

MAINE STATE LEGISLATURE

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January 4, 2021



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, 2020

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.

The Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, is a municipal corporation created by Maine law, 5 MRSA §13083-G, and charged with the responsibility to acquire and manage property at the former Naval Air Station Brunswick (NAS Brunswick) and the Topsham Annex and to facilitate the rapid redevelopment of properties in order to recover from economic and employment loss as result of base closure. The first meeting of the MRRA Board of Trustees was held on September 27, 2007.

As the following key performance indicators illustrate, the NAS Brunswick redevelopment effort is proceeding on the course originally envisioned by the Reuse Master Plan; at a much faster pace than originally projected and even in the most unusual and challenging year given the impact of the coronavirus. 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 150 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.
- ❑ Over 2,200 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 2,300.



- ❑ Current business activity now exceeds **\$110 million in payroll** annually. The state-wide economic multiplier is projected to be a minimum of \$330 million.
- ❑ TechPlace, our new technology business incubator, is home to over **32 early-stage technology businesses, with 85 current employees**. Resident businesses exist in all six target business sectors: aerospace, advanced materials, information technology, cleantech, life science and education.
- ❑ Over **\$500 million of private sector investment** has been made along with **\$69.9 million in public sector investment** in the redevelopment effort.
- ❑ Over **\$152,199,200 in new taxable property valuation** has been added to the property tax rolls in the Town of Brunswick and \$4,385,600 in Topsham, generating new property tax revenues for FY 2020 in Brunswick of \$3,001,368 and \$78,326 in Topsham.
- ❑ Since the approval of the Public Benefit Conveyance (PBC) and the signing of the Economic Development Conveyance (EDC) Purchase and Sale Agreement in 2011, the Navy has transferred 1,935.71 of the 2,257.92 acres we are slated to receive through deed transfer or Lease in Furtherance of Conveyance. MRRA has now received 950.09 (75.7%) of the 1,255.32 acres of the non-airport property and 985.62 (98.3%) of the 1,002.6 acres of airport land.
- ❑ Since 2011, MRRA has sold **51 buildings and 508.11 acres of land to 15 private sector developers** and several individual businesses for active redevelopment purposes.
- ❑ MRRA currently has 13 direct tenants renting 164,142 square feet in 14 EDC acquired buildings and 2 buildings MRRA built.
- ❑ MRRA has another 437,444 square feet under lease to 38 airport tenants in ten PBC acquired buildings and two other hangar buildings MRRA built. In total we have 51 direct tenants occupying 601,586 square feet of leased space. In addition, this winter we have 6 winter storage tenants occupying 35,400 square feet generating \$127,890 in revenue.
- ❑ This year MRRA completed the construction of a **new 15,521 square foot box hangar** adjacent to the Terminal Building for \$4,042,796. The hangar was leased to FlightLevel Aviation.
- ❑ Fourteen commercial and industrial buildings comprising of 154,040 square feet have been newly constructed or significantly reconstructed. In 2020, Bar Harbor Bank and Trust and Dunkin Donuts opened new buildings with frontage on Bath Road and Martin's Point Healthcare began construction of a new 55,000 square foot professional medical office building on Bath Road.
- ❑ Despite the coronavirus impact on general aviation activity for much of the spring and summer, the airport was able to recover substantial numbers this fall. By mid-December, the airport had 23,686 operations as compared to 21,457 the same period last year. For a second



year in a row, we have exceeded annual flight operations that the Navy had during its last year of operation at NAS Brunswick when all squadrons were still present in 2005. The major contributors to this growth, include an increase in jet charter flights to BXM, increases in general aviation visits and flying club, flight school and scenic flight operations from five of our tenant businesses: American Classic Aviation, Maine Coastal Flight, New England Aviation Academy, Starbird Technologies and Sunbird Aviation.

