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*Imagine the Opportunities*

# BELFAST, MAINE OPPORTUNITY ZONE PROSPECTUS

Published by the City of Belfast  
for the purpose of:

*Demonstrating the readiness of the Belfast community  
for successful investment.*

Developed for the City of Belfast by Environmental Management Support/Vita Nuova  
under U.S. Environmental Protection Agency Contract 68HERH19A0012\_68HERH20F0313.

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The City of Belfast, Maine, is an historic, coastal service center community defined by its proximity to the ocean. Situated in the heart of central Maine's coastal region, Belfast is located 45 miles from Maine's capital of Augusta, 30 miles from the City of Bangor, and 80 miles from Maine's largest city of Portland.



Belfast's picturesque and dynamic harbor helped build the local economy and was paramount in its economic development. The City's nearly 7,000 residents delight in the lively downtown historic district, acclaimed regional farmers' markets, and popular Armistice Footbridge and Harbor Walk.





# ECONOMIC VITALITY



The City of Belfast actively seeks to maintain and enhance the vitality of the community by promoting existing enterprises and encouraging restoration and revitalization efforts in the historic downtown district and waterfront. The City provides programs and assistance to property owners, businesses, and developers seeking to strengthen the economic structure, repurpose historic buildings, and invest in the community's future.

*Our Town Belfast* is one of ten Main Street Programs in the State of Maine, which promotes preservation-based revitalization and economic development through a proven Four-Point Approach® developed by the National Trust for Historic Preservation. This program has been successful in maintaining Belfast's unique small-town New England heritage while blending new housing with commercial and mixed-use developments to enrich the vibrant social and cultural fabric of the City.

In May of 2018, the Governor of Maine named the City of Belfast (census tract #23027043000) as one of Maine's 32 census tracts designated as a federal Qualified Opportunity Zone under the 2017 Tax Cuts and Jobs Act. The Opportunity Zone program allows both individual or corporate investors to defer, and in some cases reduce, their taxes on capital gains by investing in Qualified Opportunity Zone Funds, which in turn must be invested in designated Qualified Opportunity Zones. A number of properties located within the City are ideally suited for Opportunity Zone investments, two of which are highlighted in this prospectus (see pages 13 and 14).





# SOCIAL OVERVIEW

## Institutions

### City of Belfast Governance

The City of Belfast operates under a council form of government. A Mayor and City Council jointly serve as the local governing body. The Mayor and five Councilors, representing five geographic Wards, each serve two-year terms, with one half of the seats up for election each year. This governing body adopts all ordinances and resolutions and determines the general goals and policies of the City. Day-to-day operations are managed by a City Manager whose mission is to provide effective services that meet community needs and support citizen involvement.

### City of Belfast Economic Development Department

The Economic Development Department's goal is to help move development and redevelopment projects forward expeditiously. The department possesses an extensive knowledge of the local, state, federal, and private incentive programs that can potentially benefit businesses or developers. The department serves as a single point of contact to help interested businesses or developers identify available properties, access economic and demographic data, and obtain technical assistance throughout the business development project.

### Our Town Belfast

Belfast is one of ten Maine communities that have achieved and maintained the Main Street Designation. Our Town Belfast's mission is to support and promote the historic downtown, honoring the City's unique heritage while working toward a vibrant future in which the waterfront, commercial district, treasured historic buildings, and outdoor public spaces are alive with activity.

### Waldo County

Waldo County, Maine, consists of 25 towns and the City of Belfast, which serves as the county seat. The county is governed by three elected County Commissioners responsible for the fiscal operations and policy decisions of the County. The Commissioners each represent one of three districts and serve a four-year term.

### Eastern Maine Development Corporation

Eastern Maine Development Corporation (EMDC) provides integrated services, fosters public-partner relationships and leverages resources to support businesses, communities and individuals. As an economic development company, EMDC provides business lending, promotes workforce development, and offers business services and procurement assistance. As the agency responsible for the economic development district that includes Belfast, EMDC engages various stakeholders to establish the region's Comprehensive Economic Development Strategy, which defines the region's vision for economic growth and development.



