

# Reviving Service Centers

## Volume 1 Report of the Task Force on Service Center Communities Maine State Planning Office August 1998

### Purpose

The Task Force on Regional Service Center Communities was established by the 118th Legislature to recommend ways of reversing the decline of Maine's principal service center communities and ways of strengthening them as centers of job creation and for the delivery of critical services to surrounding regions.

### Members

The Task Force included representatives of service center communities, the Maine State Legislature and state agencies. Members included: Mark Adams, City of Auburn; Allan K. Bean, Town of Houlton; Sally A. Crowley, Town of Winter Harbor (resigned); Rep. Richard R. Farnsworth, (Chair), Portland; Terri Jones, Department of Economic and Community Development; Maj. Charles N. Love, Department of Public Safety; Peter Merrill, Maine State Housing Authority; Lawrence S. Mitchell, City of Saco; Ray Poulin, Maine Department of Education; Evan Richert, Maine State Planning Office; Alan Stearns, Maine Department of Transportation and Rep. Robert J. Winglass, Auburn. Staff included Joyce Benson, Stephen Cole and Fran Rudoff, all of the Maine State Planning Office.

### Activity

The Task Force on Regional Service Center Communities held six meetings between November 1997 and April 1998 in Auburn, Augusta and Saco. Special presentations on service center issues or initiatives were provided by the Maine Municipal Association, the Maine Department of Economic and Community Development, the Maine Department of Education and the Maine Department of Transportation.

### Analysis and Findings

The Task Force's keystone for determining the status of Maine's service centers was identification of factors that make a strong, vibrant regional center. The more than 25 factors fall into four categories: growing community, vibrant economy, quality of housing and infrastructure, and community well-being. We then assessed each service center by these factors to arrive at its overall condition, strengths and weaknesses. In summary, we discovered that our service center communities are not growing and that their economic state is cause for concern. While service center housing and infrastructure is in reasonably good shape, there is no consistent pattern of community well-being among the 69 cities and towns.

## Products

The Task Force developed two products: an Assessment of Community Conditions and a set of 20 Regional Service Center Recommendations. The Assessment of Community Conditions presents relative conditions in Maine's 69 service centers within the categories of growing community, vibrant economy, adequacy of housing and infrastructure and community well-being. Communities can use the Assessment as an indicator of their overall health and as an impetus for addressing problem areas. 20 Regional Service Center Recommendations describe specific actions that can be taken to reinvigorate service centers through legislation, investment or changes in public policy. The Recommendations cluster in five areas as follows:

- put service centers on an equitable fiscal footing;
- invest in service center communities;
- help service centers help themselves through tax policy;
- enhance municipal services through cooperation; and
- monitor benchmark indicators for service center communities.

## Introduction

Where is your nearest hospital located? Where do you work? Where do you bring the kids to buy school clothes, visit a museum or swim in an indoor pool? Whether the answer is Waterville, Damariscotta, Dover-Foxcroft, Portland or Presque Isle, the communities where we work, shop, get medical care or a cultural experience are an important subset of Maine's nearly 500 cities and towns. We call them many things: cities, hubs, shire towns, county seats and market towns. Whether living within them or outside them, we all depend upon them in some way.

The State Planning Office has defined 69 such communities statewide and termed them "service centers." These communities vary tremendously in size and appearance, but share three attributes: a) they are job centers -- importing workers, b) they are retail centers -- with sales exceeding the needs of the local population, and/or c) they offer an array of social, cultural, health and financial services to the surrounding region. Service center communities are urban in function, but not necessarily in form or scale. They act like cities, but don't always look like them. The Washington County seat of Machias has a population under 3,000, but with its banks, courthouse, hospital, college and restaurants serves many of the same functions as Portland does for Cumberland County residents.

A renewed interest in this set of cities and towns began in 1995, when Mayor John T. Jenkins of Lewiston convened the Maine Regional Service Center Communities Forum. The Forum's purpose was to build public awareness of the significance of regional centers through information, advocacy and policy analysis. This direction was continued in the article "Service-Center Communities: An Urban Policy for Maine?" by Evan Richert, which appeared in the Fall 1996 issue of Maine Business Indicators. Here, the notion of a specific set of service center communities sharing similar characteristics was put forward and some propositions about them offered. Two of the propositions follow: That while Maine is a rural state, it is dependent on its urban places for economic and social well-being. And, the vitality of these urban places is seeping away, led by a long-term flight of middle-income families to the countryside.

It was with this background that the 118th Legislature established the Task Force and the group began the work of seeking ways to stem the decline of hub communities. To know how to revitalize these places, we reasoned, we must

understand the attributes that make communities strong and appealing. For the Task Force, these characteristics are: signs of community growth, economic vibrancy, community well-being and quality of housing and infrastructure. With this framework, we were able to assess how Maine's service center communities are faring and form recommendations for improving their prospects. We know that town and city managers and many citizens will be especially interested in our assessment of their community's health. Despite the limitations of our data gathering and analysis, we hope the assessment allows community leaders to see their hometowns in a different light and home in on opportunities for change and improvement.

The Task Force's recommendations concentrate on means that Maine state government can use to improve the condition of our service centers, through state and federal investment, changes in tax policy and other approaches. Yet, we realize that what is at the heart of community renewal is a core of idealists who love the place they live and are willing to give their energy and creativity on its behalf. The efforts of government can insure that hub communities are treated equitably in policy, legislation and taxation. But, it is local heroes who make communities do extraordinary things.

Citizens, legislators and officials from rural and suburban towns will ask of this report, "What's in it for us?" We hope it is clear that all of us have a stake in the success of Maine's service centers. We share them in common. They exist in every county and serve rural places and the suburbs. They are coastal and inland, northern and southern, large and small. Their relationship with suburbs and the country is symbiotic. As marketplaces for jobs, goods, services, medicine, education and culture, they need workers, buyers, students and users. And without these hubs and their assets, suburbs and country towns cannot survive.

As Maine's service centers go, so goes Maine.

## Methodology for Defining Service Centers

The State Planning Office has identified 69 regional centers throughout Maine. Of these, 29 are considered primary centers, 21 are secondary centers and 19 are small centers. Four basic criteria were used to identify the municipalities in Maine that serve as centers: the level of retail sales, the jobs to workers ratio, the amount of federally assisted housing and the volume of service sector jobs. Consideration was also given to the geographic distribution of municipalities so that communities were identified that serve as small (local) centers as well as large urban places that serve as primary (major) centers. Factors such as trade were weighted to regional/ local figures to help identify small centers.

Indexes were created for each of the criteria so that standardized comparisons could be made:

- The 29 primary centers had a score of at least 1.0 on all four criteria measured.
- Secondary centers had a score of 1.0 on three of the four criteria and scored above 0.5 on the fourth criteria.
- Small centers scored above 1.0 on two of the four criteria and above 0.5 on the other two criteria.

## Identifying Employment Centers

- More Jobs than Workers (Threshold: at least 500 jobs in the community)

A community was identified as an employment center if there are at least 500 jobs in the community, the ratio of jobs to workers is in excess of 1.0 (at least as many jobs as workers in the municipality) and if it draws workers from more than 20 other communities. The number of jobs and the size of the region from which workers are drawn were important because there are a number of small communities with high ratios of jobs to workers due to a single firm located in the town. For example, some very small natural resource towns ranked at the top of the list. Most were small towns with lumber mills that employ 25-50 workers and had a ratio of as many as six jobs for every worker living in the town. Few would regard any of the towns and plantations that fell into this category as regional centers. In no case did they appear as trade and service centers in further analyses.

