

Project Report



**PLANNING
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Research & Planning

The Economy of York County: An Overall Assessment

For: The Southern Maine Regional Planning Commission
and
The Biddeford-Saco Area Economic Development Corporation

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Table of Contents

I.	Executive Summary	P. 3
II.	Recent Performance of the York County Economy	P. 13
III.	The Economic Structure of York County	P. 17
IV.	The Geographic Structure of York County	P. 23
V.	Key Issues and Major Opportunities.....	P. 31
	Appendix One: Status of Recommendations of 1995 Report.....	P. 40
	Appendix Two: Information Sources	P. 44

I. Executive Summary

Background

In November 1995, the York County Defense Conversion Committee released a report on a nine-month study of the economy of York County.¹ Though taking its initiative from the threatened closure of the Portsmouth Naval Shipyard and commonly known as The Defense Conversion Study, the report was actually an overall assessment of the economy of York County. It offered both a list of the County's major strengths and weaknesses and a set of recommendations for improving its future.²

In the nearly ten years since its completion, this report has provided a baseline for County economic development efforts. It helped provide the impetus for an expansion of both the County's industrial park space and its industrial financing capacities. It has also been used as part of the supporting documentation in countless applications for community and business assistance made by economic development professionals in the County.

Today, the Shipyard is again facing the threat of closure. For this reason, it is appropriate to update the earlier report, at least with respect to its major findings and recommendations.

The 1995 Defense Conversion Study included a series of background studies consisting of inventories of industrial space and capital availability, assessments of the county's economic base and labor force, an analysis of the county's links to the defense industry and a major survey of county businesses.

This report is more modest in scope. It reviews the central findings and conclusions of the earlier study and assesses their applicability in light of more recent data. Its purpose is to present an up-to-date study similar to the summary version of the 1995 report that will serve to guide and support the work of economic development professionals and public policy makers in the county.

Findings & Conclusions

The 1995 Study listed eight major findings about the York County economy and three major challenges for improving its future. This report shows how the findings have changed or remain true today and the extent to which the challenges have been met.

¹ The York County Defense Conversion Committee consisted of twenty-nine individuals representing fourteen York County Communities. Its operations were funded by a grant from the Maine Department of Community and Economic Development.

² Report of the York County Defense Conversion Project, November 1995. This report will hereafter be referred to simply as The Defense Conversion Study.

Table 1

Findings of 1995 Study	Status Today
<p>1. York County is a collection of small, regional economies.</p>	<p>This conclusion remains true today. York County encompasses:</p> <ul style="list-style-type: none"> ü three full Labor Market Areas (LMA) and parts of two others. ü four full Economic Summary Areas (ESA) and part of a fifth. ü 11 of 29 communities are in one LMA and a different ESA. <p>Economically, the communities can be divided into four categories:</p> <ul style="list-style-type: none"> ü Urban Service Centers; ü Coastal Suburban & Tourist towns; ü Inland Suburbs; and ü Inland Rural/Seasonal towns.
<p>2. York County is a bedroom for New Hampshire and Portland jobs</p>	<p>This conclusion remains true, but to a lesser extent than in 1995:</p> <ul style="list-style-type: none"> ü In 1995, 85,780 York County residents were employed while York County businesses reported 79,000 jobs for a ratio of 1.09 employed residents per in-County job; ü In 2002, 97,360 York County residents were employed and York County businesses reported 92,675 jobs for a ratio of 1.05 employed residents per in-County job.
<p>3. York County is strongly influenced by Boston.</p>	<p>This conclusion is, if anything, more true today than it was in 1995:</p> <ul style="list-style-type: none"> ü Many York County residents commute to Boston (helped by improved bus and rail connections); ü Expansion of the economy of Greater Boston has brought new businesses to York County and presents opportunities for more; ü Migration from Greater Boston, particularly among retirees, has had a major impact on housing prices in York County; ü Greater Boston continues to be the home for millions of seasonal visitors to York County's tourist attractions.