**BELFAST**  
Maine

# SOCIAL OVERVIEW



Demographics (U.S. Census Bureau)	City of Belfast	Waldo County	Maine	U.S.
Total Population	7,096	41,527	1,381,874	328,239,523
Population Per Square Mile	195.9	53.1	43.1	87.4
Median Household Income	\$43,002	\$45,525	\$55,591	\$60,293
Poverty Rate	14.8%	13.7%	10.5%	10.5%
Mean Travel Time to Work (Minutes), 2014-2018	16.9	26.4	24.0	28.6
Median Age (Years)	48.9	46.2	45.1	37.9
High School or Equivalent	23.8%	32.6%	31.4%	26.9%
Some College and No Degree	24.9%	20.9%	18.6%	20.0%
Associate Degree	6.1%	9.4%	10.0%	8.6%
Bachelor's Degree	24.8%	19.3%	20.8%	20.3%
Graduate or Professional Degree	14.8%	10.3%	12.4%	12.8%

**Population Increase Changes Demand for Housing.** The populations of both Belfast and Waldo County increased between 2010 and 2019. The growing and changing demographics may influence the demand for residential housing.

## Demographic Trends

**Millennials and Empty Nesters are Important Demographic Groups.** In Belfast's downtown and waterfront areas, there are clusters of Millennials (age 25 to 34) and Empty Nesters (age 55 to 69) that may influence the demand for housing, commercial, and mixed-use developments.

**Well-Educated Residents have Valuable Skills.** Over 70% of residents have some college education, with 45.7% completing an associate degree or higher, a greater rate than that of either Maine or the United States.

**Many Residents Live and Work in Belfast.** As the county seat, Belfast is able to offer a wider variety of employment opportunities. More residents of Belfast work inside than outside of the City's limits. A significant proportion (80%) of Belfast's workforce commutes in from Bangor, Camden, and other areas in the region.

**Residents Work in Three Major Industries.** Health care and social assistance is the largest industry in Belfast, with Waldo County General Hospital the leading employer. Retail trade, which employed 1,130 persons in 2019, is the second-largest industry, followed by manufacturing. Over the last decade, information technology, transportation and warehousing, and wholesale trade have experienced strong employment growth.

**Manufacturing and Food Production Clusters.** As mentioned before, manufacturing is Belfast's third-largest industry with 688 jobs in 2019. Macroeconomic trends in the U.S. have seen a decline in manufacturing but in Waldo County and Belfast, manufacturing remains strong, with Front Street Shipyard being one of its largest employers. Belfast also has a strong food production and processing industry, including packaging of potatoes, seafood, frozen fruit, juice, and vegetables.



## COMMUNITY ASSETS



*Armistice Footbridge*



*Barrow's Goldeneye*

### Coastal Location/Natural Resources

Belfast is part of the state's MidCoast & Islands region, which provides visitors with world-renowned coastlines, quaint downtown villages, and vibrant working waterfronts. Belfast's harbor has a good mix of working vessels, such as tugboats and lobster boats, which provide employment opportunities and offer visitors a view of historic Maine. The harbor is also home to shipbuilders and marine maintenance and repair businesses. Belfast Bay, Penobscot Bay, and the Gulf of Maine attract recreational boaters from around the region and distant shores.

The Belfast Harbor Walk provides a short and picturesque walk along the harbor shoreline in the downtown. Users can stroll, bike, or jog along the path enjoying City parks, gardens, birding opportunities and an up-close view of a working shipyard.

Belfast City Park, established in 1904, is a heavily used active park of 17.5 acres with sweeping views of Penobscot Bay. In addition, the popular 2.3-mile Belfast Rail Trail along the Passagassawaukeag extends across the Armistice Footbridge to connect to the 47-mile Hills to Sea Trail extending inland to the Town of Unity.

