

Team of developers buys Portland's old Mercy Hospital for future housing

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By Randy Billings Staff Writer

February 27,
2020



Northern Light Mercy Hospital announced Thursday that a team of local developers has been selected to convert its 78-year-old hospital building in Portland's West End neighborhood into range of housing for all income levels.

The announcement came two days after [Mercy received approval](#) to expand and consolidate all of its operations on its more modern Fore River campus. That work is expected to begin this spring and will take up to two years to complete.

Mercy CEO Charlie Therrien said the old hospital at 144 State St. will continue to operate until a new hospital, ambulatory surgery center and medical office buildings are completed on the Fore River campus in 2022.

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The extended timeline will allow NewHeight Redfern, the team selected to redevelop the State Street site, to work with neighborhood leaders from West End and Parkside on a plan and obtain the necessary approvals from the city.

“We’re trying to remind everybody that nothing changes today,” Therrien said. “Mercy is still an acute care hospital on this property. And now there’s a nice timeline established for these guys to develop this property.”

It’s not yet clear how many dwelling units will be created in the 251,000-square-foot brick building because the developers have yet to draw up plans. But the property has the potential to add significantly to Portland’s housing supply at a time when the city is experiencing a tight supply and historically high rent and sales prices.

The team chosen to redevelop the State Street building is led by two well-known local developers – the NewHeight Group and Redfern Properties. It also includes the affordable and low-income housing providers Community Housing of Maine and the Portland Housing Authority.

Therrien said the parties closed on the sale early Thursday. He would not disclose the sales price.

Mercy officials previously estimated that the building could net \$20 million on the private market. Proceeds from the sale will be used to help pay for the \$84 million expansion of its Fore River campus.



Northern Light Mercy Hospital's building on State Street in Portland. *Brianna Soukup/Staff Photographer*
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Therrien said NewHeight Redfern was selected from about a half-dozen formal proposals because on their experience developing projects on the peninsula and their track record of community engagement.

“We had some proposals that perhaps would have given us a higher price, but we weren’t comfortable with what some of the development would have looked like,” Therrien said. “This was the sweet spot between a very good sales price and the comfort level about what’s going to be developed here.”

The NewHeight Group has done several upscale condominium projects in Portland, including the Luminato and 118 on Munjoy Hill. It’s currently building the Verdante at Lincoln Park, which is located next to the Luminato.

Redfern, meanwhile, has built several market-rate rental housing projects here in recent years, including West End Place, Munjoy Hill Heights, the Hiawatha on Congress Street and 89 Anderson in East Bayside.

The old Mercy Hospital building in Portland's West End, which was built in 1941 and is still operating, was sold to local developers for future housing.



STAFF GRAPHIC | MICHAEL FISHER

Representatives from NewHeight Redfern say they're planning a largely residential project on the 3.5-acre property, which includes a surface parking lot. It will include a range of housing "across the affordability spectrum, along with small commercial components," the team said.

The proposal would re-purpose and expand the 251,000-square-foot hospital building and likely include new construction of one or more buildings on a 1-acre surface parking lot located across Spring Street.

The final plan will depend on the zoning and market conditions, the developers said.

Mercy announced its plans to sell its State Street property in July 2018. By that December, it was working with various teams who had responded to its request for proposals.

The State Street hospital was built in 1941, allowing the Sisters of Mercy to move into a larger facility. The Sisters had been using a building at Congress and State streets as a hospital that it first opened during the 1918 Spanish influenza pandemic.

Jonathan Culley of Redfern Properties said the team is planning to ask the city in the coming months to change the zoning to allow for more residential units. He anticipated that the majority of the units could be so-called workforce rental units that would be affordable to people making between 80 and 120 percent of the area median income.

According to the city, 80 percent of area median income for 2019 was \$52,100 for a single-person household and \$74,400 for a four-person household, while 120 percent of those median incomes was \$78,120 and \$111,600, respectively.

"It's a wonderful property in a great location and we're very cognizant of the need for workforce housing," Culley said.

He said the project also will include some affordable units for low-income residents that would be subsidized through housing tax credits.

Culley expects to spend the next year seeking a zone change for additional residential density and drafting a redevelopment concept. The group hopes to be working on site plan approvals the year after that.

Erin Cooperrider of NewHeight Group said some of the non-residential uses under consideration include the continued presence of a Mercy walk-in clinic, as well as a small-scale affordable grocery store and some sort of health and fitness club.

Cooperrider said the team expects to hold regular meetings with the neighborhood to inform residents of its development proposal.

"We have a lot of leg work yet to do in terms of talking more in-depth with neighbors," she said.

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