

## State of the Community – Critical Issues Economic Vitality

**Economic Vitality:** Communities with "economic vitality" maintain and expand their asset bases and capital and provide primary, secondary and service jobs. Most importantly they contribute to the economic well-being of their residents.

### Historical Perspective

The 1979 Comprehensive Plan included a detailed analysis of the economic history of Castine. In general, the Town has shifted from a product producing economy of the 1800s to a service oriented economy of the 1900s. The shipbuilders, rope manufacturers, canneries, and import/export trade were replaced with year-round businesses that satisfied the needs of the year-round residents. These businesses were supplemented with summer tourism and the summer-resident population. In the 2000s, the year-round population and economic activity have begun to trend downward with an increasing number of residents who call Castine their full time home leaving for the winter months. Unfortunately, the census data does not capture any quantitative measure of this activity.

### Present Situation

In recent years, Castine continues to shed commercial properties. In most areas of the country commercial property tends to expand and replace residential property. Castine has a fairly unique situation where residential property expands and replaces commercial property. The table below shows the major business establishments in the 1950s, as outlined in a Castine Historical Society document, and those of today.

Historical Business 1950s	Current Business	Notes
Coomb's Hardware Store	DeRaat Realty	
Willis Ricker, Variety Store	Castine Historical Handworks	
Carl Wardwell, groceries	Bagaduce Gallery	
Mayo Butcher Shop (Ken's Market)	Compass Rose Bookstore	
Village Drug Store	Castine Variety	
Bob Bowden's Barber Shop		Now Residential
Leach's Garage		Commercial
The Folly Theater		Building Removed
Macomber's Store		Building Removed
Marion Clark. Groceries		Now Residential
Wardwell's Market		MMA Property

Ralph S. Wardwell. Real Estate		MMA Property
Ethel Noyes Store		MMA Property
Hooper's Garage	T & C Market	
Noah Hooper Undertaker		Building Removed
Dennett Brothers Wharf	Dennett's Wharf Restaurant	
Eaton's Boatyard	Eaton's Boatyard	
Castine Coal & Gas Company		Building Removed
Castine Community Hospital	Castine Health Center	
Alva Clement, Builder		Now Residential
May Wardwell, Beauty Shop		Now Residential
The Castine Inn	The Castine Inn	
The Holiday House		Now Residential
Pentagoet Inn	Pentagoet Inn	
The Manor	The Manor	
The Blake House	Leila Day Antiques	
American Sailor Restaurant		MMA Property
McKinnon's Store		Building Removed
Gene Bowden's Hot Dogs	The Breeze	

Of the 29 major establishments in the 1950s only 14 remain. Recent years have seen several of those losses. Most recently the Harbor Lodge (formerly the Holiday House) was sold and converted to a residence. The loss of an inn has significant impact to the Town. Inns provide employment opportunities and their guests shop and dine at other Castine establishments. The loss of guest rooms in the Town makes it difficult for other inns to accommodate large functions and weddings.

Total sales in Castine as reported by the Maine Tax Office showed a reduction of about 10% between 2007 and 2008. Adjusted for inflation, the loss amounts to 13%. See Chapter B - Economy, Table B.4.

Traditional wisdom in town suggests that businesses were able to cover monthly operating expenses in the winter, and make their profit in the summer. Of the total sales reported in Castine, 60% take place in the 3<sup>rd</sup> quarter. The first quarter of the year accounts for only 8% of the annual sales. There are now few businesses operating outside of the summer months.

One measure of the economic vitality of a community is called “Retail Pull”. The “pull factor” is a measure of a community’s ability to attract consumers. A pull factor of 1.0 indicates that a community is meeting the retail needs of its population but is not drawing other customers. Pull factors greater than 1.0 indicate that a community is able to attract or pull consumers from the surrounding area. Pull factors below 1.0 suggest “leakage” to other towns. Castine’s pull factor of .27 confirms that most goods and services are secured outside of the town.

Since 1995 the year-round, non-student population of Castine has undergone a decline. While the figures cannot be exact, it is clear that the number of Castine residents over 65 years of age has increased by 10%, and those in the 45-64 age group have increased by 37%, while the school-age population (ages 5-17) has dropped by 21%. (See Chapter A – Population.) In contrast to the Town, the MMA student population has undergone an increase of over 50% in the past ten years – from approximately 600 students to over 900. MMA has also become the Town’s largest employer.