The Belfast area is a destination for outdoor recreation and birding enthusiasts. Six state parks, including Moose Point, Swan Lake, Fort Point, Fort Point Lighthouse, Warren Island, and Fort Knox State Historic Site, are located within 20 miles of Belfast. Belfast Bay and Penobscot Bay are home to an abundance of bird species, with over 692 species counted during migration periods, including the annual wintering population of Barrow's Goldeneye. Opportunities abound for kayakers, paddleboarders, and fishermen along Belfast Bay.



## Lively Downtown – Restaurants, Shops, Working Waterfront

Belfast has a vibrant downtown with a variety of local restaurants and shops nestled into the historic buildings that line the downtown streets. A number of artisans and craftspeople make Belfast their home. Belfast is known for its local performing arts scene, seasonal festivals, and charming local inns. A variety of travel publications (Yankee Magazine, Fodor's Guide, Moon Handbooks, Insider's Guide to Maine, and An Explorer's Guide to Maine) describe Belfast as quaint, charming, quirky, artsy, eclectic, and culturally cool. This is the "Belfast Brand," which reflects a very real and distinctive culture in Belfast.



The City's brand grows out of the common ground between art and industry. Belfast boomed as a shipbuilding center in the 1800s and boomed again in the 1940s-1960s with manufacturing and food processing. Today, one of Belfast's greatest assets, and a central focus of its economy, is its working waterfront. Boatbuilding is one of the strongest manufacturing sectors, led by Front Street Shipyard. Belfast is a desirable tourism destination due to its location along Route 1 and a unique mix of amenities.



## Regional Farmers' Markets

The Belfast, Maine, community supports a strong local farm economy and is a major farmers' market destination. Belfast is home to two farmers' markets – Belfast Farmers' Market and the United Farmers Market of Maine. The United Farmers Market of Maine offers a large, year-round venue overlooking Belfast Bay for local vendors offering both food and artisan crafts. The Belfast Farmers' Market is hosted at Waterfall Arts from April to November and at the Aubuchon Hardware greenhouse from December to March. Both markets offer fresh local produce, dairy products, meats, seafood, bakery items, and a variety of locally produced crafts.



# BROWNFIELDS REVITALIZATION AND REDEVELOPMENT

For over a decade, the City of Belfast has offered assistance to property owners and developers to address contamination or the threat of contamination at vacant or currently underutilized properties that have redevelopment potential. Since 2011, the City has received \$1.3 million in assessment grant funds from the U.S. Environmental Protection Agency (USEPA) Brownfields Program. These funds have been used to conduct environmental assessment and cleanup planning in order to document environmental conditions and associated cleanup costs, provide environmental due diligence in support of bank financing, and facilitate property redevelopment and reuse.

The City also received a direct cleanup grant of \$200,000 in 2014 from the USEPA to remediate two downtown properties at 45 Front Street (Maskers' Theater and Thompson's Wharf). The City has worked closely with the USEPA and the Maine Department of Economic and Community Development (DECD) to secure technical assistance and funding to remediate downtown properties located at 12-28 Washington Street, which are featured in this prospectus.



Environmental assessment activities completed to date under the City of Belfast Brownfields Assessment Program include:

- 26 Phase I Environmental Site Assessments
- 16 Phase II Environmental Site Assessments
- 9 Site Cleanup Plans

Additional funding sources are available for owners/developers seeking to address brownfields, including the Maine Ground and Surface Waters Cleanup and Response Fund, Maine DECD Brownfields Cleanup Revolving Loan Fund subgrants and low-interest loans. Other economic funding mechanisms can support brownfields redevelopment, such as Community Development Block Grants, Economic Development Administration Public Works grants, MaineHousing Low Income Housing Tax Credits, Maine Rural Development Authority Community Facilities Development Program loans, New Markets Tax Credits, and Maine Technology Institute funding.



