



THE COMMUNITY INSTITUTE

Building strong places, communities and leaders

FINAL REPORT

Session #4

COMMUNITY ECONOMICS

The Community Institute

A Program of Friends of Midcoast Maine



Thursday, October 22, 2015

The Daniel, Brunswick Maine

Thank you to our GENEROUS SPONSORS and COLLABORATORS



Introduction

On Thursday, October 22, 2015, Over sixty people attended Session #4 of The Community Institute, a program of Friends of Midcoast Maine. “Community Economics” was held in the Daniel Hotel in downtown Brunswick, Maine. Attendees represented 30 different communities from Maine and other New England states.

In keeping with the successful format of The Community Institute, the session featured national guest faculty members as well as state and local faculty practitioners, thought leaders and experts in the subject matter. The overall mission of The Community Institute is to “build strong places, people and leaders” in Maine.

Agenda

The agenda transitioned from policy to practice, beginning with Charles Marohn of Strong Towns, community leaders and staff including Mayor Jonathan LaBonte, economic development director Misty Parker and city council woman Valli Geiger, followed by local developers Paul Boghossian and Kevin Bunker. After a catered networking lunch, national faculty member Joe Minicozzi of Urban 3 LLC discussed the dollars and sense of development patterns in an informative, innovative, humorous presentation and discussion. The final portions of the session featured state and non-profit leaders to discuss tools available to communities including Yellow Light Breen of Maine Development Foundation, Rob Brown of Business Ownership Solutions, Ken Greenleaf of Mainstream Finance, Daniel Wallace of Coastal Enterprises Inc. Finally, Jane Lafleur of Friends of Midcoast Maine focused on concrete tools to assess our communities for smart and strong economic growth.

Session #3: Community Economics From Policy to Practice: Thursday, October 22, 2015, Brunswick Maine

- 8:30 a.m. *Registration and coffee*
- 9:00 a.m. *Welcome and Introductions - Jane Lafleur, Executive Director of FMM*
- 9:15 a.m. **Policy: Setting the Stage – The Ponzi Scheme of Community Decision Making,**
Chuck Marohn, Strong Towns
- 10:15 a.m. *Brief break*
- 10:30 a.m. **The Government Perspective**
Jonathan LaBonte, Mayor, City of Auburn; Valli Geiger, Rockland Economic Development Committee; Misty Parker, Lewiston Economic Development Specialist
- 11:15 a.m. **The Developer’s Perspective**
Kevin Bunker, Developers Collaborative and Paul Boghossian, Hathaway Holdings, Waterville
- 12:15 p.m. *Catered lunch with table discussions and networking*
- 1:00 p.m. **The Dollars and Sense of Land Use Decisions: Joe Minicozzi, Urban 3 LLC**
- 2:00 p.m. **On the Ground: Tools and Resources for Healthy Economic Development**
Yellow Light Breen, Maine Development Foundation
Rob Brown, Business Ownership Solutions
- 3:00 p.m. *Brief Break*
- 3:15 p.m. **On the Ground: Tools and Resources for Healthy Economic Development**
Ken Greenleaf, MaineStream Finance and Daniel Wallace, Coastal Enterprises Inc. (CEI)
- 4:15 p.m. **Taking Action: tools for assessing your community**
Jane Lafleur, Friends of Midcoast Maine
- 4:30 p.m. *Adjourn*

Faculty



Chuck Marohn, PE, AICP, is the President and Co-Founder of the non-profit, Strong Towns. His background as an engineer and planner working as a consultant for dozens of cities and towns across Minnesota gives him an intimate understanding of how land use and infrastructure projects get designed, funded and built. This unique insight across traditional silos is what led him to start Strong Towns in the wake of the national financial crisis that left so many local governments reeling from the sudden halt in development. A nationally sought after speaker, Chuck has given over 200 presentations to public officials, staff professionals and local citizens in the last five years to help them find a new pathway forward.

Chuck is the author of *Thoughts on Building Strong Towns (Volume 1)*, and *A World Class Transportation System*. He is also the primary author of the Strong Towns Blog and the host of the Strong Towns Podcast and See it Differently TV. He holds professional engineering and planning degrees from the University of Minnesota. Chuck and his wife live with their two daughters and two Samoyeds just north of Baxter, Minnesota.



Joe Minicozzi is the principal of Urban3, a consulting company created by Asheville real estate developer, Public Interest Projects. Urban3's work in pioneering geo-spatial representation of economic productivity has prompted a paradigm shift in understanding the economic potency of urbanism and the value of well-designed cities. Their studies of cities in the United States and Canada have affected the reevaluation of public policy and a broader understanding of market dynamics created by tax policy.

Joe is a sought after lecturer on city planning issues and his work has been featured in numerous journals and at international conferences. He is a founding member of the Western North Carolina-based, non-profit Asheville Design Center and he holds a Bachelor of Architecture from the University of Miami and Master of Architecture and Urban Design from Harvard University.



Paul Boghossian III is the Principal of Hathaway Holdings in Waterville and immediate past Chairman of Concordia Manufacturing, LLC which has made notable advances in the research, development and manufacture of technical yarns, fibers, fabrics and composites for advanced end uses. The firm designs and produces custom yarn, fiber and fabric constructions for use in aerospace, sporting goods, anti-counterfeiting and biomedical fibrous and fabric structures. Concordia's latest and most exciting development is engineered implantable biofelts for knee ligament and other body tissue repair. He also founded the Manufacturers Comp Group of Rhode Island (MCGRI) a successful self-insurance group that saved member companies millions of dollars in workers compensation premiums. MCGRI became a part of Beacon Mutual Insurance in 1999. Mr. Boghossian is the immediate past Chairman of that group.

On the development front, Paul Boghossian has been involved with numerous rehab projects with the common theme of creative reuse of older buildings. Maine projects include:

- Waterville ME: \$35 MM Adaptive use mixed use and loft space development of the former Hathaway Shirt factory that has won accolades and numerous awards and spurred other redevelopment downtown. Now complete and nearly fully occupied.
- Portland, ME: Restoration and sale of three commercial buildings near the Public Market, The Wadsworth -- 28-34 Preble Street, The Earl -- 341 Cumberland Ave, and The Monticello. In excess of 100 apartments and 12 commercial spaces were redeveloped.

A graduate of Colby College, Mr. Boghossian also holds a MBA from the University of Rhode Island, graduating with distinction. He sits on the board of numerous companies and organizations including several schools, multiple children's charities as well as business and civic groups. He is a member of the World President's Organization (WPO) and a frequent guest lecturer at colleges and universities throughout New England.



Yellow Light Breen's passion is promoting economic and educational opportunity for all Mainers regardless of geography or background. He became CEO of the Maine Development Foundation in August 2015, where he develops strategic direction, integration, and partnerships across MDF's mission and programs. Yellow is a sought-after public speaker with a diverse background in business, public policy, and law. He spent twelve years as an executive with Bangor Savings Bank, overseeing strategic planning, marketing, online banking, community development, and charitable activities. Prior, he was a senior official at the Maine Department of Education and an advisor to Independent Governor Angus King.

Yellow was born and raised in rural, central Maine, a product of Maine public schools, and earned undergraduate and law degrees from Harvard University. He has been an active volunteer in many education and economic development efforts, including the boards of the Maine Community Foundation and Educate Maine. He previously served on the MDF Board and chaired Realize Maine, an ongoing initiative to attract, retain, and support young professionals. Yellow lives in Holden and loves to hike, swim, and ski with his wife and children.



Rob Brown is the Director of Business Ownership Solutions (BOS), a program of the Cooperative Development Institute that promotes worker ownership in Maine and works with retiring business owners and their employees to facilitate conversion to worker-owned cooperatives. Rob was part of the advisory group that successfully converted three retail businesses into the Island Employee Cooperative, which is now the largest worker co-op in Maine and the second largest in New England. He has also organized mobile home park residents to convert investor-owned parks into resident-owned cooperatives.

Prior to his work with CDI, Rob was the founding Executive Director of Opportunity Maine, where he led the successful citizen initiative campaign to create the Opportunity Maine Program, providing universal loan forgiveness for those who earn their degree in Maine and continue to live and work here after graduation. Over the years, Rob has been a featured speaker at many national events, including as

a William Jefferson Clinton Distinguished Lecturer at the Clinton Presidential Library and School of Public Service. Rob lives with his wife and son in Northport, Maine.



Kevin Bunker is a founding principal of Developers Collaborative. Kevin founded DC with Richard Berman after graduating with distinction from the Harvard University Graduate School of Design with a Master in Urban Planning degree. A former municipal planner and lobsterman in the Rockland area, Kevin is a principal on current DC projects from Orono to Sanford with a total development pipeline of \$150 million. Past DC projects have won many statewide awards for general best practices as well as for smart growth and historic preservation. Kevin is also an activist promoting the causes of smart growth and downtowns at the state and local level, including as a past board chair of GrowSmart Maine and as a Steering Committee member of the Maine Affordable Housing Coalition. Kevin lives in Brunswick with his wife and two daughters.



Valli Geiger lives in Rockland, Maine and serves as one of five city council members elected to provide leadership to a dynamic small city in the midst of growth, revitalization and change. With a graduate education in organizational development and sustainable design, she brings leadership, collaboration and communication skills.

Valli has a passion for walkable and sustainable communities and the knowledge of how to bring them forward through workshops, presentations, education and the active development of an engaged citizenry. She has served as the Chair of the Rockland Comprehensive Planning Commission, and has worked with Friends of Midcoast Maine and the Rockland Economic Development Advisory Committee to chart a new vision for the Route One Corridor.



Ken Greenleaf is the Microenterprise Consultant for Maine Street Finance. With his office in Rockland, Ken's specific mission is economic improvement through small business development. He provides individual counseling and help with business plan creation for both beginning and experienced entrepreneurs, and gives classes on business issues periodically. Ken developed the Hatchery classes that have taken place in Belfast, Camden and Rockport, a seven-class series for entrepreneurs. The classes call on the expertise and experience of professionals in law, insurance, banking and other fields to help create the broadest possible foundation for the participants.

Ken's background is in small business. Before joining MaineStream in 2010, he was sales and marketing manager for Borealis Breads for five years, and prior to that had been involved in an internet publication and commercial development startups beginning in the mid-1990's. Most recently, in addition to his MaineStream work, he was the Midcoast coordinator for the Top Gun program, created by Don Gooding and the Maine Center for Entrepreneurial Development in Portland.



Jonathan LaBonte grew up in Auburn and has returned to test his political aptitude as Mayor. Jonathan is perhaps most broadly known for his efforts to push for systematic change, while also engaging in direct communication with his constituents. From chemical engineering, to public administration, transportation planning, and land conservation at the Androscoggin Land Trust, he has a multi-disciplinary approach to economic development. He currently serves as the Director of the Governor's Office of Policy and Management for the LePage Administration.



Misty Parker serves as the Economic Development Specialist with the City of Lewiston. In this role she is focused on downtown redevelopment, strengthening the community through creative programs and services, and supporting business owners to establish and expand in the city.

Parker holds a B.S. in Environmental Studies from UMaine Machias and a Masters in Resource Management and Conservation from Antioch University New England. Through her education and work, Parker has focused on building a more sustainable relationship between the built and natural environment throughout New England.

Parker lives in Dresden with her husband. She enjoys backpacking, gardening, spending time on the river and building strong communities.



Daniel Wallace is a Program Developer in the Sustainable Agriculture and Food Systems Program at CEI. He sources and manages eligible projects in the farm and food sector, assists with coordination of technical assistance and deal alignment, and participates in state, regional and national agriculture and food system initiatives and networks. Daniel has particular expertise working with independent grocers and food hubs to connect farmers to markets and to rebuild localized food value chains.

Daniel is a member of the Maine Food Strategy Steering Committee, a counselor on the Good Food Council of Lewiston-Auburn, and co-chair of the Food Enterprise subcommittee of the Portland Mayor's Initiative for a Healthy, Sustainable Food System. Daniel holds a Masters in Community Planning and Development from the University of Southern Maine and a BA from Williams College in Massachusetts.