- ❑ The 650 former Navy family housing units in Brunswick and Topsham are fully occupied, with over 230 already sold to working families. This fall Gravier Homes started the construction on 108 new apartment units on Admiral Fitch Avenue and another 85 single family homes on the former base property.
- ❑ Over 1,100 acres of land has been reserved for conservation and recreation purposes.
- ❑ Electric power provided to Brunswick Landing customers comes from 100% renewable energy sources. The campus houses a 1.0-megawatt anaerobic digester which burns methane to generate electricity. In January of 2019, a \$3 million 1.5-megawatt solar farm owned by Diversified Communications began generating electricity for the campus. These two entities have the capacity to generate 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.
- ❑ MRRA inherited a significant bundle of utility and infrastructure systems from the Navy, including: 27 miles of roadways, streetlight and stormwater systems; 17 miles of water and wastewater pipes and multiple related pump stations; and over 15 miles of electric lines and poles and related transfer stations. Since 2012, MRRA has invested more than \$6.2 million in these utilities.
- ❑ MRRA, the Federal Aviation Administration and MaineDOT have invested \$13.6 million in the transition of a former military airfield into a general aviation airport and over \$28.8 million in upgrading airport buildings to grow the aviation and aerospace industries in Maine including the construction a brand new ten-unit T-Hangar building and a 15,867 square foot box hangar.

A. Description of the Authority's Operations

The year 2020 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 2020. Consistent with MRRA's adopted 2020 *Strategic Business Plan for Brunswick Landing and Topsham Commerce Park*, this past year's performance on those objectives include the following accomplishments:

- ❑ Since January of 2015, MRRA has operated a 94,609 square foot new technology accelerator and business incubator known as *TechPlace* in building 250 (the former Aviation Intermediate Maintenance Department). *TechPlace* was designed to support innovative manufacturing businesses in the sectors of advanced materials, composites technology, aerospace/aviation, biotech/biomed, IT, and renewable energy.

On February 14, 2019, MRRA cut the ribbon on a new composite manufacturing laboratory funded by a \$495,000 Cluster Initiative Grant from the Maine Technology Institute. This project resulted in the construction of the largest public composites lay-up facility in New England and paint booth. Governor Janet Mills assisted in this ribbon ceremony.

As of the end of December, we have 32 businesses at *TechPlace* with 85 employees. In addition to our tenants' use of the facility, *TechPlace* has already been utilized by a number of partner organizations for training and networking events.

TechPlace has been an important resource in growing Maine's economy having graduated the following 13 businesses since its creation:

- ❖ Altha Technology
- ❖ Arcadia Alliance
- ❖ Atayne
- ❖ AO Cyber Security
- ❖ BluShift Aerospace
- ❖ Go Babe
- ❖ Maritime Surveillance Associates
- ❖ Plant & Flask
- ❖ Running Tide
- ❖ STARC Systems
- ❖ Thrivant Health
- ❖ Village Green Ventures
- ❖ Vivid Cloud Development Services

- ❑ On October 28, 2020, 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, 2020.
- ❑ Martins Point Health Care began construction on a new 55,000 square foot medical office building on the former SEA BEE facility on Allagash Drive.
- ❑ Wild Oats completed the construction of a new 20,000 square foot restaurant and commercial kitchen/manufacturing facility on Admiral Fitch Avenue and opened its doors in November to the general public.
- ❑ And to close out the year, on December 28, the Maine Technology Institute announced a grant award of \$100,000 to provide the local match for our \$642,200 request to EDA to fund the upgrade of the climate control system at *TechPlace*.

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, 2020. Also, please find attached a copy of the audited Financial Statements for the period ending June 30, 2020. 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, 2020. MRRA received an unmodified (clean audit) opinion letter for a thirteenth 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 revenues from property sales, leases, common area maintenance charges and utility customers. MRRA also received this year, \$222,457.16 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. Through subsequent amendments, the total expected PBC transfer is now 1,002.60 acres. 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 deeded 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, 2020, 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 and a 15,867 square foot box hangar bringing the total square footage managed to 637,516. The Navy did not transfer any PBC property in 2020.

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 through an Economic Development Conveyance (EDC). Through subsequent amendments, the total expected EDC transfer is now 1,255.32 acres. MRRA has received through Quit Claim Deed or Lease in Furtherance of Conveyance 950.09 acres from the Navy. The Navy did not transfer any EDC property in 2020.

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 \$8,525,967.