## Identifying Trade Centers

- Per Capita Consumer Sales (regionally adjusted to reflect income disparities)

Retail sales were indexed to the per capita sales for the State. As with the process for identifying job centers, two additional factors were considered. First, an effort was made to recognize that there are great variations in income and, therefore, in the level of consumer spending from one area of Maine to another. It did not seem reasonable that per capita retail sales in Washington and Waldo Counties would be as great as sales in York and Cumberland Counties where incomes are twice as high. Therefore, sales were weighed against household income. This process identified communities in lower income regions of Maine which have sales substantially above that of other communities in their vicinity while enabling the same test of spending capacity to be consistently applied to all communities.

## Identifying Service Centers

- Presence of Jobs in Services Normally Perceived as "Regional"
- Housing Services Effort

Two measures were used -- the level of services (as measured by the number of jobs in certain SIC codes) and the availability of federally assisted housing services.

The portion of jobs in the community that are in selected service sectors was used as a measure of the extent to which certain kinds of services are concentrated in certain communities rather than widely distributed among all communities. Services that were included in the analysis are: governmental services (other than municipal), educational and cultural services, health care services, and social services.

The portion of federally assisted housing located in the town was considered as a measure of the extent to which communities are attempting to provide housing services to residents, thereby encouraging people to remain within the community and maintaining the community as a population center within Maine.

## Specialized Centers

In addition to the 69 municipalities that emerged as centers in the analysis, another 26 or so communities were identified that are characteristically urban in nature but that do not meet the criteria to be classified as a regional center. They have been included in much of the analysis because of their history, their urban character, and their proximity to or their contiguous boundaries with regional center communities.

There are four types of communities that fell into this "all other" category. First, many are "old centers", towns that historically have played the role of an urban center but have lost their job base as manufacturing declined or lost their trade to larger malls beyond their municipal boundary. As such they are communities in transition and in great need of reinvestment, either to restore their vital urban character and position, or to remove decaying infrastructure and redevelop the community in a different light. Secondly, many regional centers are actually clusters of urban communities -- Lewiston/Auburn, Bangor/Brewer, Camden/Rockland/Thomaston, etc. and these smaller specialized urban communities are part of that multi-community center.

Third, there are regions of the State where no single town emerges as a full scale center, but rather, are served by a group of contiguous communities, each with their special contribution, together providing the full complement of services characteristic of a center. The Livermore Falls/Jay area is such an example -- one providing services and housing, others providing jobs and trade. Finally, there are a number of towns that might be called emerging centers. Mostly they are large suburban communities that are now becoming targets for malls and business parks as these things move out of the older urban centers.

The State Planning Office has listed 26 such communities, though there are more that could be easily added to such a list. While they are no longer centers or are not yet centers, it is believed that they are an important part of the urban fabric of the State, are geographically connected to many of the multi-community regional centers, and as such have special needs that are appropriately addressed in a strategy to revitalize and strengthen regional centers.

## Regional Centers and Specialized Centers

**NOTE: THE LIST OF SERVICE CENTERS HAS BEEN UPDATED PER A NEW AGENCY RULE. THIS LIST SHOULD BE USED FOR HISTORIC PURPOSES ONLY. AN [UPDATED LIST](#) IS AVAILABLE ONLINE.**

<b>29 Primary Centers</b>	<b>21 Secondary Centers</b>	<b>19 Small Centers</b>	<b>26 Specialized Centers</b>
Auburn	Bath	Ashland	Baileyville
Augusta	Biddeford	Bethel	Berwick
Bangor	Bingham	Brewer	Castine
Bar Harbor	Dexter	Bridgton	Cherryfield
Belfast	Falmouth	Bucksport	Dixfield
Blue Hill	Jackman	Eastport	East Millinocket
Boothbay Harbor	Lubec	Freeport	Easton
Brunswick	Madawaska	Guilford	Fairfield

Calais	Mars Hill	Hallowell	Fryeburg
Camden	Newport	Island Falls	Hartland
Caribou	Norway	Kennebunk	Jay
Damariscotta	Orono	Kingfield	Jonesport
Dover-Foxcroft	Pittsfield	Kittery	Kennebunkport
Ellsworth	Rangeley	Millinocket	Livermore Falls
Farmington	Sanford	Milo	Madison
Fort Kent	South Portland	Princeton	North Berwick
Gardiner	Thomaston	Rumford	Ogunquit
Greenville	Unity	Saco	Old Town
Houlton	Van Buren	Winthrop	Rockport
Lewiston	Westbrook		Searsport
Lincoln	Wiscasset		Southwest Harbor
Machias			Stonington
Milbridge			Waldoboro
Paris			Wilton
Portland			Winter Harbor
Presque Isle			York
Rockland			
Skowhegan			
Waterville			

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## Picture of Maine's Service Centers

Of Maine's 497 municipalities, 69 are service centers: places where people go to work, shop, get services, and turn for help in time of need. They are the state's economic engines, accounting for 71% of all jobs in the state, 74% of all service employment (medical, legal, business, social, etc.), and 77% of all consumer retail sales.

It is safe to say that when a particular region's service center community sneezes, the whole area catches a cold. Everyone in the region has a stake in its health.

What does a vital, healthy service center community look like?

***It is growing.*** Population is on the rise, people are moving into the community, and middle income households choose to live there even when they have opportunities to move elsewhere.

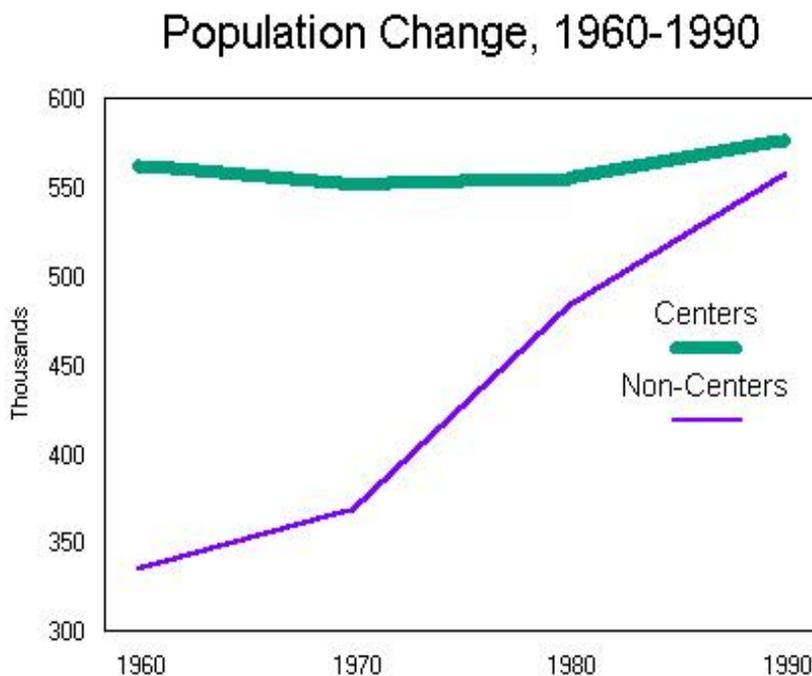
***It has the signs of a vibrant economy.*** Jobs are increasing, and businesses are investing in expansion. Incomes gained from the local economy comfortably support the center's households. The regional economy anchored by the center is diverse enough to withstand a downturn in any one sector. Retail sales are holding their own

against outlying competition. Taxes are sufficient to support public services without claiming too much of the average household's income.