Jane Bechtel Lafleur is the Executive Director of Friends of Midcoast Maine (FMM), a regional smart growth, planning and civic engagement organization. She developed The Community Institute, a program of Friends of Midcoast Maine, and has been named a program champion and certified coach for the Orton Family Foundation Heart & Soul planning program.

Jane grew up in Lewiston, Maine and has been a city and regional planner since 1981. She served as Town Planner in Conway, New Hampshire and as City Planner in South Burlington, Vermont, as well as a private planning consultant. Jane is a past board member of Maine Association of Planners (MAP) and the Northern New England Chapter of the American Planning Association (NNECAPA) and GrowSmart Maine and has served on local planning boards and comprehensive planning committees.

Her work has received the MAP Plan of the year award in Damariscotta and in South Burlington Vermont and she was recently named The Professional Planner of the Year by both the Maine Association of Planners and the Northern New England Chapter of APA. Jane is a sought after lecturer and trainer on planning topics at the local level as well as at national and state conferences including NNECAPA, APA, New Partners for Smart Growth, Community Matters, and MAP Annual Meetings. She has recently published an article in the "Communities and Banking" magazine of the Federal Home Loan Bank of Boston as well as other publications. Jane graduated from the University of Maine and received her master's degree in City and Regional Planning from Harvard University and lives in Camden, Maine.

Sponsors

This session of The Community Institute was generously sponsored by our donors and these fine businesses and organizations:



Special Thanks

Friends of Midcoast Maine and The Community Institute give special thanks to Jennifer Rowe who offered her assistance throughout the day including taking detailed, comprehensive notes so that this final report could be developed.

FIGURE 1:
LEFT TO RIGHT:

JEN ROWE, DELILAH POUPORE, AMANDA BUNKER, LORAIN FRANCIS



Welcome

Brunswick councilwoman Jane Millett welcomed TCI attendees to Brunswick. She highlighted the expanding economic base of Brunswick including downtown and Brunswick Landing which has the longest airstrip in State of Maine. The Tower was built by the Navy before they left the base. It is now an executive airport with a Technology—tech center. It is an exciting time to be in Brunswick! There is a symbiotic relationship between downtown businesses and businesses on the airstrip. She noted that as a community, Brunswick has valued its excellent schools that have attracted many people to Brunswick. Their challenges include dwindling municipal budgets because state hasn't been living up to their promises so this results in higher property taxes or fewer services.

Susan Snowden of Bangor Savings Bank also welcomed everyone and noted that BSB is pleased to announce their expansion and capital commitment, including a new facility in Brunswick. Bangor Savings Bank is excited to become a contributing part of the town of Brunswick. She thanked Friends of Midcoast Maine and attendees for the work we all do ensuring that our communities across the state are strong.

Policy: Setting the Stage

Chuck Marohn

Strong Towns started as a blog in 2008. Chuck was trying to ask why cities are struggling. He was an engineer, went into planning and started his own planning company in Minnesota. He quickly realized that he had more questions than answers: why are cities going broke? Despite investment and great things, why are they struggling to do basic things?

Chuck began the Strong Towns non-profit organization. Its mission is to support a model of growth that helps cities and towns become financially strong and resilient. He encouraged the audience to think to how people built cities thousands of years ago such as Ur and Rome. They were built around the dominant transportation strategy: two feet. The distance between things you do every day was based on a society of people who walk.

Chuck noted that he lives and works in Brainerd, Minn. Once people arrived in this mid-Western town, they walked. After WWII ended, the community developed in a different way, primarily around the automobile. People generally would explain this transition in terms of progress. He noted that someday we will use jetpacks and we will build our cities around that. That is comforting and makes us feel we're always getting better.

Ancient civilizations are a style of development built by trial and error. Cities have been experimenting for thousands of years. When they didn't work, civilizations failed. By the time Rome and Ur evolved, the succeeded with a pattern that worked through iterations.



FIGURE 2: CHARLES MAROHN FROM STRONG TOWNS PRESENTS AT TCI#4 IN BRUNSWICK

Development occurred incrementally. Now, even though our development pattern seems normal, it wasn't developed through experimentation. We just transformed an entire continent all at once. This pattern came from people developing theories about a hierarchical road network, modern zoning etc. Our development patterns are actually a huge experiment. We are in the early days of an experiment on a continental scale with trillions of dollars all at once.

How do cities experience growth?

Years ago, it was the product of things you did locally. Now, there are three ways, all from outside:

- 1) Transfer payments: grants, subsidies, loans
- 2) Transportation funding: gas tax used for roads, create jobs, platform for local growth
- 3) Debt: public and private (ability to get low interest loans over long term, sold to secondary market, securities sold over the world)

These methods of funding create growth, which in turn increases tax revenue. The incentives are the initial cost to the public for new growth: minimal (as taxpayers), and the benefit to the public budget for new growth: substantial (jobs, growth, tax revenue). The catch is that the public agrees to maintain the improvement forever. We are exchanging a near-term benefit in cash with a long-term liability.

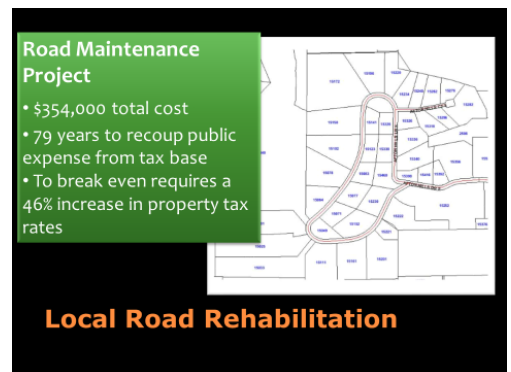
There are critical assumptions to this strategy:

- 1) Either growth continues at ever accelerating rates, or
- 2) The pattern of development ultimately generates more revenue than it costs to maintain

The first assumption isn't true; mathematically it is not true and the economy, we know, is up and down. The second part isn't true either.

Strong Towns tried to measure what we could discern. The quantum theory of economic development: when projects didn't make sense, we don't measure each individually but we measure the whole. 'It can't actually be measured'. There are parts in the system that we can measure: the parts that should be the highest returning.

For example: Ex 1: A dead end road with a cul-de-sac. If there weren't people there, there wouldn't be a road. \$6,600 cost per property, 50% of costs accessed, 37 years to recoup public contribution from adjoining tax base.



Ex2: Loop development. \$354,000 total cost, 79 years to recoup public expense from tax base, to break even requires a 46% increase in property tax rates.

Ex3: Industrial park: Many communities might consider making up the previous losses on the commercial development cash cow. But are there corporations that lost money on 90% of what they do and that try to make it up on the remaining 10%? Not likely, but that is our cultural assumption. Built-it-and-they-will-come development. The city wants to build the same thing. Question: would that be a good project? Cost \$2.1 million inflation-adjusted total cost, \$6.6 million in improvements induced, payback from current conditions happens in 29 years if all revenue devoted only to debt. This example assumed that all is built by tax-paying businesses (not church, city buses, etc.).

There are many more case studies on the Strong Towns website. www.strongtowns.org

Growth Ponzi Scheme

If developer comes to a community saying he or she wants to build something, and will pay for all the public improvements, sewer, roads, etc. and the all they are asking is that taxpayers will take on all the responsibility to maintain the infrastructure, communities often reply with "You mean we get a free road?" and they approve the development. Let's assume that we take the portion usually siphoned off for fixing and maintaining infrastructure and set it aside so we allow this to accumulate so that we eventually have the money to maintain the project. By adding money year after year and assuming no costs until year 25, we eventually have a huge pile of money. In year 25, the accumulated money is insufficient and we run far into the negative.

But cities experience many development projects. We can assume ever year there is another developer wanting to do the same thing, and we experience a steady continuous growth. We get wealthy with accelerating cash inflow. Eventually in year 25, we have to spend money for maintenance, repairs and replacement but it is not a big deal. Growth creates illusion of wealth.

If we lose money on every transaction, we don't make it up on volume. This is why our cities are going broke. We have a bad business model. This is how we are wired as humans. We are conditioned to value benefit today and discount pain tomorrow. Ex: smoking, heart disease etc.

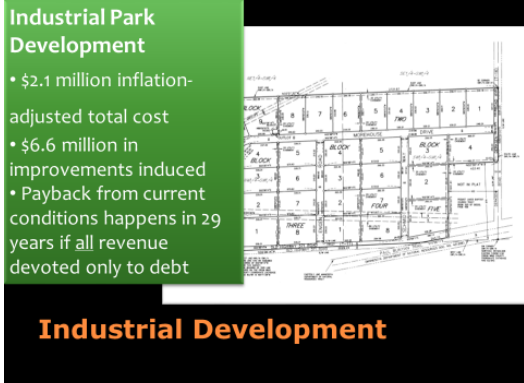


Road Improvement Project

- \$6,600 cost per property
- 50% of costs assessed
- 37 years to recoup public contribution from adjoining tax base

Local Street Project

The slide features a map of a street grid with a highlighted road improvement project area. A green box on the left contains the project details.

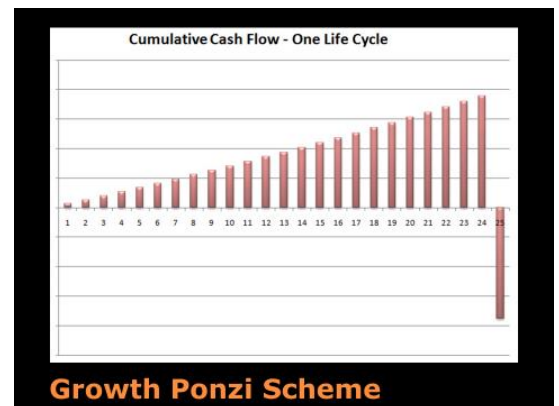


Industrial Park Development

- \$2.1 million inflation-adjusted total cost
- \$6.6 million in improvements induced
- Payback from current conditions happens in 29 years if all revenue devoted only to debt

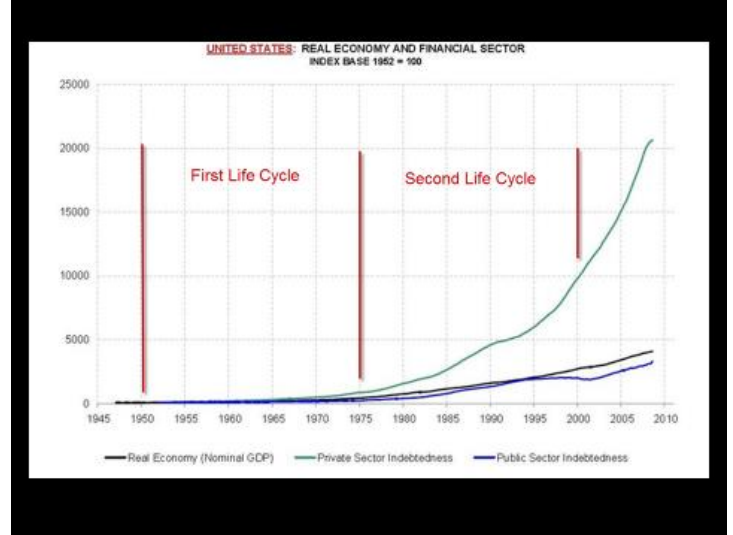
Industrial Development

The slide features a detailed architectural site plan of an industrial park. A green box on the left contains the project details.



Why is our post-WWII different than pre-WWII development pattern? There are lots of reasons: machinery, financing mechanisms, but also important and subtle, civilizations that weren't working failed and were gone. Their approaches weren't replicated. We are in a huge experiment. Every city in the US is like this.

The graph of debt: federal debt includes enormous sums of money. The bottom graph is growth since WWII in our public debt; the black line is GDP. Both show growth. The green line is our private debt. (It looks exponential). We financed the costs of growth through debt accumulations. Now it is the third lifecycle of this experiment: we allowed these mechanisms to be predatory. We needed growth that badly that we encouraged people to buy homes more than they could afford. We do not have ability to continue growing in this way by allowing people to take on debt.



There are serious implications:

- Mechanisms of growth we have become accustomed to are waning (we aren't bailing out Detroit, our DOTs, public sector overstretched)
- Local governments are going to be forced to absorb the local costs of the current development pattern
- Can't be done in the current pattern of development without large tax increases and/or large cuts in services

Current pattern of development is the third variable. If we build in a pattern/approach that funds today with tomorrow, we continue to see default (hard or soft—layoffs, closures, deferred maintenance, etc.)

