



# CHARTING MAINE'S FUTURE:

## AN ACTION PLAN FOR PROMOTING SUSTAINABLE PROSPERITY AND QUALITY PLACES

### A PROFILE OF MID-COAST MAINE: KNOX, LINCOLN, SAGADAHOC, AND WALDO COUNTIES

Maine stands within reach of a new prosperity. After decades of industrial restructuring and drift, the pace of transformation is quickening, and the slow replacement of the old order is yielding a new one that may bring better lives for Mainers. At the same time, Maine remains very much a work in progress. For that reason, its mood seems anxious, even disturbed by the tenor and pace of change.

*Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places*, a new report by the Brookings Institution Metropolitan Policy Program, assesses this critical moment and suggests a route forward. More specifically, the report seeks to help Mainers move beyond gridlock by offering the state a unifying view of its situation followed by a focused agenda for state-level policy reform aimed at promoting a new era of sustainable prosperity in Maine.

Because much variation exists throughout the state, this region-specific profile details how certain trends identified in the statewide report are impacting Mid-Coast Maine. Also discussed are the sources of these trends and a policy framework for responding to them.

## Emerging Trends in Maine:

### *Mid-Coast Maine continues to grow, even as it ages*

**Population growth in Mid-Coast Maine is accelerating.** While Mid-Coast Maine's population growth slowed slightly in the 1990s, the region is growing 20-percent faster since 2000, with its growth rate rising from 0.83 percent per year to 1 percent.

**Much of Mid-Coast Maine's recent growth owes to increasing in-migration from other states.** After recording a net gain of 2,300 people from other states between 1995 and 1999, Mid-Coast Maine experienced a dramatic in-migration increase, netting nearly 5,100 new migrants 1999 to 2004. This includes a 1,600-person gain in Waldo County, 1,500-person gains in Lincoln and Knox counties, and a net gain of 500 in Sagadahoc County.

**The number of young adults aged 25 to 34 in Mid-Coast Maine decreased by nearly 4,000 in the 1990s.** This 19-

percent decline in young adults was lower than the state's 23-percent loss but far exceeded the national loss of 7.6 percent.

**Likewise, Mid-Coast Maine's population is quickly growing older.** From 1990 to 2000, the share of the region's population aged 65 or older grew from 14.4 percent to 15.4 percent—one point higher than the state as a whole and three points higher than the national figure of 12.4 percent.

### *Mid-Coast Maine's changing economy is growing*

**Recent changes in several industries are causing anxiety in the Mid-Coast region.** After MBNA was taken over by Bank of America, the towns of Belfast, Camden, Northport, and Rockland all experienced company closures or downsizing of operations. And the eventual military base closure in Brunswick in Southern Maine will likely affect military personnel and businesses in Mid-Coast Maine that support the base.

**Yet despite change and uncertainty, Mid-Coast Maine is outperforming the state and the nation in job growth.** From 2001 to 2004, Mid-Coast Maine added nearly 900 jobs for a 1.6-percent gain, more than double the state average. In fact, Knox and Lincoln counties each enjoyed a 3.3-percent increase in employment, adding about 600 and 400 jobs, respectively. Meanwhile, Sagadahoc County only gained 10 jobs and Waldo County shed close to 100 jobs for a 0.6-percent loss.

**Mid-Coast Maine retains the third-highest average annual wages of the state's six regions.** In 2004, average annual wages for Mid-Coast Maine fell slightly to \$29,700, trailing the state average of \$31,900 by \$2,200. But wide variation exists within the region. Sagadahoc County, owing to its close proximity to Southern Maine, had average wages of \$35,000 while Lincoln and Waldo counties' wages were \$8,500 lower at \$26,500 each. In between was Knox County, with an annual average wage of \$29,000.

**Wage growth in the region is quite strong.** From 2001 to 2004, real average wages increased 3.7 percent, keeping pace with the state increase of 3.8 percent and exceeding the national average of 1.9 percent. Again, the story is varied: Knox and Lincoln counties both experienced 6.1-percent increases and Sagadahoc County recorded a respectable 3.2-percent gain; however, Waldo County suffered the state's only decline with a wage decrease of 1 percent.

