MAINE STATE LEGISLATURE

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January 4, 2019

The Honorable Janet T. Mills Governor of the State of Maine State House Station #1 Augusta, Maine 04330

Subject: Annual Report of MRRA for the year ending December 31, 2018

Dear Governor Mills:

Pursuant to 5 MRSA §13083-S, I am writing to update you of the activities of the Midcoast Regional Redevelopment Authority (MRRA) and the remarkable transformation of the former Brunswick Naval Air Station and its Topsham Annex.

As the following illustrates, the NAS Brunswick redevelopment effort is proceeding on the course originally envisioned by the Reuse Master Plan; however, at a much faster pace than originally projected. We have clearly established Brunswick Landing as *Maine's Center for Innovation* and an incredible asset for the growth of both the Mid-coast and Maine economy. Some of the key success metrics of the redevelopment effort since the base closure include:

- Over 120 public and private entities now call Brunswick Landing and the Topsham Commerce Park home. Nearly 40% of these entities did not exist in Maine before.
- □ Nearly 1,700 **new jobs** have been created to date. It should also be noted that there are 120 Maine Army National Guard members and 124 Marine Corps Reservists assigned to their units at Brunswick Landing. In addition, the L.L. Bean project at Brunswick Landing has resulted in the creation of approximately 75 new jobs at the off-site Brunswick manufacturing facility bringing the **total employment to over 2,000**.
- □ Current business activity now exceeds \$100 million in payroll annually. The state-wide economic multiplier is projected to be a minimum of \$300 million.
- □ TechPlace, our new technology business incubator, is home to over 37 early stage technology businesses, with 99 employees. Resident businesses exist in all six target business sectors: aerospace, advanced materials, information technology, cleantech, life science and education.







	Over \$350 million of private sector investment has been made along with \$50 million in public sector investment in the redevelopment effort.	
	Nearly \$160 million in new property value has been added to the tax rolls of Brunswick and Topsham.	
0	The redevelopment effort annually generates over \$3 million in local real estate and personal property taxes.	
	Since the approvals of the Public Benefit and Economic Development Conveyances in 2011, the Navy has transferred approximately 1,804.58 acres of the 2,114.6 acres we are slated to receive. MRRA has received 818.96 (73.6%) of the 1,112 acres of the non-airport property and 985.62 (98.3%) of the 1,002.6 acres of airport land. Of the 818.96 acres of EDC property received to date, MRRA has sold 486.17 or just slightly less than 60% leaving 1,318.41 acres under management.	
	Since 2011, MRRA has received 67 buildings through an economic development conveyance and 9 more buildings through a lease in furtherance of conveyance. MRRA has sold 50 buildings and 486.17 acres of land to 13 private sector developers and several individual businesses for active redevelopment purposes.	
	MRRA currently has 14 tenants renting 63,395 square feet in EDC acquired buildings and 437,444 square feet under lease to 35 airport tenants in ten PBC acquired buildings. In total we have 49 tenants occupying 500,839 square feet of leased space.	
O.	Eleven commercial and industrial buildings comprising of 154,040 square feet have been newly constructed or significantly reconstructed. Another professional medical office building is in the planning stages creating a potential of an additional 40,000 square feet.	
0	Brunswick Executive Airport is really taking off, with 20,000 air operations occurring in 2018, a 10% annual growth in airport usage and fuel sales.	
0	Twenty-one resident aircraft owners collectively pay \$4,397 annually in excise taxes.	
	The combined Southern Maine Community College and University of Maine campus on Brunswick Landing has an enrollment of nearly 1,125 current students.	
0	The 650 former Navy family housing units in Brunswick and Topsham are fully occupied, with over 230 already sold to working families. 200 - 400 additional units in Brunswick and Topsham are in the planning stages.	
a	Over 1,100 acres of land (a third of total former base land) has been reserved for	

- □ Electric power provided to Brunswick Landing customers comes from 100% renewable sources. The campus houses a 1.0-megawatt anaerobic digester which burns methane to generate electricity. In January of 2018, a \$3 million 1.5-megawatt solar farm began generating electricity for the campus. These two entities have the capacity to general 75% of the energy needs of the campus with a planned 1-megawatt expansion of the digester 100% of our power needs will be met by on campus renewable sources.
- Over \$3 million has been invested in critical infrastructure improvements at Brunswick Landing to date with another \$1.5 million in process (electric, wastewater, water and roads).