The task before both MMA and the Town is how best to take advantage of MMA’s presence in order to control both of these numeric and demographic trends. MMA brings large numbers of conference attendees, family, and friends of students and alumni to Castine, many of whom patronize the Town’s businesses when they are open. Students and faculty also provide income to Castine property owners who rent their homes. Yet, the students bring parking congestion to the downtown area, limiting access to the retail businesses. In addition, MMA itself provides most required services for students, and competes with the inns and restaurants by providing rooms and dining facilities for both MMA and non-MMA related events.

The Committee believes that the solution to these issues lies in enhanced communication, cooperation, and consultation between Town and MMA, as suggested by members of the state legislature and in the “Critical Issues” section dealing specifically with MMA.

### **Challenges to Achieving Our Vision**

**Availability of year-round volunteers.** Like many small Maine communities, Castine relies heavily on volunteers to maintain services the Town provides. The Town office consists of three full time people: a Town Manager/Code Enforcement Officer, Treasurer/Finance Officer, and Town Clerk. The three elected selectman do receive a small stipend, but are essentially volunteers dedicating countless hours in the management of the Town. Most services in the Town require leadership and work effort by community volunteers. Maintaining a reasonable level of service in the Town requires a large number of community volunteers willing to commit both time and effort. The alternative is a higher number of paid Town employees that would lead to higher taxes. An aging population and decreasing year-round residents present a challenge to the existing volunteer model.

**Year-round employment.** Other than MMA, there are relatively few full time year-round employment positions available in Castine. Town government, including Adams School, and the Castine Health Center are some of the other organizations offering full time positions. Each year, residents hold fewer of the full time positions in Castine.

**Business operating expenses.** The restaurants and inns of Castine represent over half of the economic activity in the Town. Apart from MMA, the inns and restaurants are the highest users of Castine's most expensive commodities - sewer and water. Castine has the second highest water rate and the most expensive sewer rate (by a factor of 2) in the state. These high costs put extreme financial pressures on the remaining inns and restaurants.

### **Meeting the Challenges**

The Committee proposes the creation of two citizen groups, charged with the responsibility for making recommendations to enhance Castine's economic vitality:

**Business Opportunities Group.** Ultimately, the vitality of Castine as a year-round community depends upon businesses and the jobs businesses create. This group will a) study existing Town businesses and evaluate their potential for job creation, b) analyze the business climate of the Town and make suggestions for improving that climate, c) examine other similar towns to see whether there are conditions or opportunities that may be conducive to business creation and retention in Castine, and d) study the benefits and feasibility of a permanent Economic Development Team for Castine.

**Utility Rate Review Group.** The cost of utilities in Castine is an excessive burden on existing businesses and a deterrent in attracting new ones. The Utility Rate Review Group will analyze existing costs, contrast with other similar towns, and explore alternative financial arrangements to reduce Castine's utility costs.

## **State of the Community – Critical Issues Housing**

### **Historical Perspective**

*“Castine desires to assure its residents reasonable opportunities for a safe, decent, and affordable housing stock. It wishes to promote a mixture of housing types while remaining a town consisting primarily of single family homes. . . . All development, however, must be compatible with the town’s infrastructure.”*

The above quotation is taken directly from Castine’s 1995 Comprehensive Plan. After nearly fifteen years, the goal remains elusive.

### **Present Situation**

Castine has seen significant growth and changes in its available housing since 1995. Much of the new housing is used as full-time residences by retirees who have moved to Castine permanently, while others are used as seasonal dwellings.

The student dormitory and apartment-style student housing owned by MMA are inadequate to address the housing needs of its growing number of students. In addition, many young families, who would like to work at MMA or for other employers in Castine, are unable to find housing that they can afford in Castine forcing them to look elsewhere.

### **Challenges to Achieving Our Vision**

A year-round, thriving community requires multigenerational residents. Our population is aging. It is also dwindling. In order to thrive, Castine needs young people with new ideas, new talents, and the opportunity to be a part of the community where they live and work. The high cost of housing impacts MMA’s ability to attract committed faculty and staff. It weakens Castine’s ability to attract viable businesses, customers for those businesses, and the volunteers the Town depends upon to protect its health, run its Fire Department, operate its volunteer ambulance corps, and serve on Town committees.