***Its inner workings are in good shape.*** There is choice in housing at different prices and investment in the housing stock. Public sewer, water, waste management, and telecommunications services comply with environmental standards and are up-to-date. The transportation network meets the needs of the economy, with connections to regional, national, and international markets. Residents and travelers have choice in mobility, by virtue both of its arrangement of land uses and availability of multiple modes of travel.

***It has a strong sense of well-being.*** The community's children aspire to learn. Libraries, museums, the arts, institutions of higher learning, and community history are available to bring knowledge to those throughout the region who seek it and to satisfy the intellect. Open spaces protect fragile ecologies, and parks and recreation contribute to peace of mind and healthy bodies. People and their property are safe. They participate in their community.

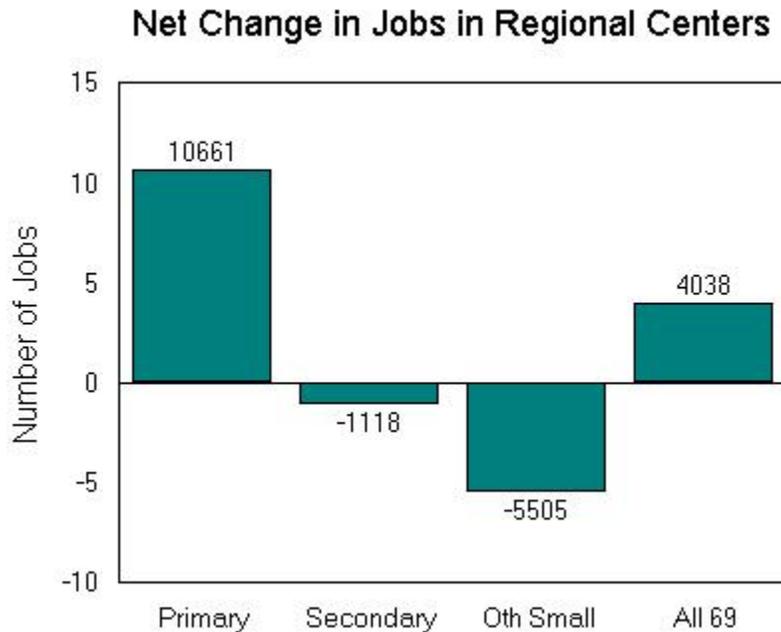
How are the 69 service centers, as a group, doing against these measures?



***They aren't growing.*** The change in population over the last 35 years has been flat, and the primary centers actually have lost population. Thousands more people have moved away from the 69 centers than have moved into them, with most migrating to suburbs and outlying rural towns. In 1960 the service centers contained 59% of the state's population. By 1990, the share had dropped to 47%.

Growth in middle income households has been slower than for the state as a whole and only 61% the rate of surrounding suburban towns. By contrast, the service center communities are home to a disproportionate share of dependent populations, including half of those living below the poverty line, the very elderly (63% of persons statewide who are 85+ years old), and children with special education needs (54% of the statewide total).

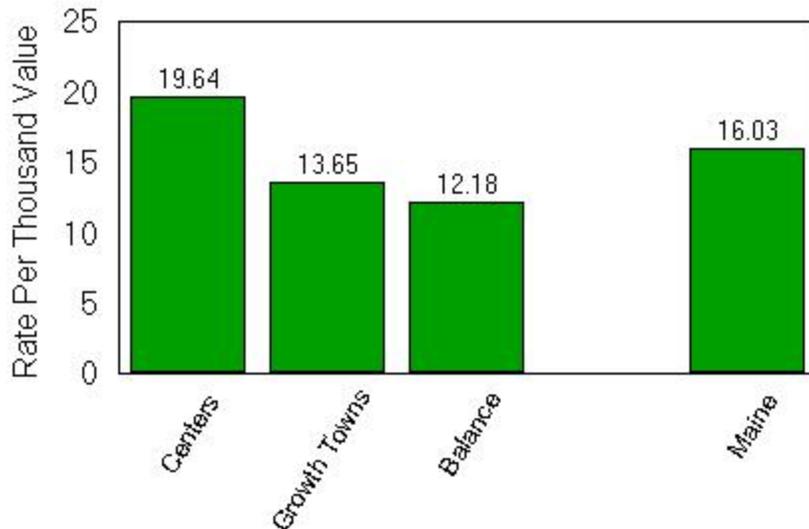
**Economic vital signs are in a warning zone.** Most centers anchor reasonably diverse regional economies, but one-third are overly dependent on just one or two sectors. Job growth from 1990 to 1997 statewide was a mere 3.7%, but for the 69 centers, the rate was even slower: an almost imperceptible 1.0%. Only 24 service centers were above this average, while 32 centers actually lost jobs. Some lost 25% or more of their job base over this period.



The service centers continue to capture the major commercial and industrial investments in the state. From 1980 to 1995, service center communities issued commercial and industrial building permits valued at \$1.4 billion, which represented 60% of the value of all such permits issued statewide. On the other hand, smaller scale development is moving outside of the centers. In terms of number of permits issued, outlying communities captured more than 60% of the total.

Retail sales grew in the 69 service centers between 1989 and 1995 by close to the statewide rate (16.9% vs. 17.8%). But in half the centers, the growth was notably below average.

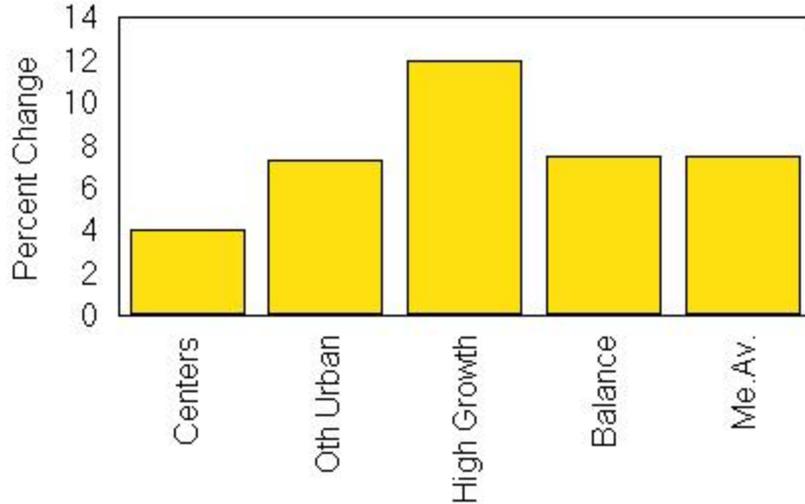
## Full Value Tax Rate, 1996



Average household income in service center communities is slightly below the statewide average and 12% under the average in surrounding, growing towns. Property tax rates are 23% above the statewide average and 44% higher than in surrounding towns. Most of the 69 service center communities -- fully 78% of them -- have property tax burdens (the share of households' incomes paid for property taxes) above the statewide median.