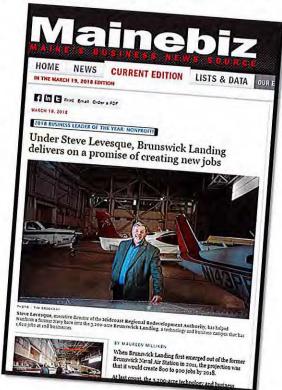
As a result of this performance, both the Department of Defense and the Association of Defense Communities have recognized the redevelopment of the former NAS Brunswick as the most successful reuse effort of the 26 major bases involved in the current 2005 base closure round.

A. Description of the Authority's Operations

The year 2018 was another busy, challenging and successful year for MRRA. MRRA continues to work hard to enhance the redevelopment of Brunswick Landing and Topsham Commerce Park and to be a catalyst for the State's economic growth. Our business development efforts continue to focus on quality job creation in several targeted industries: aviation/aeronautics, clean technology, composites, information technology, biotechnology, and education. This past year, MRRA continued its national and international marketing efforts to promote Maine to grow these targeted industry sectors.

The Midcoast Regional Redevelopment Authority reached a number of important milestones in 2018. Consistent with MRRA's adopted 2018 Strategic Business Plan for Brunswick Landing and Topsham Commerce Park, this past year's performance on those objectives include the following accomplishments:

- Made significant capital improvements, including airfield paving and repairs, completion on the renovation of offices on the west side of hangar 4, completion of upgrades to the heating system, ADA improvements to bathrooms in hangars 5 and 6, completion of the design for a new 15,867 square foot box hangar due to be constructed this spring.
- Actively engaged with several aviation prospects and attended several trade show



events, including MRO Americas, the Farnborough International Air Show in Farnborough, England, the Sun 'n Fun International Fly in and Exposition in Lakeland, Florida, the National Business Aviation Association Annual conference in Las Vegas, the US Sport Aviation Exposition in Sebring, Florida, the New England Venture Summit in Boston, and the Cyber Security Summit in Boston.

- □ BXM hosted Maine ACE Camp's summer program providing 12 middle school aged students opportunities to learn and experience aspects of the aerospace industry.
- □ Continued to work with Town of Brunswick to manage sensitive wildlife habitats and the establishment of a permanent easement across the golf course to allow access to the Kate Furbish Preserve at the southern end of Brunswick Landing providing access to Harpswell Cove.
- □ In January, power started being generated from a new 1.5-megawatt solar farm owned by Diversified Communications of Portland and installed by ReVision Energy. This power, when added to what's generated by the anaerobic digester biogas plant on the campus, produces enough sustainable energy to power nearly the entire campus. It will eliminate more than 2 million pounds of CO2 emissions annually. The array, which comprises 4,500 photovoltaic panels, is the largest to date in Maine by Portland-based ReVision Energy.
- □ On June 30, MRRA transferred ownership of the sanitary sewer collection system to the Brunswick Sewer District.
- □ In July, MRRA contracted with the Brunswick and Topsham Water District to read and bill for water services at Brunswick Landing.
- On July 30, MRRA entered into a Memorandum of Understanding with the Town of Brunswick for a shared development and financing of a new \$2.5 million access road connecting Gurnet Road to Admiral Fitch Avenue. Funding partners included the Town of Brunswick, MRRA, the MaineDOT and private sector developers. Construction bas begun and is expected to be completed by early fall.
- □ On October 22, 2018, Runyon Kersteen and Ouellette (RKO) presented an un-modified (clean opinion) to the MRRA Board of Trustees on the financial statements for the period ending June 30, 2018.
- □ At December 31, 2018, MRRA had an unobligated fund balance reserve of \$1,258,824. The FY 2018 budget for MRRA, the Brunswick Executive Airport and three utilities (electricity, water and sewer) was just over \$7.45 million. The reserve fund represents 18.62% of that total; above our target goal of 15%.
- MRRA received a Cluster Initiative Grant award from the Maine Technology Institute for \$495,165 to construct a composites material layup lab and installation of a new paint booth at TechPlace. TechPlace was designed to support innovative manufacturing businesses in the sectors of advanced materials, composites technology, aerospace/aviation, biotech/biomed, IT, and renewable energy. Construction was completed in December.