What does a practical person do?

Solutions? People are looking for solutions but what they often mean is "What can someone else change about what they're doing so that I don't need to change what I'm doing?" That is not a solution: it is kicking the can down the road. We have created a complex set of problems that defy an easy solution.

Look for rational responses: smart, motivated people ready to roll up their sleeves respond to these difficulties.

Start with Chuck's hometown of Brainerd. It was a beautiful street with good urban design—exquisite design. How thick was the zoning code? How many boards did they have to go to? How many subsidies/grants or engineers, planners, or economic development advisors? There are a litany of things we think are essential. But these were illiterate lumberjacks. How did they do this? They copied what they knew worked. But today they have \$.5 million dollars of public infrastructure. Where's the wealth that maintains this, generation after generation?

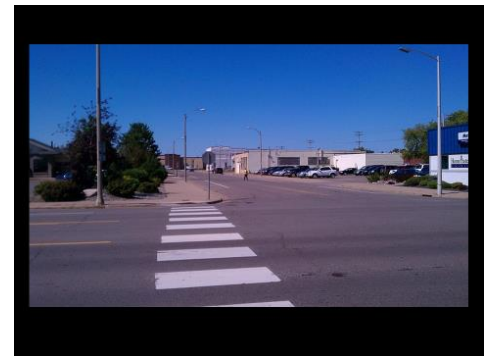
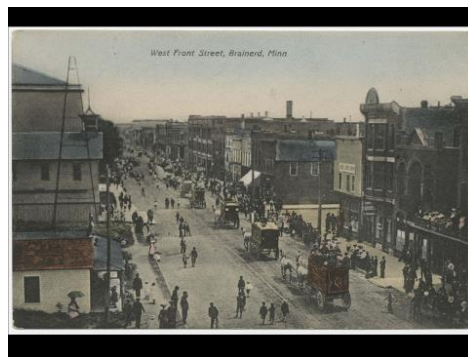
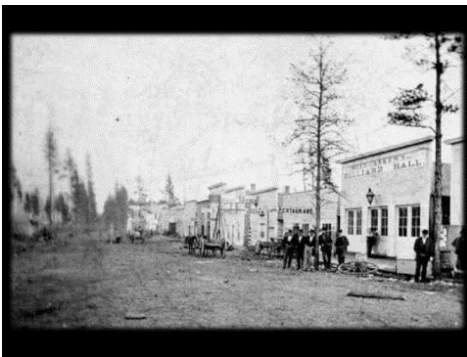
A student from Costa Rica reports that they can't afford to build like we do in the USA. In Costa Rica, the student noted, they fill up one street completely before moving to next, because they are "poor". But we are poor now, too. We thought we could put pipes everywhere, streets everywhere. We now have a lot of debt. What to do?

Get rid of bad habits such as "build it and they will come" or that local governments need to invest money in shovel-ready sites or have team ready to give subsidies if development comes knocking. **Cities don't build wealth that way.**

How cities build wealth

In Brainerd, development began as small shacks (1870). This could be New York, Chicago, Brunswick, etc. or every city that started before Great Depression. These were built on a hope and a dream. We built thousands of places like this. Many failed. They were the wrong people, place, time. What happens when a place like this fails? Does the stock market crash? No. Few people lose a little money and move on.

Some of them were successful. Why, we couldn't predict. But they grew incrementally up and more intense. The way we build wealth isn't by going to the casino and putting it all on red. Wealth is built with small investments, over a broad area, over a long period of time.



How productive is this style? Example: two blocks: old and blighted vs. shiny and new. Ex1: Old and blighted: last to have been built before depression & WWII and it stagnated for 90 years.

New and shiny: city tore down and built taco drive-through. Everyone happy. Planner is happy because it meets standards, engineer happy because no on-street parking, environmental people are happy because there is green, and stormwater retention, bike/pedestrian advocates are happy because there is a sidewalk.

Old and blighted: \$1,136,500 value, new and shiny: \$803,200 value. City collects more taxes on run-down block even after 90 years of neglect. Trajectory of taco-joint: used car, boarded up. Property values after two years: -3% vs. -23%.



Question: If we don't have money to waste, how do we get more money out of the old & blighted block, what would you do? Landscape, trees, benches, sidewalks, pedestrian-sized street lamps, new facades, second floors, narrow streets. People can come up with dozens of ideas to try that wouldn't cost so much.

What will you do with new one? No ideas. Brilliant people working on it, but no ideas. It is all really expensive.

The old style of development has a high upside and a limited downside.

Ex 2: Mills fleet farm development, 20 acre site vs. 20 acres of downtown Brainerd. This is valued at \$0.6 million/acre vs \$1.1 million/acre.

How much did we spend to make development? Millions. How much on the downtown from this generation? None. Grandparents built it slowly incrementally over time.

What comes next after Mills Fleet Farm goes out of business? Dollar store? Can't do that now: they write into lease agreements that can't let in a competitor. Whatever comes next will not be as valuable as what there is now.

Downtown? Someone goes out of business, you get a different business. You don't need to know exactly how much retail, office, commercial space you need. The traditional pattern of development is financially productive and very adaptable and resilient.

Ex 3: Stroad: A stroad is a cross between a street and a road. Just like a futon is an uncomfortable couch and an uncomfortable bed.

A road is a high-speed connection between two places. It takes investment to make high speed, 4 lanes, and a turning lane. But this actually produces low speed limits and low traffic speed. So no one is actually moving quickly. A Street is a platform for building wealth. Made significant investments to making it a healthy, productive street: planters, benches. But it is not creating wealth. A person will not walk across 7 lanes. They get into their car and make a U-turn to shop across the street. So businesses are put in parking lots. It takes massive investment to try to create wealth but it doesn't.



Road: connecting productive places, high speed, low accessibility, simple design, not adaptive

Street: creating wealth, low speed, high accessibility, complex design, highly adaptable

What are the values we apply?

Engineer approach: traffic speed, traffic volume, (go to manual) safety, and cost (in that order)

Public's approach: safety, cost, volume, speed

We all know and understand the values to build productive, successful places. Speed gives way to safety. We all understand the values that should be at play. When we look at the most successful places, they have a strikingly similar characteristic. PEOPLE! If people don't show up, then you should see that something isn't working.

Adage from silicon value: Innovation that happens top-down tends to be orderly but dumb. Innovation from the bottom-up tends to be chaotic but smart. An example is sitting at a traffic light at midnight. We accept a lot of dumb for order.

Another example is in Brainerd with their Neighbors First program. They talked to people about what would make their lives better. They identified 8 projects that would improve quality of life of people who live there. City is spending millions to create a business park at the airport – air oriented business park even though already have one. Cost of 8 projects: \$16,700. What happens if nothing happens? What if no one else moves in, etc. We haven't spent much money. But we learn 8 things that didn't work and can try 8 more things. But they will likely work because we spent time identifying things by watching.

We spent so much time chasing the dollar at the edges that we missed the pennies, nickels, and dimes sitting in the center.

What are the values we apply?

Engineer's Approach

Traffic Speed
Traffic Volume
Safety
Cost

Public's Approach

Safety
Cost
Traffic Volume
Traffic Speed



If we identify what people most need, focus on what are the investments we need to address them, we will kick-start incremental growth, we will improve people's lives in the process.

Questions: I'd like my city manager to see this presentation. Is this available? Given hundreds of times and videotapes. Curbside Chat. Website. Last night, too. Great falls TV.

Is US economic model similar to Europe? After WWII our country intact with industrial capacity and land. Europe devastated. Even England was financially a wreck. Empire crumbling, decades of transition. Not until mid-late 80s when European economies hit stride again. When rebuilding their cities theories we had were from European intellectuals. When they did it, their people said no way! Did it largely for cultural reasons. When they hit the mid-90s, they went crazy the same way we did. Ireland (dirt poor) and then build subdivisions American-style. Financial system was going crazy part of Euro cheap financing. Banks ran up enormous debts finances on short-term, and got government to take on bad debt. Will pay for generations. Failed quicker there. Haven't had the ability to kick the can down the road like we have. Europe: say more unification, greater resources. In a certain way that makes sense, we should help them. But now market is sending signals that this doesn't work. When bigger systems come in, they are covering up that this isn't working. Feedback in natural systems is painful. Making changes early in the process is better when easier to change, when it is not catastrophic. We are more centralized so we can push the pain further down the road than anybody else can. We forestall the financial reckoning.



FIGURE 3: CHARLES MAROHN, STRONG TOWNS

Question: in the private lot, there are incentives to do really destructive things. There are things that make the Taco joint more profitable. Everything about development code is meant to advantage the bigger business. FHA came up with formula for loans they will give back: feds say we will guarantee mortgage (take away risk from banks) but only if less than 18% of the building is commercial). Block should put in residential above, but the federal government won't back that. Secondary market pops up: gets easy to get a mortgage, buy secondary home etc. If you want to buy live/work unit, need to finance yourself, higher rate of interest, fewer people to sell it to.

Follow-up: Strong Towns has created a special page on their website for people who have recently attended (or wanted to attend) a Strong Towns presentation. <http://www.strongtowns.org/qa-webinar> There you can:

- 1. Sign up for one of our free monthly Q&A Webinars. These are an excellent opportunity to learn more or to ask anything you didn't get a chance to ask at the event.***
- 2. Download presentation slides and find an overview of the Curbside Chat.***
- 3. Find the most popular blog posts from the Strong Towns archive.***

The Government Perspective

This panel included Valli Geiger of Rockland, Jonathan LaBonte of Auburn, Misty Parker of Lewiston.

These panelists were asked to think about the trends in their communities now, how to build consensus, what types of development do they see, how do they encourage good development, how do they balance and what should a community's first step be?



FIGURE 4: VALLI GEIGER, MISTY PARKER, JONATHAN LABONTE

Misty Parker

In Lewiston, they are working on small incremental changes. This is their recipe for success. Since going through the recession, there is a lot of focus on the downtown area. There is a lot of change from within. There is not a lot from outside of state, but local people investing in the areas they know and love and are passionate about. We all have movers and shakers in our communities, help them, and invest in them.

How to work with businesses: This is all about relationship building. It is pivotal in the development we have been seeing. We have a strong Chamber of Commerce that works with the business community. We want to be in touch with them, see how and why they might be struggling, how can we work to support them better? A good success story is Baxter Brewery.

Planning: it does work. Investing in plans within your community. Lewiston has riverfront master plan targeting investment. This has given developers a clear vision of where the city is headed. They know what the city is expecting. The plans lay out expectations from the community of where they want to see businesses and growth. Developers want things to be black and white—they want a fluid process. Part of planning is setting a framework for that.

Lewiston is seeing slow incremental growth. The City has a new comprehensive plan and people looking for small projects that fit into that. Small projects are more fundable, especially with the availability of historic tax credits.

What do we wish community members knew about gov't? It is a process. It is an inclusive process. In economic development work, make sure that process is fluid and you are upfront with expectations. This is critical. No one wants to go through a long process. We want to remove red tape and create a fluid process.

Be sure to access your resources. Get to know your community and how you are different. Know your plans, what you want to do? Are the plans relevant still? Get to know businesses.

Predictions: small incremental growth. Focus on downtowns.



FIGURE 5: MISTY PARKER, LEWISTON ECONOMIC DEVELOPMENT SPECIALIST

Valli Geiger

Valli serves on the Rockland City Council and the Econ Development Committee. She holds a Master's degree in sustainable design. Rockland is in an interesting place. It is experiencing an incredible renaissance in the arts led by the Farnsworth Museum. People still recognize downtown Rockland. At the same time, people creating interesting places.

Rockland is very hot. Developers are coming to the City with plans. Rockland is in a heated conversation about itself. A cadre of passionate citizens are convinced city leaders are making backroom deals. There is tension between working-class city and the arts culture that created a renaissance. The City is at risk of losing people because high taxes, and they can move next door to Owls Head for lower taxes. 54% of housing is rental. Knox county overall is 16%. They have average schools but are working hard to change this. Economic development doesn't happen with community development. Families often move to Camden/Rockport for the schools. Millennials come and then move. Older citizens came and stay.