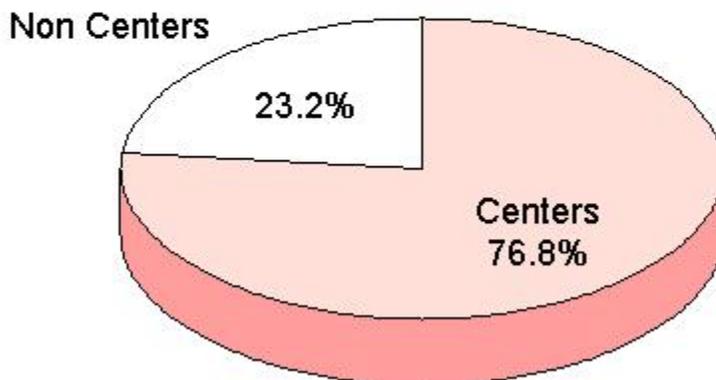
***Their inner workings (or "infrastructure") are reasonably good.*** However, for many, substantial bills for improvements soon will come due. Virtually all have school renovation needs, and together they have about two-thirds of the \$60 million of health-and-safety school renovations statewide identified by the Dept. of Education. The public sewer and water systems of most currently comply with state and federal environmental standards, but a number have combined sewer overflows that will be expensive to correct, others have treatment plants that are approaching obsolescence, and many must invest to continue to comply with the requirements of the federal Safe Drinking Water Act. Most have closed their landfills according to state law and have turned to regional trash-to-energy plants and recycling strategies to manage waste.

## Change in Housing Stock 1990-1996



The rate of growth in housing stock in the 69 centers so far in the 1990s has been half the statewide rate (4.1% vs. 7.5%) and only one-third the rate of outlying suburbs (12.0%).

## Federally Assisted Housing Units by Location



The average value of a home sold in the 69 service centers from 1990 - 1995 was below the statewide average (\$96,000 vs. \$99,000). At the same time, in more than half (55%) of the centers, especially in southern and coastal Maine, the price of home ownership is above the statewide average when compared with residents' incomes. In these cases, the average sales price of a home exceeds median incomes by 3 to 7 times (compared with a statewide average of about 2.4 times).

Most have a stock of assisted housing for poor elderly and family households. In many cases, 10% to 15% of the community's housing is assisted, reflecting both the economic stress facing many households in these communities (some drawn to the centers because of the availability of such housing) and the efforts employed to meet their needs.

Virtually all service centers have certified code enforcement officers and have acceptable - to - very good fire ratings in built-up parts of their communities. Half have comprehensive plans to guide growth in a manner consistent with state goals.

Most of the centers are a transportation crossroad, which has in fact spawned their regional roles. A majority (57%) also are at the junctions of two rail lines or have siding on one line; and 40% have an airport within their borders or in an adjacent community. There is no comprehensive data on the condition of local roads.

***No consistent pattern of community well-being emerges.*** Overall, the crime rate among service center and other urban communities is about 40% higher than for Maine as a whole (46 vs. 33 crimes per thousand population). Nearly half (44%) of the centers have crime rates significantly above the statewide average, although several have crime rates that are exceptionally low. About 4 out of 10 service centers have a greater than average percentage of students who achieve advanced or distinguished status on educational assessment tests. But a third of the communities have above average drop-out rates, and in only 40% of the communities are intentions to go onto higher education above the statewide average. Multiple cultural facilities exist in nearly two-thirds of the service centers, and 18 of the centers have institutions of higher learning. But citizen participation, as indicated by voter turnout in the last presidential election, was below average in half of the centers.

## Center By Center

Data for the individual service centers are available in the appendix. By looking at composite scores of individual centers in the four categories (community growth, vibrant economy, inner workings, and community well-being), it is possible to assess why some are more or less healthy than others.

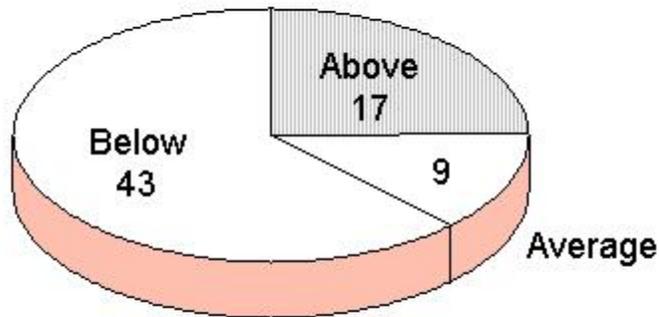
### Table 1 Measures of Community Growth

1. Growing Population
2. People moving into the community
3. Incomes rising

***Composite measure: community growth.*** Based on the composite of measures relating to community growth, only 9, or 13%, of the 69 centers experience conditions that are significantly above average compared with the state as a whole. Forty, or 58%, have conditions that are significantly below average.

The top four service centers by this measure all are coastal communities with strong natural resource and quality-of-life attractions for professionals, entrepreneurs, tourists, and well-to-do retirees and pre-retirees: Damariscotta, Camden, Kennebunk, and Bar Harbor.

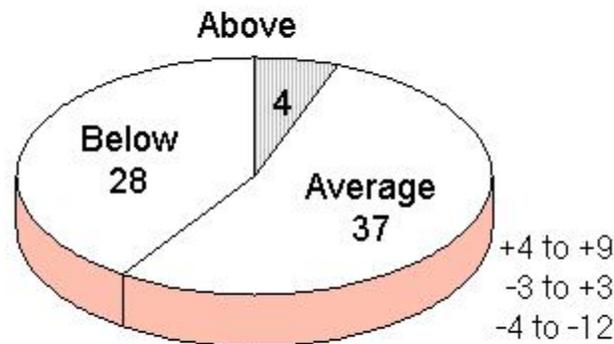
## Community Growth Measures 69 Regional Centers



+1 to +5  
-3 to +3  
-1 to -8

At the opposite end are old industrial or agricultural centers that have suffered a combination of decline in their traditional industries (usually nondurables manufacturing, such as paper, food processing, shoes, and textiles) and loss of population to surrounding suburbs. They include Millinocket, Presque Isle, Madawaska, Milo, Milbridge, Waterville, Rumford, and Mars Hill.

## Vibrant Economy Measures 69 Regional Centers



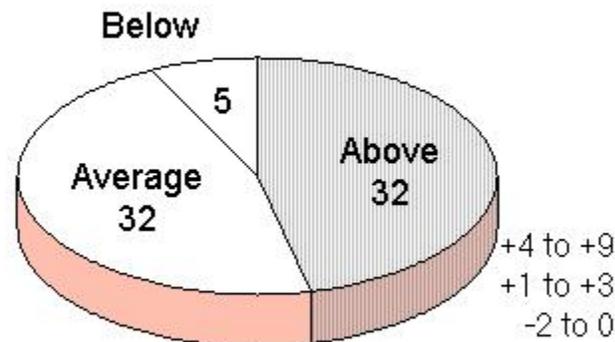
+4 to +9  
-3 to +3  
-4 to -12

**Composite measure: vibrant economy.** Based on the composite of measures related to a vibrant economy, few of the service center communities have economic conditions significantly higher than the statewide average. Only four (Bar Harbor, Camden, Lincoln, and Bethel) or 6%, of the 69 centers can be said to be significantly above average on the composite measures, while 27 or 39% are significantly below average. The four communities with the strongest conditions include a four-season inland resort town, a paper manufacturing center, and two popular coastal tourist

communities that also have other important economic activities. Their above average strength comes from different elements of the composite measure, and each has distinct weaknesses within the measures. But all four have seen growth in their civilian labor forces and retail sales and have strength in at least three other measures in the composite.

The five most vulnerable communities by this composite measure are Eastport, Houlton, Bath, Milo, and Hallowell. All have vulnerable or declining economic bases, average to below average growth in retail sales, and relatively high property taxes and/or property tax burdens. Except in Houlton, all have witnessed net losses of jobs since 1990. Hallowell, despite economic decline within its borders, has above average household incomes, an indication that it is converting from status as a service center to a bedroom community for Augusta.