## *Mid-Coast Maine is suburbanizing and sprawling*

**Mid-Coast Maine's regional hubs—cities and towns that contain a majority of the state's jobs, commercial activity, and social resources—contain an increasingly smaller share of the region's population.** In 1970, 38 percent of Mid-Coast Maine's population resided in its eight regional hubs—places like Bath, Belfast, Rockland, and Boothbay Harbor. Today, just 27 percent of the region's population lives there.

**The vast majority of Mid-Coast Maine's recent population growth is occurring in suburban and rural areas.** From 2000 to 2005, Mid-Coast Maine's regional hubs captured only 18 percent of the region's 7,400-person population increase. Almost 4,100 new residents were absorbed by Mid-Coast Maine's truly rural towns such as Northport, Hope, and Georgetown—all now growing at least three times faster than the state and at least twice as fast as the nation.

**Development is quickly converting Mid-Coast Maine's rural land to suburban uses.** Over 135,000 acres were converted from low-density rural land to higher-density suburban land in Mid-Coast Maine between 1980 and 2000, bringing the share of developable rural land down from 55 percent to 43 percent in 20 years. Waldo County lost the most rural land, converting 64,000 acres while Lincoln County lost 36,000. Sagadahoc and Knox counties—which in 1980 had the lowest amount of rural acreage—lost the least, converting 20,000 and 15,000 acres, respectively.

## **Emerging Implications of Maine's Trends:**

Maine's recent growth and development trends present Mid-Coast Maine with both opportunities and challenges.

### *Population dynamics bring the hope of new vitality to Mid-Coast Maine*

**Mid-Coast Maine's higher educational attainment is quite competitive.** Perhaps in part due to an influx of highly educated people to the state between 1995 and 2000, 25.7 percent of Mid-Coast Maine's working-age population has a college degree—trailing only Southern Maine and surpassing the state mark by nearly 1 percent. Lincoln County led the region with a 27.5-percent attainment rate while Waldo County's 23.9-percent rate slightly trailed the state.

**Mid-Coast Maine's respectable B.A. attainment rate improves the region's economic prospects.** Mid-Coast Maine's high rate of college attainment makes it easier for the region to attract good jobs that require higher skill and education levels. This is likely why Mid-Coast Maine out-performs other regions on wages and wage growth: The average full-time worker with a four-year degree in Maine earns \$36,400 while those with just a high school diploma earn \$25,400.

### *Innovation-oriented industry clusters are growing, but remain a small part of Maine's economy*

**The state's key traditional clusters—groups of interrelated or similar firms—are growing.** Maine's traditional top export industries—tourism, health care, non-store retailing, and finance

and insurance—outperformed their national counterparts from 2000 to 2004, posting a 2.5-percent annual rate of job growth versus the 2-percent U.S. rate.

**Maine's innovation clusters are keeping pace with the nation, but remain a small share of the state's economy.** Maine's biotechnology and information technology clusters—of growing importance to Mid-Coast Maine—each employ just 3,000 people, making up just 0.6 and 0.5 percent of all jobs in Maine, respectively. The advanced materials, forest products, and precision manufacturing clusters are larger, with 20,000 employees per cluster, but account in each case for just 3.3 percent of the state's jobs.

**Some higher-value industry clusters hold promise for Mid-Coast Maine.** Mid-Coast Maine's high level of college attainment combined with its close proximity to Southern Maine—home to 50 percent of the state's good-paying business services jobs—gives the region an economic edge over other parts of the state. And several innovation-oriented start-ups provide evidence of Mid-Coast Maine's potential for success. Know Technology, an information technology firm based in Camden that specializes in network engineering, hosting and managed services, and development, has recently expanded its staff and added an office in Portland. The high-tech company Fluid Imaging Technologies, located in Edgecomb, manufactures advanced particle imaging and measurement devices for the oceanography, marine biology, and water monitoring markets. Clients include the U.S. EPA and Chevron Texaco. Furthermore, the industry-led, cluster-based North Star Alliance workforce development program aims to reverse job losses in sectors like boat-building while simultaneously retooling the Mid-Coast Maine workforce for jobs in the good-paying composites and advanced-materials industries.

