	(\$11,954)	\$2,761	6.9%	-16.3%	No
Upper Floor	\$ 149,850	\$14,146	(\$12,599)	\$1,547	3.4%	-67.9%	No
Restaurant							
Below Ground	\$ 249,435	\$13,994	(\$16,969)	(\$2,976)	-3.5%	65.6%	No
Ground Floor	\$ 214,515	\$18,155	(\$16,510)	\$1,644	2.3%	43.8%	No
Upper Floor	\$ 245,295	\$13,994	(\$16,792)	(\$2,798)	-3.4%	65.0%	No
Office							
Below Ground	\$ 233,505	\$20,226	(\$18,722)	\$1,503	2.0%	44.4%	No
Ground Floor	\$ 197,415	\$22,933	(\$17,826)	\$5,107	7.8%	22.8%	No
Upper Floor	\$ 236,835	\$21,968	(\$19,303)	\$2,665	3.4%	39.1%	No
Multifamily							
Below Ground	\$ 209,430	\$17,552	(\$17,554)	(\$2)	0.0%	-17.2%	No
Ground Floor	\$ 174,150	\$21,171	(\$16,784)	\$4,388	9.3%	-19.2%	No
Upper Floor	\$ 201,150	\$19,433	(\$17,631)	\$1,802	3.3%	-31.3%	No
	Development Cost (Per 1,000 SF)	Total Cost	Total Revenue	Net Profit (Pre Tax)			Project Viability (Yes/No)
Single-Family	\$ 123,176	(\$291,862)	\$177,000	(\$114,862)			No

*Annual expenses include operating expenses, real estate taxes, and debt service payments

Development can still happen...

But it will typically require gap funding

Analysis: Property Build Out Potential

- **How much extra area can be built under the City of Belfast's current zoning requirements regarding allowable heights (in square feet)?**
- **Analysis Approach**
 - Inventory building footprint size and height
 - Potential space from adding stories to existing building
 - Potential space from build out of vacant lots

Analysis: Property Build Out Potential

Allowable Build-Out Uses by Zoning Classification						
Zoning Classification	Single-Family Residential	Multi-Family Residential	Restaurant	Retail	Office	Other Commercial
Downtown Commercial District	Y	Y	N	N	N	N
Waterfront Mixed Use 1	N	Y*	Y	Y	Y	Y
Residential 1 Urban District	N	Y*	Y	Y	Y	N
Waterfront Mixed Use 2	N	Y*	Y	Y	Y	Y

**Upper Floor Only*
 Source: City of Belfast

Additional Build-Out Capacity (SF) by Zoning Classification		
Zoning Classification	Estimated Additional Build-Out Capacity (SF)	Percent (%) of Total Additional Build-Out Capacity
Downtown Commercial District	1,943,049	80%
Waterfront Mixed Use 1	232,711	10%
Residential 1 Urban District	201,623	8%
Waterfront Mixed Use 2	45,665	2%
Total	2,423,048	100%

Source: City of Belfast; Property Owner Survey

Analysis: Property Owner Survey

For Property Owners with “Unusable” Space: Why hasn't it been made usable?



Next Steps: Community Revitalization Plan

- **Initiated in May 2021. Will be complete in July 2021**
- **Builds off Brownfields Study**
 - **Goals and Strategies**
 - **Implementation Plan**
- **Being done in coordination with Comprehensive Plan effort.**
- **More focused: study areas and economic development**

THANK YOU

Q&A

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