## Housing & Infrastructure Measures 69 Regional Centers



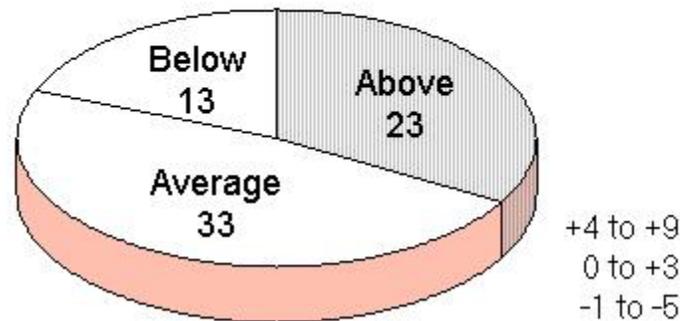
**Composite measure: inner workings.** Based on the composite of measures related to the inner workings (infrastructure) of communities, virtually all have one or more challenges -- especially in maintaining a growing and affordable housing stock; and in facing school renovations and sewer improvements. But, as indicated earlier, many have well cared for infrastructure overall. In considering a series of 10 variables for which data are available, half of the service centers score positively in at least six of the variables. Others have more broad-ranging needs. Investments in upgrading and maintaining infrastructure in the service centers to serve both residents and commuters and other visitors from surrounding towns is one of the contributing factors to relatively high property tax rates and burdens.

Of the 69 centers, 14 score positively in at least seven of the 10 variables that make up the composite. In most of these cases, the communities have relatively strong housing infrastructure (i.e., affordable single family and/or multifamily housing and growing housing stock); and are in reasonable shape in most other areas.

In five of the centers (Kittery, Bingham, Camden, South Portland, and Brunswick), composite scores indicate that negatives exceed or balance out the positives. Usually, housing is a major issue: it tends to be priced above the average state ratio of price-to-income, or the stock is not growing, and/or there is a short supply of

affordable multifamily housing. In addition, in all cases there are one or more deficiencies either in the transportation network (lacking proximity to air or rail) or in greater-than-average needs of utility or school facilities.

## Community Wellness Measures 69 Regional Centers



**Composite measure: community well-being.** Measures of community well-being encompass crime rate, citizen involvement (as indicated by participation in the most recent presidential election), educational achievement and intentions for higher education, range of available health care, and variety of cultural opportunities.

The 10 highest composite scores are recorded by communities both coastal and interior, both north and south. This suggests that, at least by these measures, non-economic quality of life and economic well-being do not always correlate.

The 13 communities where composite scores are negative -- indicating either the lack of certain opportunities or worse-than-average conditions in multiple areas -- are concentrated in central and downeast regions. In most of these cases, at least two of the following -- voting rates, educational achievement, and/or crime rates -- are worse than state averages.

### Conclusion

The demographic and economic vitality of many of the State's service center communities has been seeping away for a number of years, as the exodus of middle income families, the reverse migration of dependent populations, the erosion of retail trade, slow job growth, and high property tax rates and burdens to maintain infrastructure and regional services take their toll.

Not all communities share these problems equally. Those with the healthiest conditions across most or all of the composite measures used in this study, compared with statewide averages, fall into three categories.

1. Small coastal centers with outstanding scenic beauty and preserved New England landscapes (built and natural) that attract professionals, entrepreneurs, retirees, and tourists. Examples include Bar Harbor, Kennebunk, Camden, Ellsworth, Blue Hill, Boothbay Harbor, Damariscotta, and Wiscasset.

2. Manufacturing centers whose major industries have been able to maintain their markets and job bases and have other economic activity to supplement the major activity. Examples include Bucksport and Lincoln.
3. Suburban communities that, by virtue of population and job shifts, have grown into service centers fairly recently, such as Falmouth.

On the whole, service centers are having their greatest difficulties in maintaining community growth and strong local economies. Transportation networks, technology, market preferences, and key state policies that shift dollars from more urban places to suburban and rural places all have worked to the disadvantage of the centers over the last 30 years. On the other hand, the service centers have maintained their infrastructures reasonable well (though at a cost that helps to explain their high tax rates, and with additional costs waiting in the wings) and overall have strong signs of well-being in their cultural, health care, comprehensive planning, and educational offerings. These may serve as a base for policies to reinvigorate these important places. The next sections of this report focus on specific issues and recommended policies or approaches to address them.

## 20 Regional Service Center Recommendations

The Task Force on Regional Service Center Communities has identified 20 recommendations in five major areas:

- Put Service Centers on an Equitable Fiscal Footing;
- Invest in Service Centers Communities;
- Help Service Centers Help Themselves Through Tax Policy;
- Enhance Municipal Services Through Cooperation; and
- Monitor Benchmark Indicators for Service Centers.

The following text describes specific actions that can be taken to reinvigorate Maine's 69 communities that serve as regional job, retail trade and service centers.

### Put Service Centers on an Equitable Fiscal Footing

- Second Tier Formula for Revenue Sharing -- The current community revenue sharing formula is based primarily on population and a factor for tax effort. Some argue that this works against service center communities, where most of the income is generated. At present, the 69 service center communities generate about 73% of the revenues to be shared and provide 100% of the municipal services required of the businesses that produce the jobs and sales. However, because the formula is population-based and service centers either are growing slowly or losing population to the suburbs, they receive only 54% of the shared revenues. As a result, the Task Force recommends that a second tier formula for revenue sharing be considered. That is, all communities would be held harmless as to existing sums. But, growth in the taxes that result in revenue sharing could be distributed by a formula that recognizes the unique role and responsibilities of service center communities by including a share of state's jobs in the formula.
- Alternatively, the formula used to distribute the second tier of revenue sharing could be based on the tax revenue lost by service center communities as a result of the tax exempt state buildings and properties located in them. In this way, the funds would serve as a payment in lieu taxes or PILOT (see recommendation below on tax exempt properties).

- The Task Force also recommends that consideration be given to the concept of using monies raised through a second tier revenue sharing formula to capitalize the Municipal Infrastructure Trust Fund (described below).
- Amend School Construction and Tuition Policies -- This year, the 118th Legislature took significant steps to change the way school construction and renovation needs are identified, assessed and financed. Among other actions, the legislation (LD 2252, Public Law Chapter 787) creates a new Revolving Renovation Fund to improve the condition of existing school buildings, many of which are located in service center communities. The legislation also requires that School Administrative Districts commit to maintenance and capital improvement programs in all school buildings. Twenty million dollars was appropriated as a first phase of capitalization of the Fund. Previously, state funds were only available to support new school construction, which largely supported facilities in outlying suburban and rural communities. In addition, the legislation changes tuition policy to allow reimbursements from the sending school/community unit to the receiving unit to include capital cost as a factor in addition to instructional cost. This change provides schools in service center communities, such as a regional middle or high school, with the ability to share the costs of an expansion or renovation project with outlying communities whose students attend the school.
- The legislation was based on recommendations drafted by the Governor's Commission on School Facilities (February 1, 1998). A School Construction Study Committee (created by L.D. 1124) issued similar recommendations in 1996.
- The Task Force endorses these recent legislative changes as well as additional recommendations in the Governor's Commission report that direct the Department of Education to modify existing rules governing school construction to ensure that the most needed projects, whether they involve renovation, repair or new construction, receive priority attention and that in evaluating need, renovation and repair of school facilities are given preference over new construction where appropriate.
- Modify Local Road Policies: MDOT's Urban Compact Initiative -- The Task Force recommends that MDOT's proposal to modify current local road funding policies to allow for enhanced support for projects in service center communities receive serious consideration. Under this proposal, MDOT suggests that: urban compact areas be redefined (i.e. to include smaller communities that are service centers but are presently not considered to be urban compact areas, and to require that the job to worker ratio be 1.0 or greater in communities between 2500 and 7500 population); that compact responsibilities be modified to create more equity between urban and rural systems with respect to maintenance requirements; and that road financing arrangements be modified to further assist urban compact municipalities.
- Increase Support for Special Education -- Over the last 25 years, the state's policy of funding new construction of schools in the suburbs at the expense of existing schools in service centers has been costly and inefficient. Often, the new construction was not needed to accommodate new growth in the region, but merely a shifting of students from service centers to the suburbs. This shift was facilitated by state funds. At the same time, special education requirements by federal and state governments put spending pressure on all school systems, but disproportionately so on service centers where the largest number of special education students live. Members of the Task Force recommend exploring the idea of phasing in increased state funding of special education requirements, and of paying for this by phasing back the funding of new school construction where sufficient school room capacities exist in a region or could be less expensively achieved by adding on to existing service center schools.