- ☐ This year, the Pinnacle Group constructed a new 12,000-office building at the entrance of Brunswick Landing. Half of that building currently houses the Center for Diagnostic Imaging.
- □ In October, we received a Lease in Furtherance of Conveyance (LIFOC) for buildings 53, 584 and 590 located in the former public works compound, and for building #9 (corner of Admiral Fitch and Orion), together adding another 34,088 square feet of developable industrial and professional office space at Brunswick Landing and the adjacent parking lots. Building #9 (former base housing office) will take a bit of rehab work, but it is located in a very strategic spot.
- In November MRRA received an additional 21.46 acres from the Navy for land along Admiral Fitch Avenue, the soccer field on Orion and land behind Commerce Drive.
- ☐ In November, MRRA submitted an application to the Maine Rural Development Authority for a grant to make roof repairs and install new windows and doors to building 9.
- □ This year, Affordable Midcoast Housing sold 400 housing units to the Presidium Group, a Dallas-based real estate company that owns thousands of rental units in Texas and Oklahoma. The Brunswick properties were bought under the company Brunswick Landing Venture LLC, and the Topsham units were formed under a company called Patriot Brunswick Holdings LLC.
- In August, MRRA was notified of a successful \$615,000 grant award from the Economic Development Administration to assist in the renovation and upgrade of three sanitary sewer pump stations.
- □ We are all very excited to welcome several new businesses that have recently choose to locate and/or expand at Brunswick Landing, including: Clamar Floats, HERE Engineering, Hodgdon Yachts, Great Island Boat Yard, University of Maine-Augusta, Captive Drone Technologies, Noble Wellness, Lean East, Introspective Systems, Bamforth Marine, Ocean Renewable Power Company, Griffin LLC, Center for Diagnostic Imaging. Kennebec Bio Sciences, Midcoast Senior College, Maine Made Photos, Atol, ORPC, Quahog Bay, Fiddlehead, Turtle Rock Maine, Southern Midcoast Career Center, Embrace a Vet, Linwood &Sons Construction, Bath Iron Works and Running Tide Technologies.



- One of the initiatives that we plan to continue is the operation and management of the Maine Flying Trail. This is a promotion activity that was initiated by MRRA and involves every airport in Maine, encouraging people to fly in Maine and of course visit BXM.
- □ The first marker in Maine dedicated to the families of U.S. military members killed in battle was installed Saturday at P-3 Park at Brunswick Landing. The Gold Star Families Memorial Marker, a simple gold-lettered sign on a 7-foot-high pole, and a surrounding bed of flowers were the gifts of the Harpswell Garden Club, which raised \$2,300 for the project. The marker was installed next door to the Brunswick Naval Museum and Memorial Gardens.

Awards

On May 3, MaineBiz presented to Executive Director Steven H. Levesque, its Business Leader of the Year Award for his vision for a transparent, collaborative and innovative process that brought the community together to develop a strong vision for the redevelopment of Naval Air Station Brunswick and the success with which he and his team have carried out that vision.

B. An accounting of the Authority's receipts and expenditures, assets and liabilities at the end of its fiscal year

Please find attached an Unaudited Financial Report for the period ending December 31, 2018. Also, please find attached a copy of the audited Financial



Statements for the period ending June 30, 2018. The audit was conducted by Runyon Kersteen and Ouellette. These documents were presented to office of the State Controller for inclusion in the State financial statements for the period ending June 30, 2018. MRRA received an unmodified (clean audit) opinion letter for an eleventh consecutive year.

It should be noted that MRRA does not receive a state appropriation as part of the General Fund Budget. MRRA's funds come from a combination of funds from the Office of Economic Adjustment within the United States Department of Defense, and revenues from property sales, leases, common area maintenance charges and utility customers. MRRA also received this year, \$66,701 from the BNAS Job Tax Increment Financing Fund from the State of Maine.

Capital improvements projects are funded from a combination of aviation capital improvement funds from Maine DOT, the Federal Aviation Administration, tax increment financing revenue from the Town of Brunswick and revenues MRRA raises from property sales, leases, utility customers and common area maintenance charges.