### **Meeting the Challenges**

In order for Castine to be a thriving community that can preserve its natural beauty, its village character, and its historic heritage, the Town must address the housing challenge. There are model programs throughout the United States that have been successful in meeting this challenge in other communities. The Committee recommends creating a joint Town/MMA Housing Committee whose mission it is to investigate these model programs and issue a report with recommendations for addressing the problem.

Success will not be achieved overnight, or through one source, but the Committee believes that with Town and MMA support, and with the help of private and public sources, it can be done. If the Town chooses to ignore this thorny but solvable challenge,

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the cost will be far more than financial: it will be the cultural and economic disintegration of Castine as we know it today.

## **State of the Community – Critical Issues Infrastructure**

### **Historical Perspective**

*“Castine desires to maintain and expand its public facilities in an orderly manner that assures that all residents and businesses are provided with adequate town services while avoiding any undue increases in property taxes and utility fees. As much as possible, it desires to avoid undertaking new programs and expenditures unless funding is available from growth in the tax base, reallocation of the current budget, or from revenue sources other than the property tax.”*

The above quotation is taken from the 1995 Comprehensive Plan. The reality is that we had an admirable, but inadequate, plan in light of conditions in 2010.

### **Present Situation**

Water and wastewater systems are regulated by the State of Maine. We have updated our water and sewer systems recently. The Town continually monitors and responds to new state requirements and adjusts user fees accordingly.

While there are no State requirements for a town to upgrade roads and the water, sewer, and storm drain lines beneath the roads, once a town starts repairing the roads there are State codes for all aspects of the project.

Voters at Annual Town Meetings have had opportunities to vote in favor of long-range infrastructure repair, but the warrant articles have not passed. Sewer and water user fees have increased substantially over the past 15 years but we have no user or impact fees to pay for road repairs, new roads, or storm drains. We are faced with a crumbling road system, beneath which are storm drains and water and sewer lines that are inadequate, inefficient and potentially dangerous.

At the 2009 Town meeting, residents voted to fund an engineering study to determine the process and cost of repairing our roads and the systems beneath them. How to fund the anticipated repairs remains a question for the voters.

### **Challenges to Achieving Our Vision**

The vision of a year round thriving community requires well maintained roads, storm drainage, and water and sewer systems. Castine’s year-round population is aging and dwindling. To thrive, it needs young people and young families. Efforts to retain and develop our heritage, village character and natural beauty must include repairing our infrastructure. It is up to the residents to determine how. The challenge is not if, but when.

### **Meeting the Challenges**

Current estimates to repair and upgrade the Town's infrastructure are approximately \$10 million. The only realistic means for raising this amount is through borrowing by means of a bond issue, and finding new ways to pay for it.

In order to do this the Town must increase available revenue. Several options include securing **Payments In Lieu Of Taxes (PILOT)** from non-taxpaying organizations, as well as seeking grants and possibly increasing property taxes and possibly reducing existing Town services.

Continued delay by the Town to fund infrastructure repair will result in even greater expense in the future.

## **State of the Community – Critical Issues Maine Maritime Academy Relationship**

### **Historical Perspective**

*“The Maine Maritime Academy has been a part of Castine since 1941. It is the largest employer in Town, and it provides the Town with a number of services. It is of concern to some townspeople because it affects the tax base, creates general uncertainty about future land acquisition, and disrupts their sense of privacy and community. Future planning for the Town of Castine must recognize the implications of the presence of MMA. It is obvious that the school is an integral part of the community and that the Town’s future cannot be planned separately from it.”*

This quotation is taken directly from the 1976 Comprehensive Plan. In the Committee’s opinion, it is as relevant now as it was then.

### **Present Situation**

From a two-curriculum maritime training school, MMA has grown to offer 11 majors and a graduate business program. The student body has grown from its first class of 28 men to over 900 men and women, which exceeds the number of year-round Castine residents. Enrollment has increased steadily, most notably in the past five years. The incoming class in the fall of 2009 is estimated to be approximately 300 students, which represents a 50% increase in size from the class that entered MMA in the fall of 2004.