## Invest in Service Center Communities

- Municipal Infrastructure Trust Fund -- In 1994, the Legislature created, but did not fund, a Municipal Infrastructure Trust Fund (Title 30-A MRSA sec. 5953-D) designed to provide grants and loans to eligible municipalities or groups of municipalities to acquire, design, plan, construct, enlarge, repair, protect or improve public infrastructure. Under this legislation, municipalities are eligible to apply for grants or loans only if they have adopted a certified local growth management program. The Fund was intended to serve as an incentive for municipalities to undertake land use and capital improvement planning consistent with Maine's ten state growth management goals. Since 1994, individual legislators have proposed financing the Trust Fund, but no action has been taken by the Legislature.
- The Task Force recommends that the Legislature seed the Trust Fund with at least a \$10 million bond issue. The Task Force also recommends that SPO review and propose updates to the 1994 legislation that created the fund. These funds should be used to leverage other state/federal sources. As noted in the next recommendation, the Task Force suggests that a set aside of dollars in the Trust Fund be considered for use as a revolving loan fund to prepare and implement regional infrastructure plans for service center communities.
- Expand SPO's Regional Infrastructure Planning Grants -- Starting in 1997, SPO launched a pilot program to provide funds to service center communities for infrastructure planning. These funds are intended to enhance the capacity for economic and community growth and support the goals of the Growth Management Program. Funds have also been used to support multi-town initiatives to improve the coordination/sharing of facilities and services. Over two years, a total of \$214,000 has been awarded to 14 communities for a variety of projects (see below). Funds for this effort have come from state general funds appropriated for the Growth Management Program and federal Coastal Zone Management funds. The Task Force recommends that SPO explore options for expanding this effort. If the Municipal Infrastructure Trust Fund is funded, as recommended above, a set aside of monies could be used to support continued regional infrastructure planning efforts. Saco -- Plans for Infrastructure and Public Facilities for Saco Island Mill District Falmouth -- Exit 10 Transit-Oriented Development Sewer Feasibility and Preliminary Design Study Rockland -- Preliminary Engineering for Feasibility of Rockland Industrial Park Expansion into Owl's Head Unity -- Rebuilding a Regional Center in Downtown Unity Fairfield -- Evaluation of a Regional Call Answering and Dispatching for 911 Services in Kennebec and Somerset Counties Brewer -- Wilson Street Business District Master Plan Ashland -- Feasibility Study for Residential Care Facility Bath -- Bath Parking and Traffic Circulation Study Bethel -- Bethel/Newry Short-range Transit Plan Gardiner -- Downtown Redesign and Renovation Mars Hill -- Industrial Park Subdivision Rangeley -- Rangeley Public Library Expansion Skowhegan -- Skowhegan Downtown Riverfront Renaissance
- CDBG Funds for Service Centers -- In 1996 and 1997, two programs within DECD's Community Development Block Grant (CDBG) Program supported service center communities. In 1997, \$800,000 was targeted and \$790,000 in 1998 for downtown revitalization projects to cover public improvements, housing activities, public services, micro-loan program or handicap accessibility. In addition, applications from service center communities received additional points under the 1997 Public Facilities and Infrastructure Program (\$3.6 million) and the 1998 Program (\$3.555 million). DECD is proposing to continue a similar effort for 1999, although the Department may target the downtown revitalization grants to service center communities and

- other municipalities that had previously received a Quality Main Street grant from DECD. The Task Force endorses DECD's efforts to target infrastructure and other appropriate resources to service center communities over the coming years.
- Additionally, the Task Force recommends that, starting in 2000, DECD create a CDBG Entitlement Program for selected service center communities. Currently, under the federal CDBG Program, so-called central cities of metropolitan areas receive annual entitlements. In Maine, the four cities that qualify for this entitlement are Portland, Bangor, Lewiston, and Auburn. All other service center communities must compete for CDBG funds. However, some of these service centers have economic and social problems similar to the central cities -- stagnant or declining populations, high proportion of low income and dependent populations, aged housing stock, etc. -- and they too, warrant a predictable flow of CDBG funds to tackle these problems. Therefore, the Task Force recommends that the DECD allocate, on an entitlement basis, a share of CDBG funds to selected service center communities that show particular signs of long term stress.
  - Home Ownership -- The Maine State Housing Authority (MSHA) has piloted a New Neighbors Program in neighborhoods in Maine's three largest cities: Portland, Lewiston and Bangor. This program is aimed at improving neighborhoods by helping home buyers purchase 1 - 4 unit buildings in designated areas. The buyer is required to live in the unit. To encourage buyers, MSHA has relaxed some mortgage qualification guidelines, reduced downpayment requirements, reduced the interest rates, and provided additional money for rehabilitation. Buyers are also required to participate in an education program to help them with future management responsibilities.
  - The Task Force recommends that MSHA extend the New Neighbors Program, or a version of it, to neighborhoods in other service center communities. In addition, the Task Force asks that MSHA explore other opportunities to target resources in other programs to service center communities, such as the FIX ME Program (provides low interest loan funds for home repairs for low and very low income home owners) and the New Lease Program (provides reduced interest rate loans to finance the rehabilitation, or acquisition and rehabilitation, of rental housing units).
  - Executive Order for State Office Buildings in Service Centers and Downtowns -- Historically, public agencies - local, state and federal - have located their offices in service center communities and, more specifically, in the downtowns of these communities. Examples include federal post offices, military recruiting offices, internal revenue offices, state employment/labor offices, state social service offices, municipal offices, and federal and state court buildings. While many public agencies continue to maintain offices in these traditional locations, there is a growing tendency to shift outward from downtowns to the commercial strips and from service centers to suburban communities. These relocations, especially when they occur multiple times, can have a devastating impact on the vitality of a downtown.
  - As a first step to reverse this trend, the Task Force recommends that a day-long dialogue be held among municipal, county, state and federal leadership to examine the problem in more depth and discuss options for maintaining public offices in service center communities and downtowns. The results of this session could then be developed into an Executive Order from the Governor establishing criteria and guidelines for the relocation and construction of state facilities. Minimally, municipal leaders suggest that a process be established that requires a state agency to consult with municipal officials when an office move or construction project is under consideration; the purpose of this dialogue would be to examine options and needs for keeping the facility in the service center and the downtown.