Rockland has incredible restaurants, a downtown arts scene, and they are struggling with an aging housing stock, and want to decrease rentals, and bring families back in. Valli is building the third house in downtown in 10 years. For so many years they prevented anything from being built downtown by over-regulation! How do we start to roll back the insanity? Ex: sprinkler systems regulations lead to people buying exempt mobile homes instead of single family homes.

Jonathan LaBonte

Jonathan is the Mayor of Auburn. His theory of community development is catch the egg. When someone throws you an egg, one reacts on how it is being thrown to catch it. He understands how we got to that point. If we want to shift culture, we need to understand it. We have work to do culturally to think about how we grow. He wants to try to get people to watch Chuck Marohn's video.

Challenge: folks want to see progress happening and the economic development staff feel that their jobs revolve around announcements that something big is happening. They are always more interested in cutting a ribbon rather than celebrating the small projects. Ex: people come to IHOP opening but not small rehab. How do you get people to celebrate?

How do we even capture data, to understand that in Maine where you live and die on property tax. How do you grow value? How do you get accessing staff and planning staff to highlight where is there significant value and less value per acre?

Can you show the trends? 10 years ago Auburn celebrated having a big box district. 10 years later we are losing value year after year. In-town neighborhoods have high value per acre but trending down due to loss in



FIGURE 6: VALLI GEIGER, ROCKLAND



FIGURE 7: JONATHAN LABONTE,
AUBURN MAYOR

investment. What are the steps we can do to stabilize and grow value? In high value areas we need to try to stop the slide and grow value.

In town: what are conditions for growth? The City has a Complete Streets policy. Then the fiscal hawks come and say why are you doing this? There's no one biking. You can get in those fights or you can try looking at environment and try to figure out how to make the environment safer and more comfortable. Ex: The City bought paint and pedestrian yield signs. They held 3-4 internal workshops to see where there was enough right-of-way for a bike lane, and where there were dangerous crosswalks, etc.? Now they have seen more people walking. Neighborhoods now say we want one of those—it makes it easier to devote money.

Auburn still has depressed real estate environment. The City is 68 square miles in area. We have more farmland than Portland has land. People want that suburban feel in rural suburban homes. But they lead the state in children who go to bed hungry and these children usually live in town.

Think about what are the incentives for growth? Can we reframe the conversation about long-term value when a big box comes to town. Ask businesses why haven't you grown? You have to make money. Encourage to show the loss on pro-forma and show the City officials. Come to us if the numbers don't work so we can show the numbers and build incremental momentum.

Ask the folks running for office: folks in Lewiston want their own big box district. Getting a new exit at Exit 80. I suggest they don't do it. Auburn allocates 30% of its public safety resources to that area. It is very expensive to provide public services to these areas, rather than in-town where officers can walk and engage with kids. Instead they are chasing shoplifters in big box areas.



Questions

Questions: Valli cited 54% value on rentals. Why is that a bad thing? They spend more money downtown than I do. Response: Rockland is struggling with many many slumlords with houses divided into apartments. Many said we are in a position where if you sell multi-family house, you need to bring it up into all codes. We are in desperate need of good rentals. Misbalance of poor rentals, not nice ones for millennials.

Question: instituting a fire inspection? The code doesn't differentiate based on the age of the building. If I try to rehab and sell, all the beautiful things are gone. Get the nondescript look. We need to have a conversation

about what makes sense. Response: Issue of vacation rental ordinance. Do we make them go through an inspection? Safety/fire code says needs to be egress from every room. Every staircase meeting code. So we said, no inspection.

Question: Industrial parks: use them or wanting to be closer to city centers.

Jonathan—every city thinks they need an industrial park. Auburn has the resources for industrial park (rail, interstate, ect). Think about neighborhood municipalities and see if any of them have the facilities if big fish comes. Go in together. It takes time and courting.

Misty—we have made the mistake of “build it and they will come”. Now we must wait for that demand. Don’t plan too far ahead. Be careful of having places where you throw everything you don’t really want in your community. We might get a place where we zone for it, but when we have great uses they get stuck there in the industrial zone when they are actually compatible in downtowns, especially at the start-up scale.

Valli—Rockland has an industrial park. We just sold our last lot. Interesting conversation because it is 30 acres that is wetlands. Now you couldn’t do it. 6 acres are usable. It is assessed at \$283 thousand, but sold for \$50,000. The same discussion came up in the city. Did you sell out? But then we need to bring jobs/vitality to the city? Environmental group asked to buy it and weren’t allowed to buy it. We would have charged them that amount. Tough to figure out. We have no more land. Last 50 acres of industrial zone is where our city hall is. We have been asked to sell to energy developer for 70 mw gas plant. It is highly controversial and there are no easy answers.

Question: Sprawl increases cost of business. How do we change our funding formula/approach to eliminate these issues?

Valli—before this morning, I would have say only problem is state renegeing on 55% of funding. And that we can’t do a local sales tax. We are desperate for money. We are doing it right in encouraging downtown development. We are working with FMM to look at the Walmart site. But we do not at the moment have a growing from the middle out. It would take us decades to grow out to Walmart location because we have leapfrogged development.

Jonathan—what we were doing hasn’t worked. Municipalities being self-sufficient hasn’t worked. A county option sales tax would help where you fund certain regionalized services. We need to open up new avenues. If cooperating with neighbor is the only way to open up a stream of money.

Question: what about county accountability?

Jonathan—that is part of the discussion. First you have the discussion and then you look at the vehicle. Use the existing county government? The carrot is access to additional capital. People who want to pursue. We can always figure it out with smart people.

The Developer's Perspective

Paul Boghossian

Overview of the signature project in Central Maine: formal Hathaway Mill.

Business Niche & Model: Paul focuses on historic mill buildings in Maine downtowns into turns them into mixed-use developments. He works to use all existing Tax Credits.

Paul's goals are historic preservation, quality of place and neighborhood. He has a personal rule of working within 1/3 mile maybe .4 mile to walkable center, and is attracted to recreational amenities (trails and river access), downtown revitalization, econ development, market rate apartments, cultural attractions, and environmental assets.

He works for the quadruple Bottom Line: profitability, historic preservation, community building and community equity/econ development, and environmental sustainability.

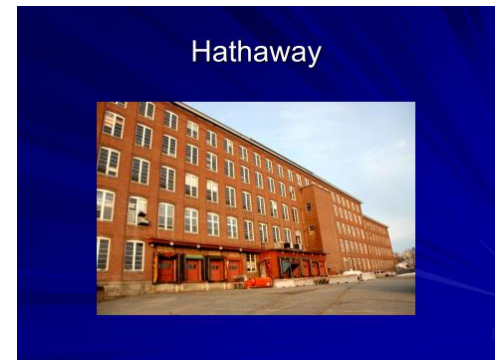
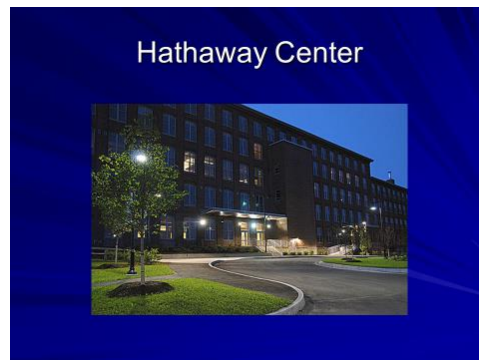
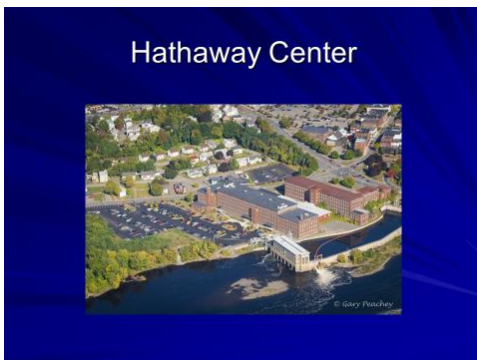
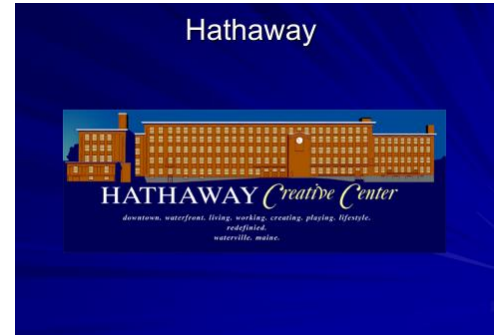
Maine is the number one participant in historic preservation tax credits. This started in 2007 with legislation passed for the Hathaway project. They extended the law statewide and made it more generous (25% credit) then extend to 2023. Developers like predictability!

Hathaway holdings included collaboration and financing with the Bank of America, tax increment financing from Waterville, the US National Park Service, Maine Legislators, the New Market Tax Credit Program, a Colby College loan, and serious anchor tenants.

The Hathaway Debt and Equity Structure was complicated! You need to have pros do it. They started with buildings in serious neglect and disrepair. They are now attracting health care and financial services. Over 500



FIGURE 8: DEVELOPERS KEVIN BUNKER AND PAUL BOGHOSSIAN

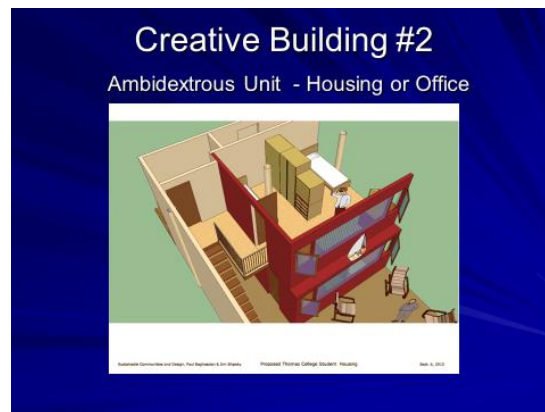
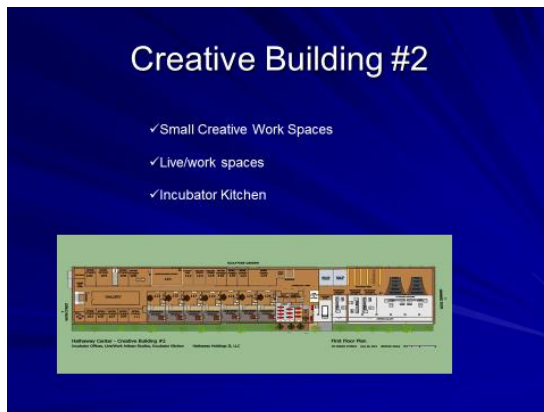


people are living in it. Office and residential spaces are almost full and they are working on the retail, the slowest to come.

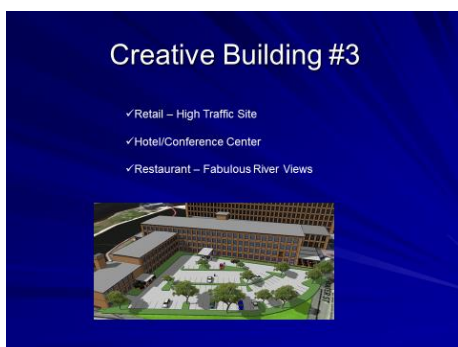


Creative building #2: Paul is developing small offices, live/work spaces, kitchen incubator. 3-level live/work. Ambidextrous unit: developed as student housing: 2 up, 2 down. These can also be offices.

The City is working on a comprehensive plan, committed to improving pedestrian access to the complex. Tradeoff is not just about safety. It is also about making the transit interesting and beautiful as well. The safest option is actually the ugliest option (nothing to look at). It encourages people to dart across because they don't want to wait 90 seconds. There is a trade/off between safety and convenience.



Creative building #3: hotel and conference center. 2 bedroom designed to be shared by 2 unrelated people. This is where people want to live. 2 bedrooms, each own bathroom and sitting area in the room. Share living room for more than 1 desk, washer, dryer. 650 ft2. If you don't have codes that permit this type of development you are making a mistake. They want beautiful spaces but want to walk to coffee, prescription, groceries.