### *Maine's development patterns are giving some regional hubs in Mid-Coast Maine new life, but suburbanization drives up costs and threatens the state's "brand"*

**After years of relatively slow growth or decline, some of Mid-Coast Maine's regional hubs are experiencing a revival.** Rockland turned annual losses of nearly 40 people per year in the 1990s into small annual gains since 2000. Boothbay Harbor made a similar transition. Likewise, after years of stagnancy—including virtually no growth in the 1990s, Belfast is now growing twice as fast as the state. And between 2000 and 2005, the Brunswick economic area, which includes part of Mid-Coast Maine, posted a real increase of over \$35 million in taxable retail sales.

**At the same time, suburbanization is increasing government costs in towns throughout the state.** Research suggests per-capita municipal expenditures begin rising once towns pass a population threshold of between 2,500 and 6,000 people—a mark being passed in more and more towns in Maine. This trend is evident in nearby Kennebec County in the fast-growing town of China. Real, non-school per capita municipal expenditures there dropped to \$314 between 1970 and 1980 as the town increased its population from 1,850 to 3,000. But once the town surpassed 3,000 people, costs quickly rose to today's high of \$638—twice the 1980 level—for the town's current population of 4,300.

**Suburbanization is threatening Mid-Coast Maine's agricultural land.** Much of the southern half of Mid-Coast Maine is home to high-quality agricultural land that is being quickly encroached upon by accelerating development.

## **Working Toward Change: Past State Efforts and Remaining Challenges**

Influencing how the region is growing are shortcomings of state policy accumulated over many years and administrations. In that light, Mid-Coast Maine's current situation owes in large part to three statewide weaknesses.

*An inconsistent economic development stance over many years has weakened the state's efforts to improve its economy*

**Maine has had no shortage of thoughtful leaders and bold ideas on economic development over the years. However, the state has frequently failed to stick to and sustain its ideas.** The result: Numerous state or quasi-public institutions intended to promote economic development remain small or under-funded, while other promising programs and funds have been under-capitalized. This short-funding has limited the impact of otherwise valid efforts to grow the state's small economy and enlarge "thin" export and innovation clusters.

*Maine's often-high costs of government and the unbalanced revenue system that supports them hinder the state's ability to promote sustainable prosperity*

**On the spending side, parts of Maine's state and local government system impose heavy costs on the state.** Maine's unusually high expenditures on a number of state-level administrative functions as well as on K–12 education are likely squeezing out necessary spending in other areas even as they contribute to high taxes. And while local government appears rather frugal nationally, municipal spending on services like police and fire goes up sharply in rapidly suburbanizing areas like Southern Maine—an indication that as sprawl forces growing towns to convert from mostly volunteer to mostly paid staffs the costs of redundant small governments goes up.

**On the revenue side, Maine's high state-local tax burdens may well be contributing to negative economic and land-use outcomes.** High overall burdens, the second-highest property taxes in the nation, and the state's low thresholds for its very high personal income tax top rate all may well be sending negative signals to workers, entrepreneurs, and retirees about the state as a place in which to live and do business. Likewise, the wide 48-percent differential between the average property tax rates in regional-hub communities and those in outlying emerging communities serves a significant added spur to sprawl.

*Barriers to development in traditional regional hubs combined with weak regional growth management are eroding the state's unique character and contributing to sprawl*

**On one hand, Maine's convoluted state and local construction rules combined with the absence of significant**

**catalyzing investment discourages development in older places.** Along these lines, Maine's crazy-quilt of differing local and state building-code regimes, the orientation of most codes toward new construction, and the variable quality of code interpretation virtually guarantee that most development veers away from the state's traditional centers. It does not help that key state programs aimed at spurring redevelopment are grossly under-funded.

**On the other hand, Maine's ineffective state and local planning system leaves most Maine localities unable to manage growth.** In this respect, the combination of Maine's intensely localistic planning system and the absence of sufficient support and incentives for municipal and regional planning efforts has left most Maine towns and regions susceptible to sprawl that further weakens town centers and degrades rural landscapes.