- A number of other states (Vermont, Oregon, Maryland, New Jersey) have taken steps to direct public agencies to locate in downtown buildings to promote revitalization and reuse of historic and other existing structures. Similarly, a Federal Executive Order issued in 1997, requires federal agencies to give preference to the reuse of historic and downtown properties for their facilities.
- Redevelopment of Brownfield Sites in Service Center Communities -- In 1997, SPO received a \$200,000 grant from the U.S. Environmental Protection Agency to support an effort to "jump-start" redevelopment of Brownfield sites in Service Centers. Working with DEP, DECD, Maine Municipal Bond Bank, regional councils and others, SPO has: developed a list of sites available for investment (with landowner permission) in service centers; established a revolving loan fund to provide resources to communities to conduct Phase I and Phase II environmental assessments of these sites; and created a technical assistance guidebook on Brownfields Redevelopment for interested communities, investors, developers and others. To spur interest in Brownfields redevelopment, DEP hosted a conference in June 1998. SPO, DEP, and DECD should monitor the progress of Service Center communities to redevelop these properties and seek additional funds for the revolving loan fund should it prove to be a popular incentive for community redevelopment efforts.
- Invest in Urban Parks and Trails -- The Task Force considered a wide range of factors that contribute to vibrant, healthy service center communities. An important factor, not only in Maine communities, but in urban places across the nation, are recreational amenities, including parks, trails and other open spaces. The availability of such resources and facilities are not only important parts of day-to-day community life, but they can also be important ingredients in local and regional plans for tourism promotion and economic development. They often serve as the location for special festivals, fairs and races. Excellent examples in Maine's service centers include waterfront walkways/trails in Bangor, Bucksport, and South Portland. Most service centers have town squares or parks that are an important focal point for community events, playgrounds and the like.
- The Task Force recommends that SPO, together with the Maine Departments of Conservation, Transportation, and Economic and Community Development, explore options for providing state matching funds for the purchase and development of urban parks, trails and other open spaces in service center communities.
- One option would be establishing a special set aside or preference for acquisition of land in service center communities through the Land for Maine's Future Program and other state programs. In November 1997, the Land Acquisition Priorities Advisory Committee, appointed by Governor King, completed a report and recommendations. One of the report's ten recommendations suggested that as part of the Land for Maine's Future Program, matching grants be provided to municipalities for local open space acquisition. In addition, the Advisory Committee recommended that purchase of municipal/urban open space be considered as one of a number of priorities for state funded programs. The report noted that, "to maintain the quality of life in our towns and cities, it will be important to expand efforts to protect local open space resources including greenways, neighborhood parks, town commons, beaches, town forests, wetlands, and wildlife habitat." The Task Force concurs with this observation and recommends that the Land for Maine's Future Program initiate an urban open space program.
- Maine Arts Commission Grants to Service Center Communities -- For two years the Commission has made grants to Maine communities to undertake cultural planning with funds from the National Endowment for the Arts. Through the Discovery Research Program, communities have published

- cultural inventories: listings of artists, arts organizations, facilities and services. These cultural guides are a valuable resource to schools and organizations and are the seedbed for new arts programming and festivals celebrating local heritage. Under the Local Cultural Initiatives Program, communities have received funds for local arts council start-ups and to initiate heritage festivals. Community Arts grant recipients have largely been service centers: Presque Isle, Bangor, Waterville, Brunswick, Bath and Portland.
- The Maine Arts Commission will seek state funding to expand Community Arts grants during the 1998-99 legislative session. Realizing the significant role that arts and heritage play in maintaining and revitalizing service center communities, the Task Force endorses funding of the Community Arts grant program.

## Help Service Centers Help Themselves Through Tax Policy

- Amend Law on Tax Exempt Properties -- During the 118th Legislature, the Maine Municipal Association (MMA) advanced a proposal for reform of Maine's tax code, including reform of the property tax exemption statutes. MMA's proposal contains two major elements: modification of the definition of benevolent and charitable organizations in Maine's property tax code to more carefully identify the types of organizations that would be given tax exempt status; and initiation of a pilot program that would allow for state-paid contributions to municipalities that host large-scale institutions, such as state, educational, and medical institutions, that provide services to a regional or state-wide population, but where the tax exemption is borne solely by local taxpayers (these are referred to as PILOTS, or payments in lieu of taxes). There are presently PILOT programs in all New England states, except for New Hampshire and Maine.
- The Task Force recommends that the 119th Legislature consider options to address the the issue of tax exempt property and the impacts on regional service center communities, recognizing that the PILOT approach may be the most politically feasible option.
- Optional Local Sales Tax for Infrastructure -- The Task Force recommends that the Administration and the Legislature's Committee on Taxation design an optional local sales tax that would substitute for property taxes to finance major public facilities. The optional local sales tax would be modeled after an approach used in the State of Georgia. There, county voters can authorize a 10% sales tax for up to 5 years to pay for eligible public facilities. After 5 years, the tax expires unless re-voted at referendum for one or more additional public facilities. The result in Georgia has been two-fold:
  - First, needed public facilities are paid off in 5 years or less, saving thousands of dollars in interest; and
  - Second, it shifts the debt service from the local property tax to a sales tax paid by everyone in the region using the services required of the service center community.
  - In Maine, a key question will be whether the local option sales tax can be voted by communities over a certain size, or by counties, or by a combination of the two. If the tax were voted countywide, a system of sharing the revenues for eligible public facilities should be established between the county's service centers and other communities.
- Optional Split Rate Property Tax for Commercial-Industrial Properties -- The property tax is actually two taxes rolled into one; it is a tax on land and a tax on improvements (buildings, etc.) put onto the land. To the extent that the property tax falls on the improvements, it penalizes development. To the extent that it falls on the land alone, it is an

incentive to develop it. As such, it is a tool for economic development. A split rate property tax in areas zoned for commercial and industrial use would reduce the mil rate on improvements and make up the difference by increasing the rate on the land. the effect would be to reward investment and create jobs, especially in service centers where the majority of commercially and industrially zoned land with public utilities is located. The split rate tax is currently used in cities in Pennsylvania and New York.

## Illustration of Split Rate Tax

**Assume commercial-industrial district with a value of \$50 million including \$20 million in land and \$30 million in improvements (buildings and personal)**

Land Improvements Total

Value \$20,000,000 \$30,000,000 \$50,000,000

Tax rate 0.02 0.02 0.02

Revenues \$400,000 \$600,000 \$1,000,000

\* \* \* \* \*

**Under split rate tax, assume municipality chooses to tax improvements at half the rate of land while still raising \$1,000,000 in revenues**