Kevin Bunker

What can a community do to help smart growth projects happen? Kevin described his work using 10 lessons for people to understand about development. He is part of the Developers Collaborative, based out of South Portland and they focus on housing and preservation.

First few are about creating the climate.

1. **Promote education:** Forums, good vs. bad growth, Ex: Hodgkins School in Augusta. Start conversations about lower-income housing to work through perceptions about slum lords etc.
2. **Build a constituency** (interest groups, public/private spectrum, let state leaders know that you care). Get them to come to your town, no matter what your politics are. Portland has a constituency for smart growth on steroids. The conversations began a long time before Kevin got there.
3. **Work toward consensus** (roadblock removal, inoculating against the crazies). Think about the roadblock before you get to it. Time kills deals. Listen to developers and what roadblocks will be ahead of time. Some in every town: wants to kill your project. Doesn't matter how good it is. Ex: Gilman Place in Waterville with 35 affordable apartment units. People get worried about affordable housing. Tried to do a referendum but couldn't get enough for a vote. Motherhouse, Portland for senior housing and almost went to a citywide referendum. *How do you actually deal with the crazies?*
4. **Take direct action:** RFPs and Qs (need to respond to it), recruit good developers—just want to be loved (invite them to look at the building), match them up with tenants/users (hook them up to someone who can do a 10-year lease—hard to do, need someone with ability to pay rent), then let your horses run! (get out of the way and let it happen). Ex: Orono Webster Point—old mill on the site that needed to be torn down, brownfields money.
5. **Be as specific as you can:** land/building inventories, know your math (taxes, pro formas, JOBS), move from “wouldn't it be great if...” to “we think there's a market for x [use] in y [building] and here's why. Know what I am thinking. Big issue is jobs: we need more industries that sell things outside of Maine. Ex: Lewiston. GIS program and put it into affordable sites. Lewiston & Auburn apartments. Healy Terrace, Lewiston.
6. **Clear internal barriers:** codes (contract zoning, density bonus, waivers let you get around), zoning—contact, density, parking. Ex: River Landing, Topsham: affordable senior apartment units due to senior bonus



Nathan Clifford, Portland
22 market rate apartment units
1907/2014

Constituency



Gilman Place, Waterville
35 affordable apartment units
1913/2010

Consensus



Healy Terrace, Lewiston
32 affordable elderly apartment units
1890s/2011

Specify



7. **Understand (and fill) the toolbox:** TIFs (flexible mechanism), grants/loans (have a downtown plan!), municipal land/tax foreclosures, don't sleep on a downtown plan, then, allow the developer to do their thing. Don't put a building on a historical register—let the developer do that or you may force them into something. Ex: Androscoggin Valley Medical Arts Center, Livermore Falls. Ex: Lamb Block, Livermore Falls.
8. **Create good internal dynamics:** get staff and elected officials on the same page, hopefully both are great, not always the case, the “binomial distribution” of public service (dedicated or people who don't like to see progress and like to see themselves on TV). Ex: Emery School, Biddeford affordable units.
9. **Publicize your success!** Virtuous vs. vicious (some are there now, Old Port, Waterville), Big things build on little things, in smart growth, as in life. Ex: Lincoln Mill, Biddeford market rate apartments and 79 hotel rooms. Luxury which they didn't have before.
10. When all else fails: call Developers Collaborative

Questions

Question: How do deal with retail? Most examples are in larger Maine towns. What do you see in the smaller Maine towns? Is there an appetite in micro-rural towns? Paul—aggressive Mainstreet program is really important. Probably won't happen in Rumford, Lisbon. But will in Rockland, Belfast. Any town where people would want to be as retirees or where jobs. Kevin—there are people in any town where people want to age in place. It is a question of scale. You need to not just believe in a project but also finance it. Things built on each other. Start with 10 units. Paul—if you can find tenants. A company or 20 people who want apartments. You can't do anything without a tenant. That's what makes projects happen.

Question: statistics about what affordable housing projects bring to the community? Kevin—Maine Affordable Housing Coalitions. I have some resources. Paul—Affordable doesn't mean necessarily a program. Get rid of the rules about floor space and parking spaces. Gives an example about the number of units you put on the site with these rules. No wonder that only stuff build.

Question: examples of what towns have done to effectively build consensus? Kevin—not so much dealing with the terrorists but with creating a climate. Some towns are really good at that.

Question: what is hot? What would you plug into a place that is beautiful to attract seniors/millennials? Paul—places to eat, congregate. People will pay for the opportunity to interact with each other. The whole concept of driving into the cul-de-sac is just anathema as they retire. They want to be where other people are. Younger people don't like that model. Kevin—housing. Here in Boothbay Harbor: people would like to be on the ocean. Need to figure out how to get small units there. 8/10 of an acre, 16 units on Munjoy Hill. 4 units per floor.

Kevin—it is ALL about having people downtown. Need people on the street 16 hours per day. You need housing and people living there.

The Dollars and Sense of our Development Patterns

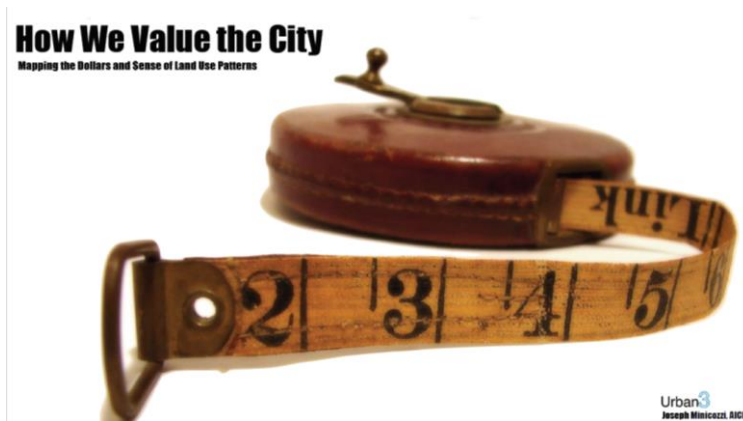
Joe Minicozzi

Economics panels are usually the most boring and nerdy. While Chuck Marohn is all about the cost, Joe's presentation is about the revenue.

Think about what makes a city? In Joe's hometown of Asheville, NC, they abandoned their downtown. Whenever they tried to do something people would say you can't do it. Julian Price was a philanthropist and put his money into a real estate company. 75% into bricks, 25% into businesses. He built four 600 sf apartments. Who would live in one? Who has lived in one? Who has rented? Don't try to decide what people want, let the market work?





FIGURE 9: JOE MINICOZZI URGES PARTICIPANTS TO "DO THE MATH"



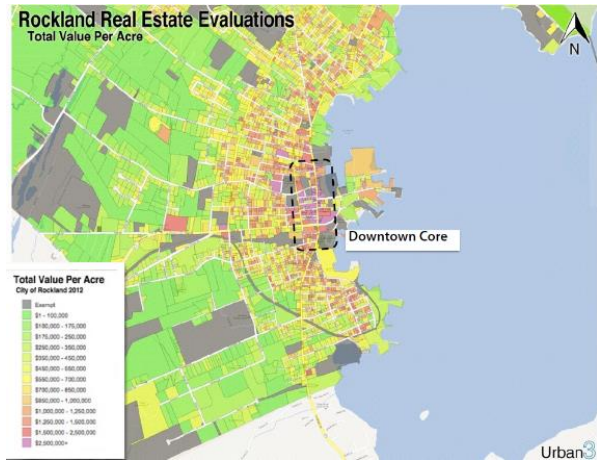
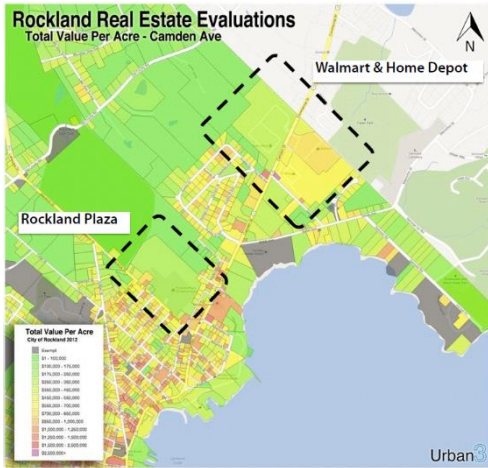
What is a City?

A city is a finite land barrier that has billions of dollars in value. Joe analyzed dozens of examples nationwide that compared the assessed value per acre and the tax revenues per acre in downtowns and in single story big box/shopping center areas. In his town of Asheville, NC the Walmart areas produced in tax revenues of \$6,500 per acre; the downtown produced \$634,000/acre and his house produced \$19,542/acre.

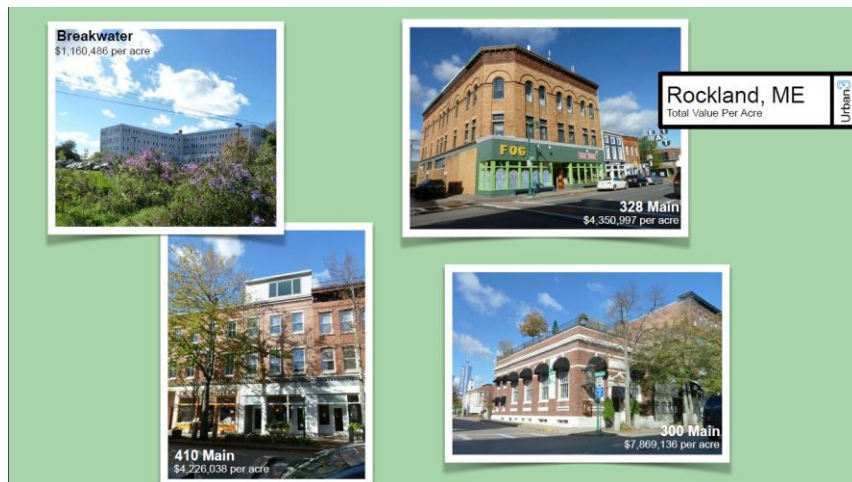
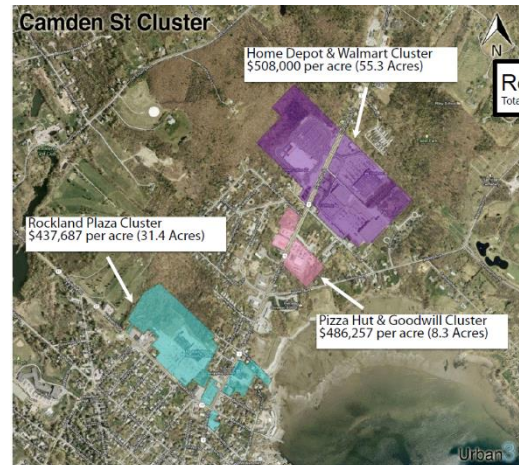
Walmart	Downtown	My House
		
34.0 Acres 220,000 sf Building \$20,000,000 Tax Value Property Taxes/Acre \$6,500	0.19 Acres 54,000 sf. Bld \$11,000,000 Tax Value Property Taxes/Acre \$634,000	0.13 Acres 1 unit (2 people + 2 dogs) \$232,000 Tax Value Property Taxes/Acre \$19,542