In 1941, MMA rented space from the Eastern State Normal School and housed its students at the Pentagoet Inn. MMA now owns over 38 acres in the Town, including 500 feet of shore frontage on Castine harbor, and 200 acres in neighboring Penobscot. MMA buildings now include classrooms, offices, athletic facilities, dormitory space and additional student housing, dining hall and student center, library, bookstore and the waterfront complex. In addition, MMA owns a number of former residences that are used for a variety of purposes, including office space and housing for a number of MMA personnel, including the President.

The 1976 Comprehensive Plan reported that over 50% (77 of 150) of MMA employees were residents of Castine. Today, MMA is still the largest employer in Castine with approximately 263 faculty, staff, and contract (food services and bookstore) employees, but less than 23% (60 of 263) are residents of Castine.

### **Challenges to Achieving Our Vision**

With the continuing expansion of its facilities and student population, MMA will have an ever-increasing impact on the Town. This impact includes the use of Town services, parking of a large number of student vehicles on Town streets, and the loss of tax revenues.

**Town Services.** MMA is the largest user (almost 50%) of the Town's water and sewage systems. Currently, both the water supply and the Pollution Control Facility appear to be adequate. However, continued increases in the resident student population and/or the addition of a full summer term when the Town's population is greatest could seriously compromise the Town's water supply. Additional sources of water from off-neck Castine could not be obtained at a cost that could be afforded by the Town.

As a tax-exempt entity, MMA receives certain Town services at no cost. Pursuant to Public Utilities Commission rule, Castine taxpayers (not only those connected to the Town water system) annually pay an aggregate of \$154,000 (equal to 30% of the annual cost of the Castine Water Department). This payment directly reduces the billable rate for water for those connected to the Town water supply. If this amount were apportioned to water users only, as the largest single water user, MMA's share of this amount would be approximately \$70,000. Other Town services that benefit MMA directly include the cost of general government, law enforcement, public works and street lights. The aggregate annual cost of these services to taxpayers is \$540,000. Based on its property valuation (\$49,000,000) as a percentage of all taxable property (\$350,000,000), MMA receives a benefit of approximately \$66,000 (12% of \$540,000) for these Town services at no cost.

**Parking.** Although MMA has student parking lots in Castine and Penobscot, the number of student vehicles parked on Town streets continues to increase. Many residents believe that the number of student vehicles causes the greatest problems in the downtown area and at the Town dock parking lot, which is near the MMA waterfront complex. Merchants, real estate offices and banks complain that customers cannot find parking near their businesses. Frequent attempts to address the number of student-owned vehicles in the downtown area have as yet been unsuccessful.

**Loss of Tax Revenue.** The most significant impact on the Town is the loss of tax revenue as a result of MMA property holdings. By agreement with the Town, MMA pays approximately \$18,000 annually. Of that amount, \$11,000 represents 20% of the five year average cost of the Castine Fire Department; \$7,000 represents tax on the assessed valuation of MMA housing (not including the land) that is rented to faculty and staff. If properties are not rented, no payment is made. MMA owned, and therefore tax-exempt, property in Castine is valued at approximately \$49,000,000. If taxed at the current rate of 0.6%, taxes on this property would be approximately \$294,000. Accordingly, lost tax revenue on MMA property equals 10% of the combined Town and school budgets of approximately \$2,900,000. Any acquisition of real estate by MMA in Castine, whether by private purchase or eminent domain, will continue to deplete the tax base as properties are removed from taxation.