Math is as follows:  $2X(20,000,000) + X(30,000,000) = 1,000,000$

$70,000,000X = 1,000,000$

$X = 1/70$  or .0143

$2X = .0286$

Land Improvements Total

Value \$20,000,000 \$30,000,000 \$50,000,000

Tax rate 0.0286 0.0143 0.02

Revenues \$572,000 \$429,000 \$1,000,000

\* \* \* \* \*

**Impact on Individual Businesses  
Ratio of Improvements: Land is 3:2**

Property A Property B

Land Improvements Total Land Improvements Total

Value \$50,000 \$200,000 \$250,000 \$100,000 \$ 0 \$100,000

Rate 0.02 0.02 0.02 0.02 0.02 0.02

Revenue \$1,000 \$4,000 \$5,000 \$2,000 \$ 0 \$2,000

Value \$50,000 \$200,000 \$250,000 \$100,000 \$ 0 \$100,000

Split Rate 0.0286 0.0143 0.01716 0.0286 0.0143 0.0286

Revenue \$1,430 \$2,860 \$4,290 \$2,860 \$ 0 \$2,850

- The Task Force recommends that the State Planning Office test the effects of an optional split rate property tax in commercial-industrial districts in a sample of service center communities and report the results to the Governor and the 119th Legislature's Committees on Business and Economic Development and Taxation. If the results are favorable and warrant a formal proposal, an amendment to the state's constitution will be required to give communities this option.
- Tax Credit for Rehabilitation of Historic Properties -- LD 405, "An Act to Create an Historic Preservation Tax Credit," sought to create a state income tax credit for owners who rehabilitated income producing properties eligible for or listed on the National Register of Historic Places. The federal credit currently allows a 20% deduction from federal income taxes of the costs associated with restoration. LD3405 would have allowed an additional 25% of the federal income tax credit to Maine owners and lessees and allowed this amount to be used as part of a Tax Increment Financing District (TIF). TIFs allow developers to recapture some or all of the potential municipal or state taxes for a limited term. The bill received the unanimous support of the Taxation Committee, but was tabled by the Appropriations Committee due to the projected fiscal note of \$46,000 in lost state revenue. Believing that reinvestment in historic properties is a cornerstone of community renewal, the Task Force recommends that LD 405 be reintroduced in the 119th Legislature, passed and signed into law.

### Enhance Municipal Services Through Cooperation

- Implement Recommendations of the Task Force on Intergovernmental Structure -- In November 1997, the Task Force on Intergovernmental Structure proposed reform in state- county-local relations aimed at: permanently reducing property taxes collected by counties statewide by an estimated 62% (by county this ranges from 50% to 85%); greatly expanding the opportunity for joint municipal services, using county government as a vehicle for voluntary cooperation; and reducing the duplication and improving cooperation at all levels of government. The Task Force was created by an Executive Order issued by Governor King in October 1996.
- Of particular interest to the Service Centers Task Force is a portion of this proposal recommending that the state assume financial responsibility for those services it has traditionally demanded of county government. For non-jail, non-contract county sheriff services, it proposes that the state pay 40% of the costs, counties (through the property tax) pay 40%, and communities without organized police departments pay 20%. This proposed cost sharing arrangement is designed to link the costs of these services to their beneficiaries. The state benefits because sheriff's activities reduce the demand on state police. Local property tax payers in the county as a whole benefit from a law enforcement capacity available to all (i.e. in the event that an individual is in need of police services outside of his or her own

- community). Rural communities without organized police departments of their own benefit disproportionately, since they are directly served by the rural patrols. Under this proposal, service center communities, which, for the most part have their own law enforcement departments, would no longer have to pay for duplicative services.
- While this proposal was not enacted into law in its entirety during the 118th Legislature, LD 2244 was passed that: amends a section of Title 30-A to clarify the general authority of county government to provide a broad array of services to municipalities that are willing to contract on a voluntary basis with the counties for those services; continues the work of the Intergovernmental Task Force through the creation of a permanent Task Force on Intergovernmental Cooperation; and explores retaining more of the Real Estate Transfer Tax at the county level (currently only 10% of the Transfer Tax remains at the county).
  - The Service Centers Task Force recommends that the new Intergovernmental Cooperation Task Force continue to explore ways to implement the proposed cost sharing changes described above for non-jail, non-contract county sheriff services.
  - Provide Incentives for Joint Municipal and Education Services -- Implement the recommendations of two recent Task Forces (Task Force on Intergovernmental Structure and Task Force to Study Equal Economic Opportunity for all Regions of the State) to develop incentives to encourage municipalities and school districts, along with Counties and state agencies, to coordinate and share resources. Examples include: dispatch and emergency communications; code enforcement; and joint purchasing and sharing of large, specialized public works equipment.
  - Tax Revenue Sharing to Support Regional Economic Development -- The Service Center Task Force recommends that steps be taken by both municipal leaders and appropriate state agencies to encourage adjacent or proximate service center communities within a region to work together to promote economic development and job creation in a way that minimizes competition between service centers. An excellent example of this type of cooperation has recently been started in Lewiston and Auburn. In April 1998, the cities signed an Economic Development Protocol intended to provide clear guidance and direction to not only City staff and elected officials, but also developers and businesses, about their approach to joint, non-competitive economic development. The cities are also working on a joint Tax Increment Financing Policy.
  - One example of incentives the state can offer to encourage joint municipal economic development is the Department of Economic and Community Development's new program for regional "Super Parks." Super Parks are envisioned as high tech industrial parks that are large, have advanced telecommunications infrastructure and electric distribution facilities, contain architecturally controlled structures and buildings, and are connected to water and sewer systems. This year, DECD has set aside \$1 million of Community Development Block Grant funds to support the development of Super Parks. To date, only one region - communities in the Kennebec Valley area - is in the process of identifying a site, developing a design concept, discussing regional cost and revenue sharing options, and preparing an application for submission to DECD by August 1, 1998. In addition, the communities proposed and received approval for emergency legislation that enables the creation of the Kennebec Valley Regional Development Authority, an entity that would develop and manage the Super Park.

## **Monitor Benchmark Indicators for Service Center Communities**

- Add Indicators to the Economic Growth Council's Annual Measures of Growth -  
- Based on data collected and analyzed for this report, a suite of indicators that measure the performance of regional service center communities should be added to the Economic Growth Council's annual efforts to provide indicators on "vital communities." Indicators for economic vitality, community growth, infrastructure or "inner workings" and overall community well being should be included.

## Assessment of Community Conditions

The Task Force on Regional Service Center Communities determined that one approach to identifying the needs of regional service center communities was to first identify a variety of factors that make a community a strong, vibrant regional center and to assess the state of these conditions within Maine's regional centers. It was felt that such an assessment would aid communities by pointing out areas of strengths and weakness, and would turn up areas where problems existed that may be addressed legislatively, through increased investment, or with public policy changes.

The following four tables in this appendix present relative conditions in Maine's regional service centers as grouped into four broad categories: Vibrant Economy, Adequacy of Housing and Infrastructure, Growing Community, and Community Wellness.

## About the Data

**Note:** The reader is cautioned about the limitations of the data for uses other than intended by the Task Force. A drawback to using this data for broader purposes is the method of comparing. Some data items were qualitative - i.e., either a town is or is not in compliance, or it does or does not have a certain service or facility . But for many of the items the scoring was a relative rather than an absolute procedure. Towns were compared to the median town or state average, divided into quintiles based on their relative distance from the median or average, and assigned a score between -2 and +2.

Secondly, the measures used were not always the best indicators of a particular condition. But they were often the only data source available that was both related to the subject and available for all communities so that a consistent analysis could be accomplished.

For example, measuring economic diversity would ideally be accomplished by measuring the extent to which a community or region is dependent on a single firm for a large portion of its jobs. But because data on individual firms cannot be used without revealing information about the firm we instead looked at the extent to which jobs are concentrated in a single industry grouping vs. being spread out over several industry groupings. The outcome of the alternative approach is very different. To illustrate, most would perceive Portland and the Portland Metropolitan area to have a highly diversified economy. However, jobs in that area today are concentrated in services and trade. Even though there are a great number of firms and a great diversity of kinds of services and retail establishments, the fact that most of the jobs are concentrated in these two broad economic sectors makes the area appear less diversified than a mill town, which may be dominated by one mill but also has a sizable number of jobs in trade and service industries.