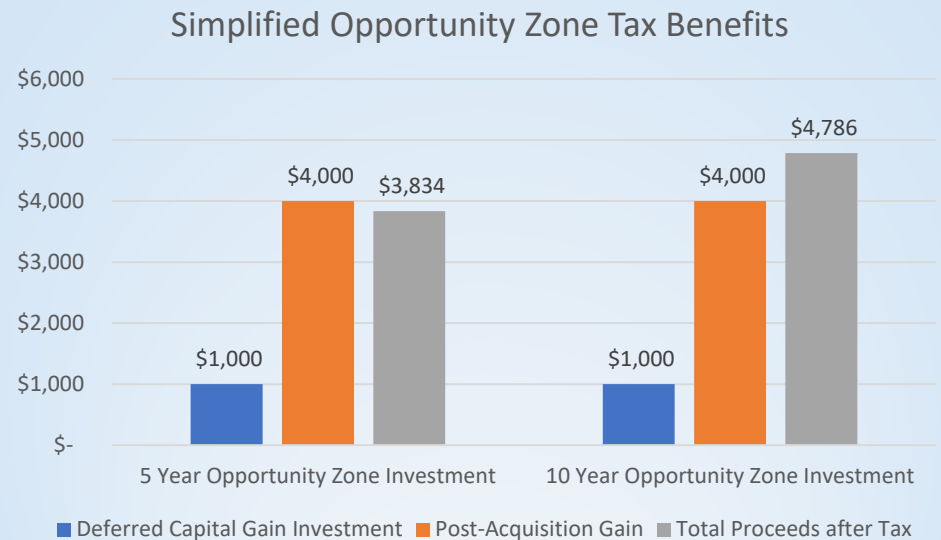
# OPPORTUNITY ZONES

**WHAT ARE OPPORTUNITY ZONES?** Opportunity Zones are low-income census tracts nominated by governors and certified by the U.S. Department of the Treasury into which investors can now put capital to work financing new projects and enterprises in exchange for certain federal capital gains tax advantages. The country now has over 8,700 Opportunity Zones located in every state and territory.

**WHAT ARE THE INCENTIVES THAT ENCOURAGE LONG-TERM INVESTMENT IN ECONOMICALLY UNDERSERVED COMMUNITIES?** Opportunity Zones offer investors the following incentives for putting their capital to work in economically underserved communities:

- A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the Opportunity Zone investment is sold or December 31, 2026.
- A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least five years, and by an additional 5% if held for at least seven years, excluding up to 15% of the original gain from taxation.
- A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified Opportunity Fund, if the investment is held for at least ten years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).

**WHAT ARE OPPORTUNITY FUNDS?** Opportunity Funds are new private sector investment vehicles that invest at least 90% of their capital in qualifying assets located in an Opportunity Zone. U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone—a significant untapped resource for economic development. Funds will enable a broad array of investors to pool their resources in Opportunity Zones, increasing the scale of investments going to these economically underserved areas.



Source: Economic Innovation Group, 2019



# MIXED-USE OPPORTUNITY



**12-28 Washington Street**

## Project-Level Financials

Return on Investment	89.2%
Annual Return on Investment	8.9%
Project Equity Multiple	1.89x

## +Opportunity Zone Benefits

Return on Investment	95.0%
Annual Return on Investment	9.5%
Project Equity Multiple	1.95x

<b>Opportunity Zone Tax Benefits Value</b>	<b>~\$759,000</b>
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This mixed-use opportunity situated in downtown Belfast features exceptional harbor views, favorable zoning, and a public parking lot adjacent to the property.

The property is approximately 1.1 acres in size, and due to recent land use code changes, the site may accommodate structures that are 5 stories in height.

The property is located within a designated Opportunity Zone, providing tax deferment, a step-up in basis (reducing taxable gains), and permanent exclusion from post-acquisition tax gains, as per Opportunity Zone rules and regulations.