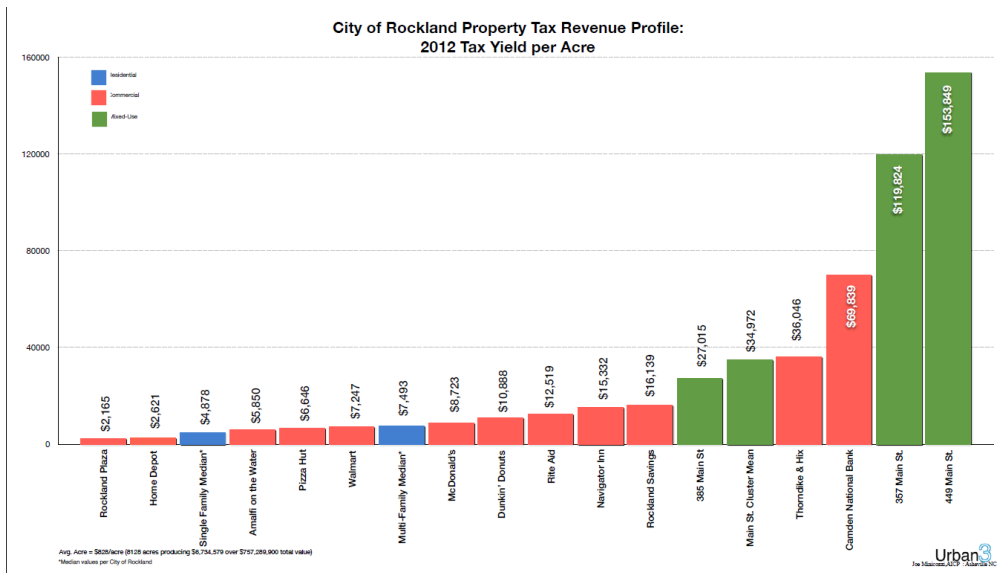
Urban³	Asheville Walmart	Downtown
		
Land Consumed (Acres):	34.0	00.2
Total Property Taxes/Acre:	\$ 6,500	\$634,000
City Retail Taxes/Acre:	\$ 47,500	\$ 83,600
Residents per Acre:	0.0	90.0
Jobs per Acre:	5.9	73.7

Joe's company was also hired by Friends of Midcoast Maine to study the Rockland commercial strip, north of Maverick Street. They measured the value per acre. Did the numbers for Rockland, Maine also hold up as in other parts of the country. Orders of magnitude difference. Even a one-story building brings in \$4,000,000/acre in



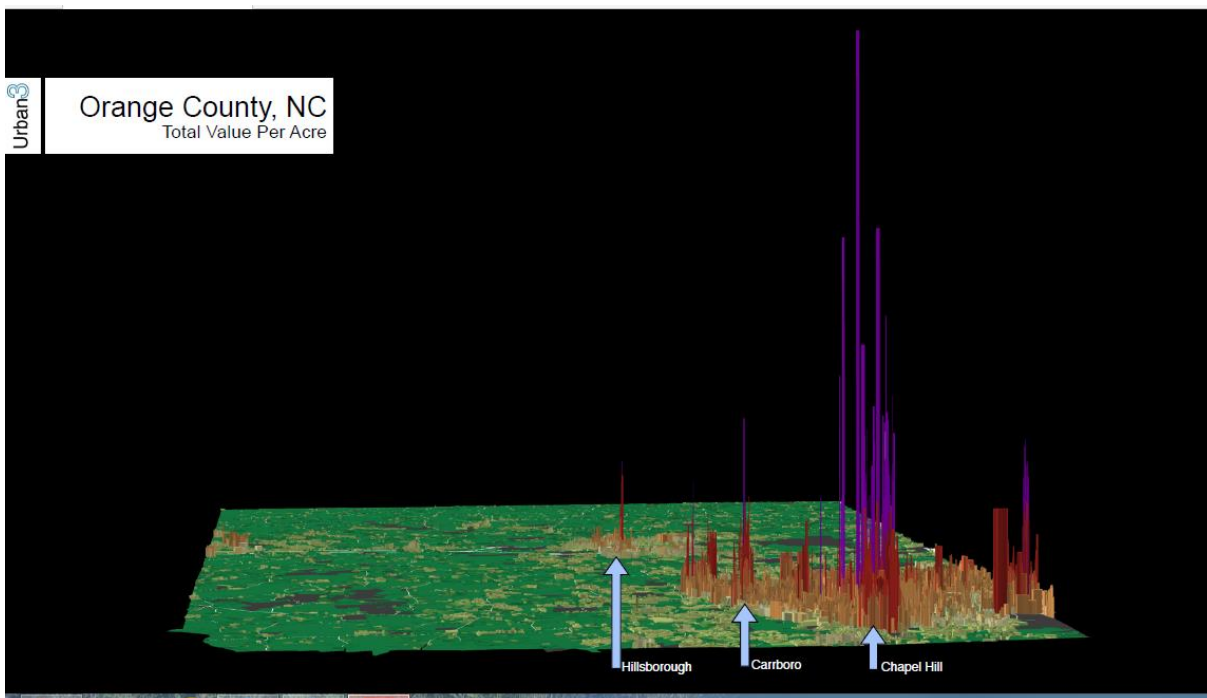
downtown. Historic buildings are valued at \$3,000,000/acre. These are a 500 year investment vs. a Wal-Mart which is built for 15 years. If we build a cheaper building, we pay less taxes. Downtown is 7x more potent than the newer development.





What is the cash flow? The costs of sprawl

Joe gave numerous examples using detailed analysis of the value of these developments based on location, development patterns and types of development.



He noted that developers have soft costs including permitting, architect, engineering, legal fees, marketing, profit, and hard costs including land, building, roads & sidewalks, sewer, road sidewalks, sewer, water, buildings. There are also municipal costs and how often do you bill for these costs?

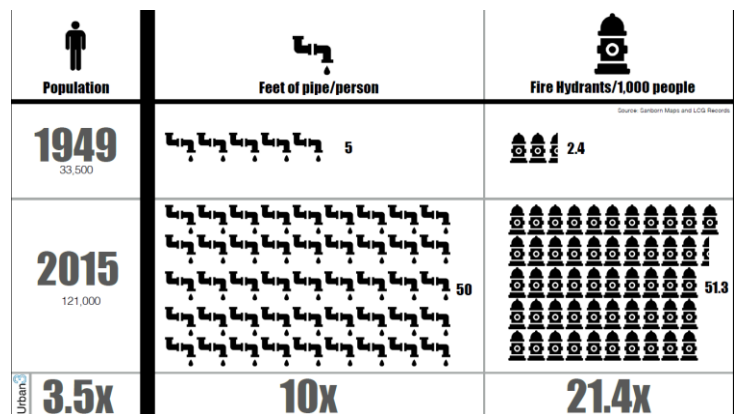
Developer Costs	
Soft Costs •Permitting •Architect •Engineering •Legal Fees •Marketing •Profit	Hard Costs •Land Cost •Buildings •Road & Sidewalks •Sewer •Water •Buildings
Municipal Costs	
Service Cost •Police •Fire •Government •Schools •Economic	Hard Costs •Roads to here •Public buildings •Parks •Sewer •Water



During the Nixon's administration, the government produced the analysis called *The Cost of Sprawl*.

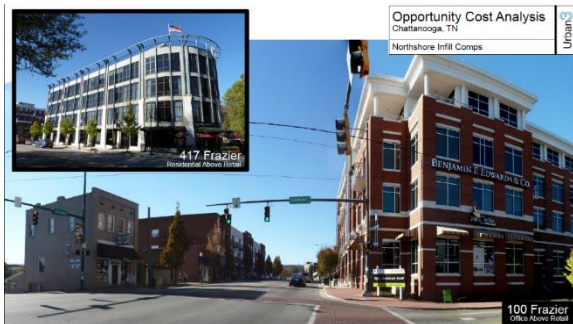
Similarly, we are our pacing our ability to pay for our growth in the current patterns of development.

Joe presented data on the revenues generated by a median home and the deficit created to maintain the infrastructure.



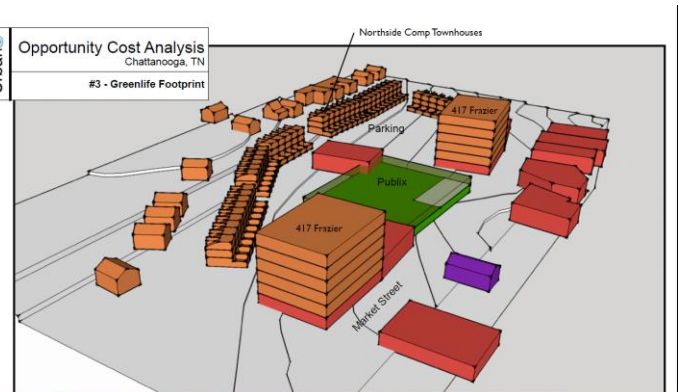
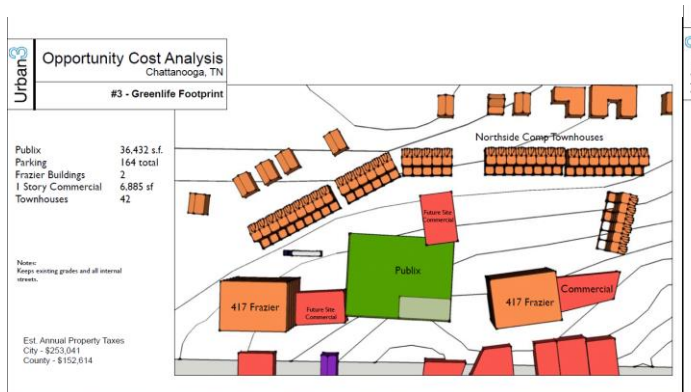
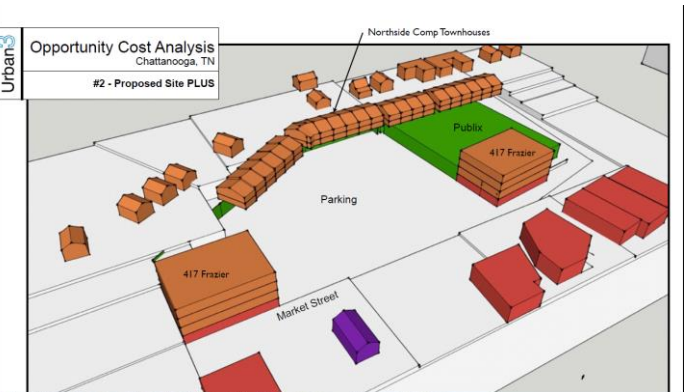
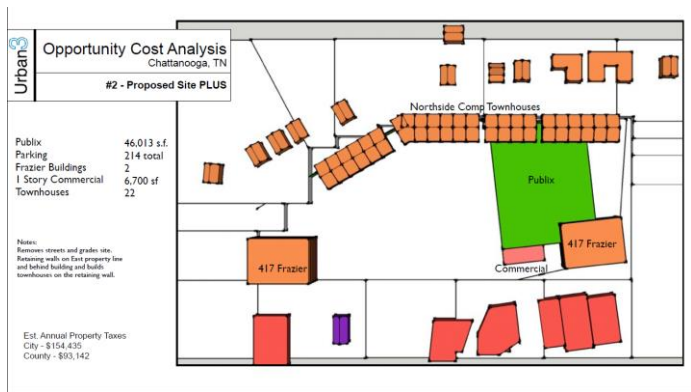
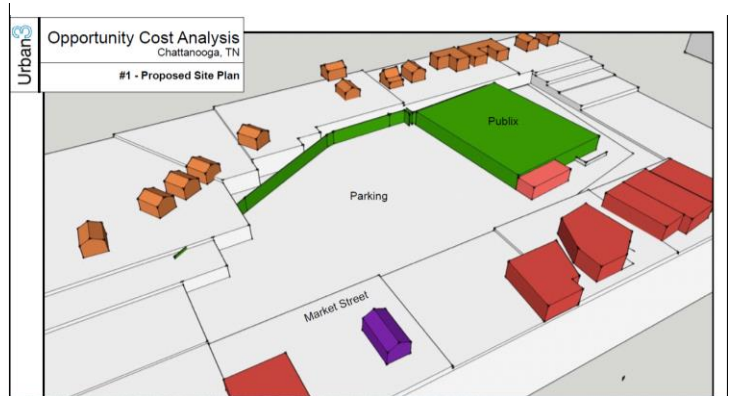
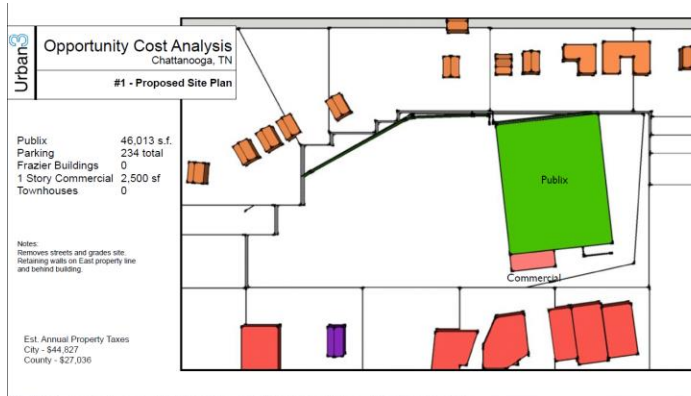
Median Value = \$150,000 x 1% for City Property Tax = **\$1,500 taxes/yr.**
 + **\$150 to roads**
-\$3,300 cost/yr.
-\$4,000 cost/yr.
-\$7,150 cost/house