C. A listing of all property transactions pursuant to Section 13083-K

On February 7, 2011 the Navy and MRRA signed the airport Public Benefit Conveyance (PBC) Agreement for 992.2 acres, including three large hangars, a number of aviation-related support buildings and revenue-producing facilities for the airport. The conveyance of title will come over time as properties that are determined to be "clean" through a Finding of Suitability to Transfer (FOST) and are then deed from the Navy. Accordingly, not all the properties can be conveyed at the same time, but in phases as clean-up continues and FOSTs are issued. As of December 31, 2018, MRRA has received a total of 985.62 acres of airfield property and 19 buildings containing 627,516 square feet. As a condition of transfer from the Federal Aviation Administration and the Navy, land and buildings within the Airport property cannot be sold. MRRA built a 10,000-square foot ten-unit T-Hangar bringing the total square footage managed to 637,516. The Navy did not transfer any PBC property in 2018.

On September 14, 2011 the Navy signed a Non-Binding Summary of the Acquisition Terms and Conditions for the Naval Air Station Brunswick, Maine by and between the United States of America and the Midcoast Regional Redevelopment Authority (i.e. term sheet) for a total of 1,112 acres which would be transferred though an Economic Development Conveyance (EDC). In 2018, the Navy transferred 15.3 acres of land adjacent to the former weapons compound. In addition, the Navy transferred building 9, the Public Works Compound consisting of buildings 53, 585 and 590, and 7.84 acres of property adjacent to the transferred buildings.

As part of the EDC Agreement, MRRA agreed to share annually with the Navy 25% of gross revenues from the sale or lease of EDC property after the receipt of the first \$7.0 million. The revenue share remains in place until gross revenues reach \$37.4 million. There is no revenue sharing in excess of \$37.4 million and less than \$42.4 million. The Authority is required to pay the United States Government 50.0% of gross real estate proceeds in excess of \$42.4 million until September 29, 2034. To date, MRRA has paid the United States Government over \$8.38 million.

As of December 31, 2018, MRRA has received a total of 67 reusable buildings comprising of 644,751 square feet and 818.96 acres (73.6%) of the 1,112 acres of the non-airport property through the EDC transfer. A number of buildings, largely former security buildings, sheds and functionally obsolete buildings have been demolished through a grant from the Economic Development Administration. To date, MRRA has sold a total of 50 buildings (577,814 square feet) and 486.17 acres of land. Other developers have constructed five new buildings at Brunswick Landing.

The covenants of the Economic Development and Public Benefit Conveyances from the United States Government require all sales and leases of property must be at market rate.

In summary, MRRA currently manages a total of 49 buildings with 791,210 square feet of commercial, industrial and professional office space for lease along which includes 12 utility buildings and all of the associated utilities serving those buildings, including streets and

sidewalks, street lights, traffic signals, electricity, water, sewer pump stations and stormwater utilities.

MRRA did not sell any property in calendar year 2018. On October 12, however, MRRA transferred 67.48 acres on the east side of Brunswick Landing to the Brunswick Topsham Land Trust for recreational trail development. The parcel is home to a section of the former Navy Fit Trail adjacent to the Town's Recreation Center and existing trails.

All the remaining properties at the former NASB and Topsham Annex will be conveyed from the United States Government to MRRA once appropriate environmental clearances are obtained. The PFOA/PFOS issue continues to substantially delay the issuance of future FOSTs and related property transfers.

D. An accounting of all activities of any special utility district formed under Section 13083-L

In September of 2011, the Navy transferred all utilities on the base, including the potable water distribution system, the sewer collection and pump station assets, stormwater collection without the financial wherewithal of the federal government. We are faced with the major challenges associated with providing and maintaining services to the businesses, organizations and residential properties located on our properties and securing sufficient funding needed to maintain and repair the utility system at Brunswick Landing. On October 1, 2011, MRRA began providing electrical distribution services, water and sewer/stormwater services to our tenants and property owners at Brunswick Landing.

This year also marked MRRA's eighth year of operating a regional general aviation airport, which is becoming a great asset for the Midcoast region, with over 20,000 takeoffs and landings, just this year. With the inclusion of the Brunswick Executive Airport in the FAA's Military Airport Program (MAP), the federal government, in partnership with the State of Maine and MRRA, approved the following projects in 2018:

	\$6,416,800
FAA Military Airport Funds Box Hangar AIP MAP 033	\$3,636,800
FAA Military Airport Funds Drainage Repairs MAP 032	\$1,219,300
FAA Military Airport Funds North/South Obstruction and Wildlife Fence	e MAP 031 \$1,029,400
FAA Military Airport Funds Electrical Improvements MAP 030	\$330,300
FAA Military Airport Funds Pavement Maintenance MAP 029	\$201,000

E. A listing of any property acquired by eminent domain under Sec. 13083-N

No property was acquired by MRRA through its powers of eminent domain.