Financially modeled as a five-story mixed-use project, with ground floor retail and four stories of residential, the project is capable of solid financial returns. The residential component was modeled as a condominium project that operates on a rental basis for ten years until the project is eligible for the Opportunity Zone post-acquisition capital gains tax benefit.



## MIXED-USE OPPORTUNITY

This infill mixed-use opportunity is situated in downtown Belfast, surrounded by restaurants, boutique shops, and beautiful historic multi-story buildings.

The property is approximately 7,850 square feet in size and is conceptually planned as a mixed-use four-story development that covers the entire lot.

The property is located within a designated Opportunity Zone, providing tax deferment, a step-up in basis (reducing taxable gains), and permanent exclusion from post-acquisition tax gains, as per Opportunity Zone rules and regulations.

Modeling the project as a mixed-use development with ground floor retail and three stories of residential yielded positive returns.



— 47 Main Street —

### Project-Level Financials

Return on Investment	85.1%
Annual Return on Investment	8.5%
Project Equity Multiple	1.85x

### +Opportunity Zone Benefits

Return on Investment	93.3%
Annual Return on Investment	9.3%
Project Equity Multiple	1.93x

<b>Opportunity Zone Tax Benefits Value</b>	<b>~\$691,000</b>
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# TAX INCENTIVES

In addition to the Opportunity Zone program, the City of Belfast and the State of Maine offer a number of financial incentives to promote redevelopment. Below are some of the programs that may be able to support new developments and business expansions. The City of Belfast Economic Development Office can provide additional information on these programs.

## **Business Equipment Tax Exemption Program**

The Maine Business Equipment Tax Exemption program eliminates the personal property tax on eligible business equipment that is first subject to assessment on or after April 1, 2007.

## **Employee Tax Increment Financing**

For-profit, non-retail businesses that add a minimum of five new full-time quality jobs within a two-year period can get a refund of up to 80% of state withholding income taxes paid by the business for up to ten years.

## **Historic Rehabilitation Tax Credits (State & Federal)**

For certified rehabilitation expenses for a certified historic income-producing property, the Federal Government offers a 20% federal income tax credit, and the State of Maine offers a refundable 25% state income tax credit; in certain cases, these two credits can be combined.

## **Maine Seed Capital Tax Credit**

This tax credit is for businesses that are a manufacturer, provide goods or services with 60% of sales derived from outside the state or to out-of-state residents, develop or apply advanced technologies, or bring significant permanent capital into the state. The Finance Authority of Maine may authorize state income tax credits to investors for up to 50% of the cash equity they provide. Investments may be used for fixed assets, research, or working capital.

## **Pine Tree Development Zones**

The State of Maine offers this program to businesses in targeted industries (biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, manufacturing (including precision manufacturing), information technology, and financial services). New or expanding Maine businesses, or out-of-state businesses relocating or establishing a presence in Maine, can get a refund of 80% of state income taxes withheld for qualified employees for up to ten years, a refund of 100% of state corporate income taxes for years one to five and 50% for years six to ten, a 100% sales and use tax exemption for personal property purchases, a 100% sales and use tax reimbursement on real property purchases, and reduced rates on electricity delivery.

## **Tax Increment Financing**

The City of Belfast currently utilizes the tax increment financing program. Tax increment financing is a flexible finance tool used by municipalities and other units of government to leverage new real and/or personal property taxes (the increment) generated by a specific project or projects within a defined geographic district, allowing them to shelter a new development's value in regards to state, county, and school district funding formulas. Any portion of these new additional taxes may be used to finance public projects (identified in a development program) for a defined period of time of up to 30 years. The City of Belfast also has the ability to establish agreements (known as credit enhancement agreements) where the new additional taxes can be refunded to the private party that created the new additional taxes.



# FOR MORE INFORMATION

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