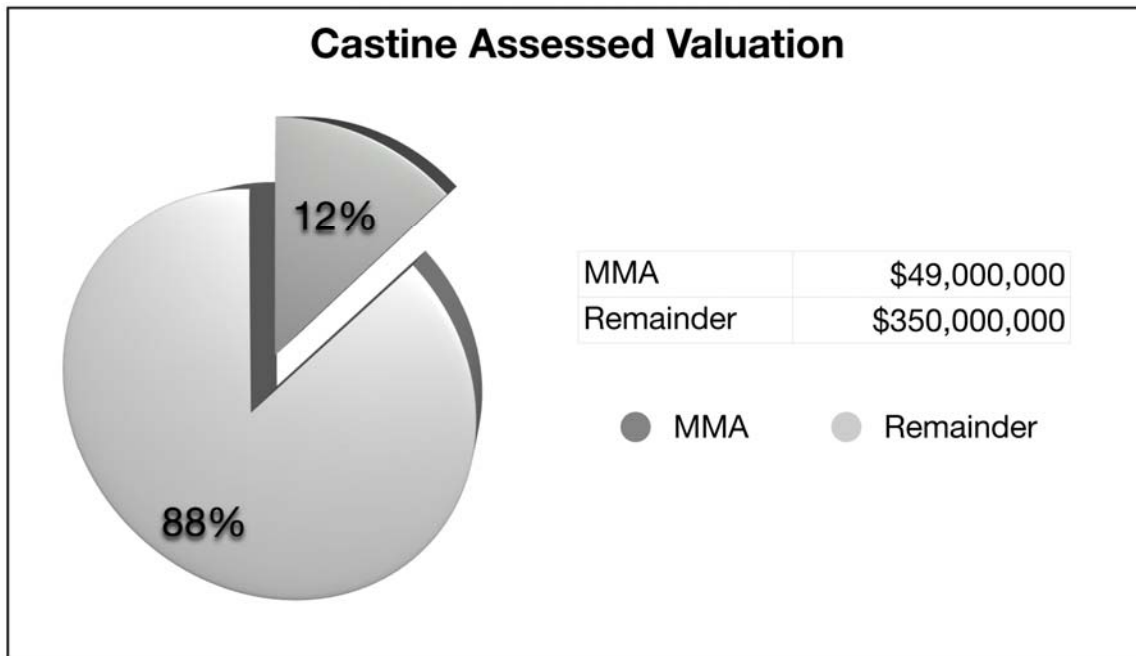
### **Meeting the Challenges**

Castine residents can, and will, disagree on the proper response to these challenges. But few can deny that these challenges exist, nor can they deny that they can best be met by good will on the part of both the Town and MMA. Other municipalities have confronted,

and are confronting, similar challenges, and the response has been varied. Your Committee makes the following two recommendations:

**“PILOT” Program.** MMA is an agency of the State of Maine and receives federal and state assistance, including funds raised by state bond issues. The Town needs additional help from MMA in the form of a “PILOT” (**P**ayment **I**n **L**ieu **O**f **T**axes) Program. Other towns with major tax-exempt institutions have reached agreement on this issue, and so can Castine. As recently as 2008, MMA officials stated that they are open to discussion of an appropriate PILOT amount. The Committee believes the time has come for the Selectmen and their representatives to meet with MMA officials and reach an agreement.

**Cooperative Initiatives Panel.** The Committee believes that so-called “Town and Gown” meetings have not been sufficient in addressing the challenges confronting the Town by the present situation described above. Such meetings occur very infrequently and the Selectmen and the MMA administration simply do not have the time to explore thoroughly the needs of each entity, nor to develop solutions that serve the interests of both. In addition to Town and Gown meetings, the Committee believes that a “Cooperatives Initiatives Panel” can quietly address the needs of both the Town and MMA and develop solutions that are acceptable to both. The Panel should consist of equal numbers of members appointed by the Town and MMA who are the “best and the brightest” for the task. The appointment of such a Panel is meant to signal its perspective as outside of the usual process for study and decisions. The Panel’s mission is to investigate and issue a report with recommendations for changes. It should consist entirely, or at least mostly, of Castine residents. It should be given a mandate and a deadline to address all issues either the Town or MMA wishes to resolve.



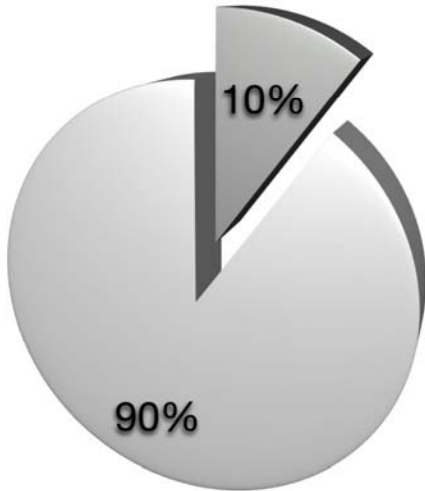
### Present MMA Share of Combined Town-Adams School Budget



MMA Contribution	\$18,000
Remainder	\$2,900,000

● MMA Contribution    ● Remainder

### Hypothetical Contribution of MMA to the Combined Town-Adams School Budget, Based on 0.6% of Assessed Value



MMA	\$294,000
Remainder	\$2,606,000

● MMA    ● Remainder