## **A Sustainable Growth Agenda for Maine**

Given these challenges, Maine must seize this moment to make urgent investments in its future that enhance its distinctive strengths and bring sustainable prosperity to all regions of the state. To guide such investments, *Charting Maine's Future* proposes the following recommendations:

*Invest in a place-based, innovation-focused, high-value economy*

**Maine must vigorously protect and enhance its brand while stimulating business innovation.** To foster economic growth, Maine should adopt a two-pronged investment strategy focused on enhancing the state's quality of place and spurring business innovation by supporting the emergence of new ideas and vibrant industrial clusters. To that end we recommend that Maine:

- Establish a \$190-million **Maine Quality Places Fund** to promote city and town revitalization, land conservation, and high-quality outdoor recreation and tourism
- Support a \$200-million **Maine Innovation Jobs Fund**, \$180 million of which should support job-creating R&D in promising scientific and technical disciplines, while \$20 million should go to a new **Maine Cluster Development Fund** to foster the business-led partnerships that catalyze cluster-based job-creation

*Trim government to invest in Maine's economy and finance tax reform*

**Maine should seek cost savings in state and local government that can be applied either to financing the Maine Innovation Jobs Fund and the Cluster Development Fund or tax reduction.** Here, Maine should adopt a high-level business plan that demands hard-nosed cost-cutting as well as determined investment.

On the spending side we recommend that Maine:

- Establish a **Maine Government Efficiency Commission** to propose specific reforms to produce between \$60 and \$100

- million a year in cost savings in state government through the elimination of structural redundancies and excess administrative overhead
- Reduce its **K–12 administrative expenditures** to the vicinity of the national average
- Appoint a high-level **school district reorganization committee** to substantially reduce the number of school administrative units
- Support one or two major **pilots in regionalized service delivery** to explore and showcase far-reaching efforts at multi-municipal reorganization and cost reduction

On the revenue side we recommend that the state:

- Apply to **property and income-tax reductions** any state-government spending savings located by the efficiency commission that exceed the amount needed to support the innovation and cluster funds as well as the local government pilots
- Explore ways to “**export**” **tax burdens** onto Maine visitors and non-resident second-home owners

*Support the revitalization of Maine’s towns and cities while channeling growth*

**Finally, Maine must tend to how its rules and policies shape communities.** The state should support its investments in place-

making by making development easier in its traditional towns and cities and fostering improved local and regional planning.

Concerning redevelopment, revitalization, and planning, we recommend that Maine:

- Perfect and champion its **new model building and rehabilitation codes** and create as a local option a new **model zoning ordinance** specifically designed to complement and enhance the special value of Maine’s historic, traditional centers
- Better **fund and use existing revitalization and redevelopment-oriented programs and organizations.** Three programs in need of bolstering are the Municipal Investment Trust Fund, the Maine Downtown Center, and the state’s historic preservation tax credit
- Provide substantial new **visioning and planning resources** to individual towns to help them reach consensus on how they wish to grow, and then implement their vision with ordinances. Funding for these and other planning activities could come from a new **Maine Community Enhancement Fund**
- Foster more **regional planning** by providing grants from the Community Enhancement Fund to groups of towns that agree to plan together. Even bolder collaboration could be encouraged by offering stronger incentives for towns to actually implement regional growth-management plans

*In the end, this report concludes that Mid-Coast Maine and the rest of the state stands within reach of a new, more sustainable prosperity—if the state takes bold action. Move along these lines, and the state’s abiding intuition that economic success and quality places go hand in hand will be borne out.*

#### About *Charting Maine’s Future*

Sponsored by GrowSmart Maine, with funding from numerous Maine foundations, businesses, conservation groups, and private citizens, *Charting Maine’s Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places* examines the many opportunities and challenges confronting the Pine Tree State during this period of accelerating change and outlines a comprehensive blueprint for action. Visit [www.brookings.edu/metro/maine](http://www.brookings.edu/metro/maine) to read the full report, other regional profiles, and additional supporting materials.

For in-state contact with the project’s sponsor, call GrowSmart Maine at 207-847-9275 or visit [www.growsmartmaine.org](http://www.growsmartmaine.org).

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