<p>4. Manufacturing and tourism are special strengths of York County.</p>	<p>Tourism remains a pillar of the York County economy, accounting for 15% of total private employment compared to 10% for the U.S. as a whole.</p> <p>Manufacturing's relative importance in the York County has declined:</p> <ul style="list-style-type: none"> ü In 1995, manufacturing in York County provided nearly 13,000 jobs; ü This was 21% of all jobs, compared to 18% for Maine and 15% for the U.S. as a whole; ü In 2002, manufacturing in York County provided fewer than 10,000 jobs, a loss of 22% and a decline to 14% of all jobs compared to a loss of 27% for Maine and 18% for the U.S. as a whole. <p>But manufacturing still provides a higher share of jobs in York County (14% vs 11% for Maine and the U.S.) and presents a vast opportunity for further exploiting the County's proximity to Boston.</p>
<p>5. York County's economy is unusually cyclical.</p>	<p>York County's high cyclicity was due, in large part, to its heavy dependence on manufacturing. As this dependence has declined, so has the volatility of the County's economy. During the cyclical expansion of 1992 to 2001, York County's economy grew more rapidly than both Maine and the U.S. During the 2001 recession, York County suffered less of a decline than the nation as a whole. Since the trough of that recession, York County has seen a more rapid recovery than the U.S. as a whole.</p>
<p>6. Many York County residents do not perceive a community of interests with their neighbors in the County.</p>	<p>The lack of a single dominant regional center, the varying structures of the sub-regional economies, the heavy dependence of jobs outside the County and the absence of a county wide newspaper or media outlet continue to prevent York County from developing a coherent regional identity. Its rapid growth combined with an "outside the County orientation" have led more than one observer to call York County Maine's slumbering giant.</p>
<p>7. While the Portsmouth Naval Shipyard is a major employer, York County businesses are not heavily dependent on the defense sector.</p>	<p>The Shipyard remains an important employer both in York County and the Maine-New Hampshire seacoast region, but it continues to have few inter-industry connections to the local economy compared to private businesses of comparable size. York County's economy continues to be highly diverse and, other than the shipyard, is not overly dependent upon national defense spending.</p>

<p>ü Economic Development Organization.</p>	<p>ü Economic Development Organization: Sub-regional organizations have remained the leading force in undertaking the activity of economic development in York County. However, as the strength of the County's economy has grown and its relative political importance in the State has become more fully recognized, greater attention has been paid to developing a more coordinated approach to economic development. SMRPC has taken a more active role in articulating countywide issues, several years ago during the debate surrounding the Indian Casino proposal and today in the examination of the implications of possible closure of the Kittery-Portsmouth Naval Shipyard. SMRPC has also been a leader in initiating projects through the Pine Tree Zone Program and the Community Development Programs. In addition, the County's educational institutions (UNE and YCCC) have become much more engaged in the economic development process. Finally, the County's water and sewer districts have been leaders in showing the possibilities of inter-municipal cooperation.</p> <p>The possible designation of York County as an Economic Development District (EDD) will provide the Southern Maine Regional Planning Commission an opportunity to expand its work in the economic development arena and to increase County access to federal funds.</p>
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Agenda for the Future

York County's central economic problem—the lack of a coherent regional identity resulting from the opposing pulls exerted by the Greater Boston region to the south and the Greater Portland region to the north—is also its greatest opportunity. The County has more workers than it has jobs. Growing and attracting businesses that can more fully exploit the skills of the existing labor force could bring a stronger and wider prosperity to York County.

A. Continuing Past Success

In many ways, in spite of (or, perhaps, because of) the progress made over the past decade, the same problems cited in the 1995 Study remain.

ü Land:

The County's inventory of available industrial lots is declining rapidly. The region needs new business and industrial parks, and cities should build them. At the same

time, service center communities and regional planners must convince suburban and rural municipalities of the shared benefits of concentrated job growth to avoid wasteful spending on remote and scattered business sites.