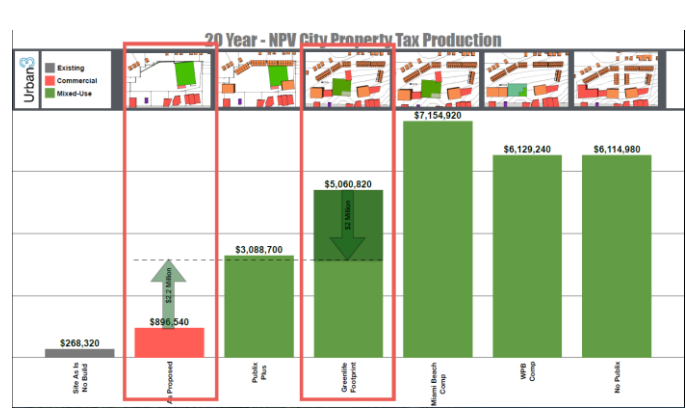
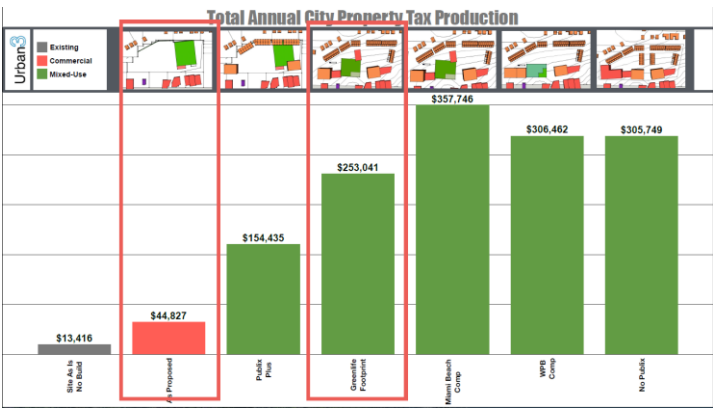
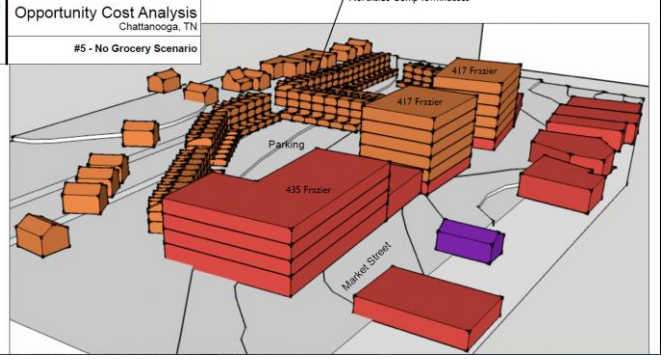
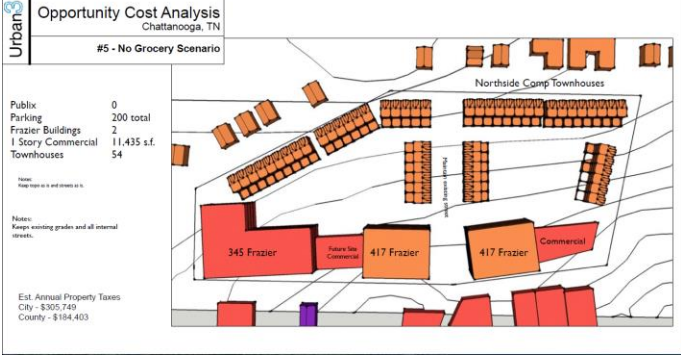
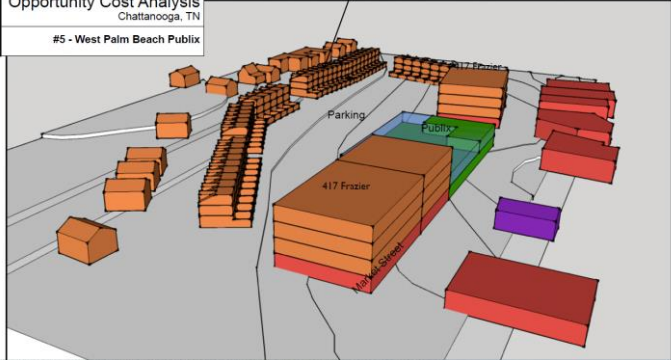
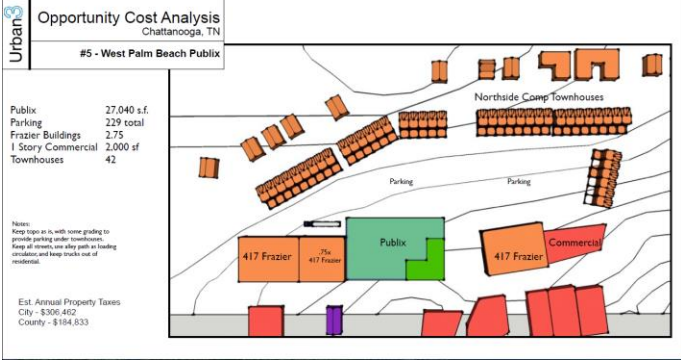
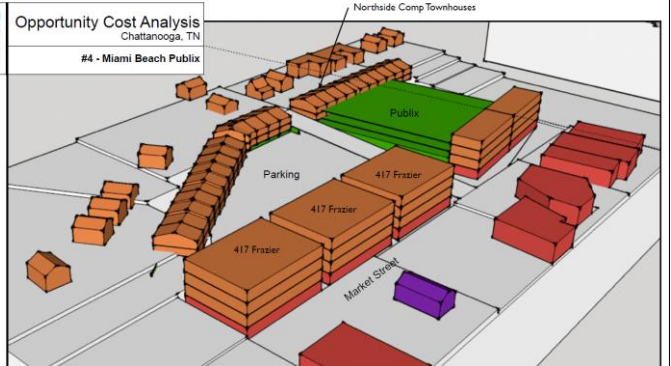
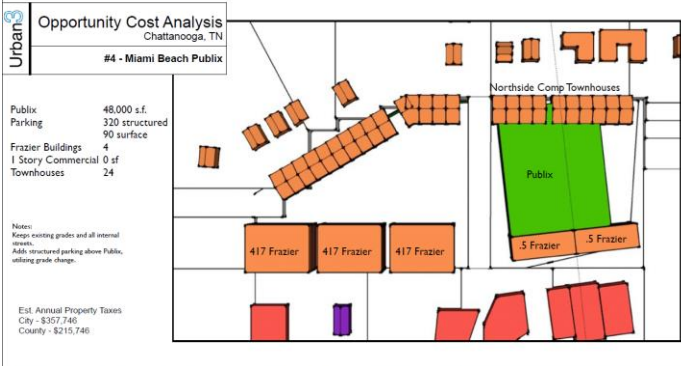
The Problem



He presented numerous examples of better design and location.

Joe also suggested that communities develop different plan options that look at better design and that pay attention to what is going on in a community. He noted a community could even pay a developer money to do the better design and still net. He presented sample site plan alternatives for a Publix grocery store. The final slides illustrate the financial benefits from each alternative.





Audience Questions

Questions: Do you have graphs showing how your taxes would change? Asheville is a strange case due to the legislature, but if you create more high revenue areas, then the tax burden decreases. We often hear 'The standard made me do it.' Are roads assets or liabilities? You are obligated to maintain them and you can't sell them, so roads are liabilities for a community.

Question: in calculation in revenue/acre is it just property taxes or also revenue? Resist the urge to go all the way to the end. Keep it simple. Governments are 90% run by property taxes so stick with them.

Logical and rational nexus – try to make the tax be as close as possible to the cost to the city.

Question: what do you do if you can't get the information on the costs of development? Planning boards need to understand development or they can't judge them. You need to run the numbers on your side of a bargain.

Joe: Tell me what your costs are and what you are paying. You need to design the code to meet the logical rational nexus of what forms will create the revenue.

On the Ground

Rob Brown

Rob Brown from Business Ownership Solutions spoke about Cooperatives and the role they play in local development, following up with a specific type of cooperative, a lab.

What makes downtowns spectacular: the business diversity. What happens if you see closings? We face a challenge of being the oldest workforce in the nation but we don't talk about the retirement of business owners. What happens when they try to figure out how to retire and come to realize the value of the asset that they have developed? Often there aren't that many people coming in to take it on. Often it is a case of liquidating the assets.



FIGURE 10: ROB BROWN

Another option is a cooperative. A cooperative is a business owned by its members, democratically controlled by its members and operated for the benefit of its members. Common examples are food coops, mostly in the agriculture sector, and credit unions. Business Ownership Solutions (BOS): Promotes worker ownership in Maine, and assists business owners and employees to convert to worker-owned cooperatives.

Why Business Ownership Solutions and Why Maine?

Maine had 97% of its businesses as small businesses. Of the 32,062 small businesses with employees, 75% have <100 employees, 50% have <20 employees and 75% are baby boomers. Often they are delusional about what options they have. Selling to employees is often the best option. Sometimes it is the only viable option.

Example: Island Employee Cooperative in Stonington, ME. This is a pharmacy, hardware, and variety store. It was a well-run profitable businesses but there were no buyers that would keep up the businesses. A large

group of people helped convert to a co-op. It was extremely complex, took a lot of time to put together, and in the end there are now 60 employees who now have control over their future. It takes education and training afterwards to make it work. Ex: Baldwin apple ladders.

Example: South Mountain Company. John Abrams wrote the book *The Companies We Keep*. He owned an architecture design-build, renewable energy firm on Martha's Vineyard. John Abrams started this business over 40 years ago. Employees are skilled tradespeople and they wanted a piece of the action or they would have become competitors. Now there are 40+ worker owners. This cooperative business dominates the market for construction. They have invested in their employees so they have a real sense of ownership.

The overall lesson is "this is sector agnostic strategy to preserve businesses". Create good jobs. Build wealth through ownership. Support the community. People feel a sense of connection to a business where there are many owners that they see every day. You also have owners in the community who are related to others in the community as opposed to only one owner who some liked, some didn't.

The Employee Stock Ownership Model is a more complex in its management for larger businesses. Dennis Paper (Bangor) and others are examples. Resident-Owned Cooperatives are a highly developed model for converting privately owned mobile home parks to cooperatively owned parks. Mobile homes are the largest source of unsubsidized affordable homes in Maine.

Community Development Block Grants can be used for workforce development and training. Use CDBG to do workforce training on business ownership and look at business budgets etc. Other states: Iowa: 50% fund in feasibility studies and tax subsidy to selling. New Jersey: exempted from capital gains tax. Indiana and Ohio using 10:1 private investment in loan guarantees.

Contact information: Rob Brown, Director. rbrown@cdi.coop. Business Ownership Solutions, Cooperative Development Institute. www.cdi.coop

Rob also gave these links to recent articles about ownership conversions from the Bangor Daily news:

<http://bangordailynews.com/2015/10/20/opinion/contributors/this-is-our-chance-to-keep-maine-businesses-locally-owned-as-owners-retire/>

<http://bangordailynews.com/2012/10/11/opinion/how-trailer-park-cooperatives-could-benefit-maine/>

Yellow Light Breen

The participants viewed a short video on Gardiner that noted if a downtown is healthy, then more people want to live, work, and play there. Small businesses want to have access to wellness programs, too. Examples included Healthy options with a passport stamp, a Walking train and Farmers' market dollars.