F. A listing of any bonds issued during the fiscal year under Sec. 13083-1

MRRA did not issue any bonds during 2018.

G. A statement of the Authority's proposed and projected activities for the ensuing year

Please find attached a copy of MRRA's Business Plan.

H. Recommendations regarding further actions that may be suitable for achieving the purposes of this article

I believe one of the keys to growing Maine's economy is the readiness of our workforce. If we are to be competitive in the international economy, we must have a trained workforce that can meet the demands of that future economy. Business investment decisions both for the growth of existing Maine companies, as well as the attraction of new business activity, are based largely on the quantity and quality of our organic workforce.

I believe our college level programs are starting to better align with the needs of the economy. Clearly, finding opportunities that form additional key partnerships are critically important to our future. The recently approved bond issue surely will help in both these regards. I believe one of the areas to consider exploring is the development of a system of four-year technical high schools to better allow us to support the demand for technically skilled people in the future economy.

Maine has a national reputation of possessing a great workforce. Unfortunately, our current workforce training programs and delivery systems, while all very well-intended, are a bit of a mess. They are very uncoordinated and duplicative, which creates insecurity and confusion in the business community. Simply put, there are just too many entities delivering programs, with no one in charge. In light of the above, I would recommend you consider a comprehensive review and restructuring of the State's workforce training and delivery programs.

As you are aware, Maine has suffered several military base closures in the past 30 years. Clearly, the closures of Loring Air Force Base and Naval Air Station Brunswick have had profound economic impacts on Aroostook County and the Midcoast region, as well as the whole State, which we are still trying to recover from.

While the closures of those two bases represent a severe economic calamity for Maine, they also represent great opportunity for our future. The great thing about these two former installations (now known as the Loring Commerce Centre and Brunswick Landing) is that they possess a significant amount of existing buildings and infrastructure already paid for by the taxpayers, which can support new business growth.

These two significant assets, which are administered by two quasi-state redevelopment authorities (the Loring Development Authority and the Midcoast Regional Redevelopment Authority) have made some very positive strides in recovery. However, their efforts can certainly benefit from additional State support. With a little ongoing investment, these facilities can once again be economic drivers for Maine.

A note of caution: It's very likely that there will be another federal Base Re-alignment and Closure (BRAC) action within the next four years. When it happens, the Portsmouth Naval shipyard in Kittery could be considered for closure. A key criterion of their decision is how well the military base community and the State support an installation's mission and personnel. With its very high civilian workforce, a closure of this facility would result in very severe economic impacts. In light of the above, I would highly recommend ongoing attention on how the State can support a robust shipyard.

- I. A description of the MRRA's progress toward achieving the goals set forth in Section 13083-G:
- 1. Short-term goal. Recover civilian job losses in the primary impact community resulting from the base closure; (Accomplished in 2015)
- 2. Intermediate goal. Recover economic losses and total job losses in the primary impact community resulting from the base closure; and
- 3. Long-term goal. Facilitate the maximum redevelopment of base properties.

Naval Air Station Brunswick employed 714 civilians at its Brunswick and Topsham sites at the time of the base closure announcement. After just 78 months from the official date of closing the base in May of 2011, there are over 1,700 individuals working at Brunswick Landing; up from 1,500 last year. The key to the success of the redevelopment effort is due, in large part, to the collaborative partnerships engaged in the effort, including, but certainly not limited to, you and the State of Maine, the Towns of Brunswick and Topsham, multiple federal agencies, the U.S. Navy, the businesses and real estate community who have invested into the project, and many others.

Thank you for your continued interest and support of this important economic development project for the State of Maine, which has become a critical asset to growing our economy.

Sincerely,

Steven H. Levesque Executive Director cc. Denise Garland, Acting Commissioner, MaineDECD
Grant Pennoyer, Executive Director, Legislative Council
Joint Standing Committee on Labor, Commerce, Research and Economic Development
Brunswick Legislative Delegation
Brunswick Town Council
Topsham Board of Selectman
John Eldridge, Brunswick Town Manager
Rich Roedner, Topsham Town Manager
MRRA Board of Trustees
Jeffrey K. Jordan, Deputy Executive Director