This year, MRRRA sold a 1.35-acre parcel to the Priority Real Estate of Topsham, Maine (Lot 48) adjacent to Commerce Drive. In summary, MRRRA currently manages a total of 53 buildings with 788,701 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, streetlights, traffic signals, electricity, water, sewer pump stations and stormwater utilities.

All the remaining properties at the former NASB and Topsham Annex will be conveyed from the United States Government to MRRRA once appropriate environmental clearances are obtained.

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 to MRRRA. On October 1, 2011, MRRRA began providing electrical distribution services, water and sewer/stormwater services to our tenants and property owners at Brunswick Landing. This year MRRRA filed a Request for Approval of Terms and Conditions for Brunswick Landing pertaining to the operation of transmission and distribution of electricity across our campus with the Maine Public Utilities Commission. A similar request will be filed in 2021 for the Brunswick Landing Water Utility.

This year also marked MRRRA's eleventh year of operating a regional general aviation airport, which is becoming a great asset for the Midcoast region, with over 23,686 takeoffs and landings, just this year. Over a period of eleven years, MRRRA received more than \$42.4 million in grants from the Federal Aviation and MaineDOT to convert a military airfield into one of the state's largest general aviation airports. Beginning in 2020, the airport was transferred into the FAA's competitive Discretionary Grant Program. This year the FAA approved the following grants:

| | |
|---|-----------|
| FAA MAP AIP 037 CARES Act Aviation Consulting Services | \$30,000 |
| FAA MAP AIP 038 Runway Pavement Maintenance Crack Sealing | \$119,500 |
| FAA MAP AIP 039 Electrical Improvements (apron lighting) | \$290,500 |
| | <hr/> |
| | \$440,000 |

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

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

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

MRRRA did not issue any bonds during 2020. However, in 2020 entered into three debt instruments, This year, MRRRA was approached by two tenants requesting larger rental space; Starc Systems and Vivid Cloud Development Services (formerly Here Engineering). Starc Systems was interested in moving into the southern bay of Hangar 5, leasing approximately 50,000 square feet. MRRRA and Starc came to an agreement that MRRRA would borrow funds to provide tenant designed build to suit renovations of hangar 5. MRRRA borrowed \$350,000 on a five year note from Mechanics Savings Bank at a rate of 4.72%. A loan agreement was signed in January of 2020 with an amortization schedule that began on April 16, 2020.

MRRA worked again with Mechanic Savings Bank to assist Vivid Cloud Development Services to expand its operations in Hangar 6 to the first floor in a lot larger office area. MRRA signed a ten-year Promissory Note on June 3, 2020 for \$325,000 at an interest rate of 3.99%.

Both lease agreements state that if the tenant leaves, the tenant will be responsible for the balance of the principal due on the loan that MRRA signed.

On June 18, 2020, Brunswick Landing MHC USA, LLC, a partnership which is owned 99% by the Midcoast Regional Redevelopment Authority closed on the refinancing of debt with Bangor Savings Bank on the 79,600 square foot build to suit medical device manufacturing facility for Molnlycke Healthcare USA with Norway Savings Bank following a request for bids from six Maine banks. Brunswick Landing MHC borrowed \$7,714,311.17 on a note that will mature on March 18, 2033.

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

Please find attached a copy of MRRA's current Business Plan. A new business for 2021 will be presented to the Board of Trustees at its January 27, 2021.

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. 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.

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 (estimated by the State Planning Office at \$140 million); and
3. **Long-term goal.** Facilitate the maximum redevelopment of base properties (Reuse Master Plan estimated full build out potential of nearly 12,000 jobs).

Naval Air Station Brunswick employed 714 civilians at its Brunswick and Topsham sites at the time of the base closure announcement. After just 102 months from the official date of closing the base in May of 2011, there are over 2,300 individuals working at Brunswick Landing; up from 2,200 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,

A handwritten signature in blue ink, appearing to read 'H. Levesque', with a long horizontal flourish extending to the right.

Steven H. Levesque
Executive Director

- cc. Heather Johnson, 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
Derek Scrapchansky, Topsham Town Manager
MRRRA Board of Trustees
Kristine Logan, Deputy Director for Development and Innovation
Jeffrey K. Jordan, Deputy Director, CFO