FIGURE 11: YELLOW LIGHT BREEN, MAINE DEVELOPMENT FOUNDATION

Maine Development Foundation is a unique creature of state statute. It is non-partisan and cross-sector by design (50% for profit and 50% non-profit). MDF

had spent almost 40 years of playing the role of convener of moving big picture projects. The Maine State legislature also created the Maine Downtown Center. We are the ambassadors and certifiers of Main Street model. This program offers a huge return on investment in Maine and across the country due to its structure and the discipline—the actual steps aren't rocket science. Through the Main Street program a community is forced to go through that self-examination. MDF also works with almost 20 communities over the state who aren't able to make the formal commitment but are somewhere on that journey, known as Network Towns.

Yellow shared a handout with a map that shows its presence statewide. Investment today and every foreseeable future will be to show that people care. If you don't invest in yourself, no one else will. Dig deeper than accustomed to. What do you need to do to take ownership? Shared commitment over a long period of time is what does it.

Work of Maine Development Foundation is to support these efforts. MDF is also a network to help write grants. We are convener, a helper, a catalyst. MDF can help start and sustain this economic development work.

Questions:

Question: Reflection on the Millinocket letter. Yellow: towns in Maine have more assets than they believe.

Jane: Focus on the assets and then ask what needs change (NOT what you hate) Asset Based Community Development.

Question: Is there a model around collective ownership that isn't just mobile homes. For example, senior living that they control. Rob: there are opportunities but we don't do it. Mobile home parks are already there. It is arguably a good land use: very compact in rural or small town areas. Developing from scratch is not what I am engaged in. There are co-housing developments they just aren't affordable.

Jane: there is a Beacon Hill model for women whose spouses/partners have died and they want to stay in place and live with others. Rob: housing coop. Jane: need to remove piece of code that says you can't have 2+ people living together.

Audience member: successful low-income housing model and they run it together. People who are already there taking ownership. Craig Saddlemeier in Lewiston. Rais-Op. Audience member: coop model in Brunswick, too.

Question: is Maine's new health insurance coop networked with others? And has there been an effort to link with new Americans? Rob: Coops are businesses, out to make a profit. Insurance isn't a coop. There has been an effort to link with immigrants. There are many with tremendous skill sets. There are cultural and language issues. This is something needing philanthropy.

Ken Greanleaf

MaineStream Finance is a subsidiary of Penquis. Ken Greenleaf trains very small business owners, particularly in the midcoast region with businesses with fewer than 10 and most often with fewer than 5 employees.

He noted that when we look at the economy, we look at small businesses. People often develop an idea, get together with others and because they have a passion, often they say 'hey I have this storefront or let's buy a food truck'. This is sometimes without thinking it through or having any real sense of what it is going to take. Maybe it's going to work and maybe it won't. Depending upon luck is not a good business model.



FIGURE 12: KEN GREENLEAF AND DANIEL WALLACE

MaineStream Finance offers seven-session classes overviewing how to make a business. These sessions inform future business owners of the kinds of questions that you need to ask. They teach people how to put together a business plan, a projection. They teach the difference between accounting and book-keeping and all the things that make it work. This training puts them on a path that gives an opportunity for success.

MaineStream Finance helps with loans. He also meets with people who have been in business for a while. Ken noted that the thing that he likes to remember is that there are people's lives and dreams and families and passions and hopes built into every one of these projects and any time you change a set of policies. That is what is happening here. And that is what makes it vibrant and interesting.

In Rockland, as in Portland before it, there was an arts community. He noted that he got priced out of Manhattan. It was not gentrified but colonized—they were industrial areas and then people got interested and they got developed. He then moved to Portland and there was a vibrant arts community. Now it's not vibrant, it's just large. There are certain things gained and certain things lost. The important part as those gains and losses are happening is that there are people. You used to be able to start a business paying \$8-10 a square foot. Now the basic beginning rent is \$18-20/ft. The scale of the business that one can start is changing. The funky clothes stores and book stores are run out. It is a factor that fits into the understanding of how the help that he gives to individual businesses and how they make exit strategies. He works to make that whole perspective fit together. Although he hates to use the word holistic, that is what it is: fitting those

individual pieces into the policies. He noted that there are many resources available to work with individual community members.

Daniel Wallace

Daniel works at Coastal Enterprises. He noted a just-released report by the Harvard Business School on Maine's food economy and its' potential. Look this up! He showed a video on what CEI does in Dover/Foxcroft CEI is non-profit lender. CEI is a Community Development Financial Institution (CDFI) like Maine Stream Finance, Community Concepts, and Genesis Foundation.

CEI works with all sorts of projects and now works in other New England States. They deployed \$20 million last year. \$4 million was agriculture and food related. CEI does this with micros through around \$100 million.



FIGURE 13: DANIEL WALLACE

CEI is an intermediary, meaning that they use funds from other sources in order to do their work. They are a triple bottom line lender: economy, equity, and the environment. CEI does their work through: business development services, finance, state and federal policy as they relate to the clients that they are working with and as they learn from that client base. CEI's work is based on a comprehensive approach and they work with people to provide them with the resources that they need. Those are their business development services (counselors), they house the women's business center, for immigrants, sector expertise and support, workforce solutions program which targets the jobs that they do through low income individuals.

CEI is a non-profit with a mission base. They provide flexible financing capacity or patient capital which allows them to take on projects that conventional lenders can't. A lot of the work Daniel does is in arranging the types and arrangements of capital to get the job done.

CEI works to meet people where they are and help individuals and businesses build the capacity that they need to grow. They do state historic tax credit work—that can be a big benefit. There often can be 10-12 lenders per deal, which is hard but usually the way that things get done.

Big project: Dover Foxcroft. Small project: food access project. Many challenges in Maine are away from the service centers. In this project the work to catalyze healthy general stores to work with very small rural stores and make the business case that including some healthy foods makes good business sense. CEI provides business development support, works with the food supply chains and with consumers. That work is slowly growing across the state.

Questions

Question: how do you make money? Daniel: Grant dollars, interests from loans, some State money. Ken: grants, classes all free

Jane Lafleur

Jane presented a number of questions for the audience to take back to their own communities to evaluate the community for its economic development potential and the potential roadblocks to robust economic development. She noted that Friends of Midcoast Maine can assist a community with these audit tools.

The first question is: *Do community leaders and the general public understand the costs of sprawl and the long term economic benefits of compact, in-town development?*

Do your codes provide incentives for infill? Do you remove barriers to infill development? Do you clearly define your downtown? Do you identify what mixed use is? Mixed use is *vertical*. Do you minimize the setbacks? Do you encourage ground-floor retail space? Are your parking areas screened or behind? (ex: Rite Aid) Do you allow street closures for outdoor markets? Do you allow outdoor dining or food vendors? Do you minimize curb cuts in drive-ways? Do you set streets that is the right width? Do you allow on-street parking? Do you locate public facilities in the center? Do you promote efficient use of infrastructure? Back-in angled parking—this is safer for kids. Are your new schools located as close as possible to existing development? Converting one-way to two-way streets. Use wayfinding. Identify walking loops (medallions in the pavement). Main Street program? Plant the petunias first.

Audit Tool to Revitalize Village and Town Centers

Using Codes to Encourage Infill Development Do codes define the requirements for infill development?

Strategy 1: Codes specifically identify infill / redevelopment areas and set clear standards for evaluating and approving development within these areas.



Do development policies provide incentives for infill development?

Strategy 5: Density bonuses are provided for mixed-use and/or residential development in downtowns and village centers.

Strategy 6: Expedited permit review and/or lower development fees encourage mixed-use, residential, or infill development in downtowns and village centers.



Do zoning regulations remove barriers to infill development?

Strategy 14: Minimum lot sizes are reduced or eliminated in areas targeted for infill development.



Encouraging Mixed Land Uses in Villages and Town Centers

Do codes allow mixed land uses in appropriate areas?

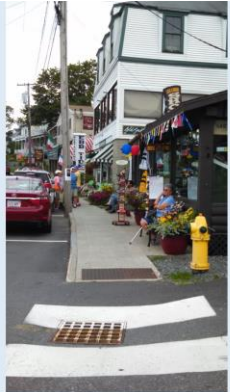
Strategy 15: The downtown area is clearly defined.

Strategy 16: Zoning defines "mixed-use development."

Strategy 17: Mixed-use zones are designated in town and village centers.



Encouraging Street-Level Activity in Village and Town Centers
Do codes require pedestrian-oriented design in village and town centers?
 Strategy 19: Setback of buildings from sidewalks is minimized in village and town centers.
 Strategy 20: Codes encourage ground-floor retail space in village and town centers through tools such as density bonuses.
 Strategy 21: Policies and codes ensure windows or active uses on building facades in village and town centers.



Do codes specify parking lot design and placement standards?
 Strategy 23: Parking areas are screened from sidewalks with landscaping and/or green infrastructure techniques are used to make parking lots more attractive.
 Strategy 24: Parking lots are located behind or alongside buildings in pedestrian-oriented areas.



Improving Pedestrian Safety in Village and Town Centers
Do codes require pedestrian-oriented street design?



Strategy 28: Curb cuts and driveways are minimized in village and town centers.
 Strategy 31: Street design standards set appropriate lane widths and use traffic-calming measures to ensure safe vehicle speeds in pedestrian-oriented areas.



Providing Appropriate Parking Options in Village and Town Centers
Do codes set parking requirements based on community context and actual parking demand?

Strategy 32: On-street parking is allowed in village and town centers.
 Strategy 34: Buildings can reduce the amount of parking they need to supply if they are close to public transit or have bicycle parking, nearby public parking, or on-street parking.



Jane also presented numerous audit questions about Strengthening the Local Economy. Do development review procedures have an established and expedited timeline for processing and review milestones? Do communitywide plans include performance measures that demonstrate the financial benefits and costs of project recommendations? Are there *funding mechanisms or incentives available for business owners, property owners, or developers*? Development review with an expedited timeline? Business incubator space? Millennials want small, adaptable spaces with like-minded people. Buy local program?

Is there a local or regional marketing or promotion program?

Strategy 28: A "buy local" program is established to promote shopping at locally owned businesses.



Resources

- City of Auburn** Jonathan LaBonte, Mayor, 207.782.1174, Auburn Hall, 60 Court Street, Auburn, Maine 04210, 207.333.6601 ext. 1216, e-mail: jlabornte@auburnmaine.gov, <http://www.auburnmaine.gov/>
- City of Lewiston** Misty Parker, Economic Development Specialist, 27 Pine Street, Lewiston, Maine 04240, 207 513-3000, email: mparker@lewistonmaine.gov, <http://www.ci.lewiston.me.us/>
- City of Rockland** Valli Geiger, Rockland City Council Member, 270 Pleasant Street, Rockland, Maine 04841, e-mail: Valli.CityCouncil@GMail.Com, <http://www.ci.rockland.me.us/>
- Coastal Enterprises** Daniel Wallace, 30 Federal Street, Suite 100, Brunswick, Maine 04011 (207) 535-2916 email: dwallace@ceimaine.org , <http://www.ceimaine.org/>
- Developers Collaborative**
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- Friends of Midcoast Maine
The Community Institute**
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- Hathaway Holdings** Paul Boghossian, Principal, 10 Water Street, Suite 503, Waterville, Maine 04901 (207) 873-1800
e-mail: paulboghossian@gmail.com, www.hathawaycreativecenter.com
- Maine Development Foundation and The Main Street Program:**
Yellow Light Breen, 295 Water Street, Suite 5, Augusta, Maine 04330, Telephone: (207) 622-6345, email: mdf@mdf.org, <http://www.mdf.org/>
- MaineStream Finance** Ken Greenleaf, Maine Stream Finance, 262 Harlow Street, Bangor Maine 04402 207) 974-2437
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- Strong Towns** Charles Marohn, 1511 Northern Pacific Rd. Rm 206, Brainerd, MN 56401, 844-218-1681,
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- Cooperative Development Institute
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- Urban 3 LLC** Joe Minicozzi, Urban 3 LLC, 2 Vanderbilt Place, Asheville, NC 28801, 828-255-7951, ext 208, e-mail: joe@urban-three.com , <http://www.urban-three.com>



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The mission of the Friends of Midcoast Maine is to preserve the midcoast region's quality of life, including the natural resources, the social and economic vitality, the small-town character and the historic assets of the midcoast by promoting a regional smart growth approach to land-use and transportation planning, decision-making and resource management. We are a publicly supported, independent resource that provides expertise in support of smart growth principles.