ü Money:

Here again, past success demands continued attention to the future. Local and regional revolving loan funds are fully extended. With potential cuts in federal programs looming, County development officials must seek new sources of investment funds and new ways to leverage existing funds.

ü Economic Development Organization:

The potential designation of York County as an Economic Development District (EDD) will provide the Southern Maine Regional Planning Commission an opportunity to expand its work in the economic development arena and provide the County greater access to federal funds. At the same time, SMRPC must continue to work with municipalities, banks and developers to increase the supply of affordable housing so that job development is not stalled by the absence of affordable housing and roads are not clogged by longer and longer commuter trips. Finally, SMRPC needs to facilitate inter-municipal cooperation wherever possible in order to insure the adequacy of regional infrastructure.

The challenge for economic development in York County is to articulate its advantages more clearly and communicate them for effectively to the business community in the greater Boston area. This will require even closer cooperation among regional and municipal development organizations a more intensive marketing campaign to potential new businesses and a greater effort to convince the general populace of the benefits of county wide economic development.

New Areas of Opportunity

In addition to addressing these traditional problems, other problems have emerged that also need to be addressed. In particular, County economic development officials and public policy makers should address **six areas of striking opportunity**. They should:

1. Develop business attraction materials and a **marketing strategy** to make the advantages of York County more widely known to businesses in the Greater Boston area;
2. Create a public-private **development authority** that can own property and initiate select real estate deals with significant county-wide impact;
3. Capitalize on the growing economic importance of York County and the presence of many national business leaders in the County (at least seasonally) to create an Economic Development "**Brain Trust**" composed of business, governmental and academic representatives and dedicated to ongoing review

- of the county's economic prospects and performance; and
4. Promote the allocation of **state investments in research and development** to York County's institutions of higher education and encourage increased support of the educational programs related to those investments;
 5. Undertake a full-scale inventory of the County's **old mill buildings** and prepare a redevelopment strategy encompassing industrial uses, business attraction programs, the creative economy and affordable housing; and
 6. Undertake a full-scale inventory of the County's **health care industry** and develop a strategy for meeting its physical plant expansion and labor training needs;

1. Market York County.

Several facts have come together over the past decade that present York County with an unprecedented opportunity for economic growth. Having:

- ü assembled more industrially ready land;
- ü demonstrated the success of old mill development;
- ü increased the size of both commercially available loan funds and quasi-public complementary revolving loan funds;
- ü been presented by the state Pine Tree Zone Program with a vehicle for offsetting Maine's "high tax" image;
- ü been blessed with a location on the northern edge of the expanding Greater Metropolitan Boston area

York County has the opportunity to articulate a clear message about why it is an ideal location to start or expand a business.

Economic developers should take advantage of the Pine Tree Zone Program to illustrate comparisons with "tax free" New Hampshire. This along with the quality of life available in Maine would make a very attractive package to the businesses that spin out of the centers of Boston entrepreneurship on a regular basis. This effort should be undertaken with a more systematic effort to document the volume of industrial land being filled and still available. The County has made strides in adding to its inventory of available industrial land, but it has not fully realized the goal of maintaining an easily accessible and up-to-date inventory of currently available land. In addition, based on the absorption of such land, county developers should maintain a target number of additional acres and square footage to bring on line on an annual basis.

To complement this effort, the York County legislative delegation should promote a truly comprehensive tax reform, one that eliminates the internal contradictions of the current system and further promotes a favorable comparison to New Hampshire.

2. Create a Quasi-Public Entity to Initiate Real Estate Deals.

The second area where York County needs to take its economic development program

to the next level is in the area of real estate development. Just as public loan funds can often mean the difference between success and failure in the financing of a "good deal," so the existence of a quasi-public body that could do more than just promote the development of old mill buildings or other real property with significant development potential would enable York County to get more projects off the ground.

SMRPC or perhaps a collaborative of development organizations should incorporate a regional development organization capable of taking title to property and entering into development deals with private and public entities on projects that have significant regional importance. The City of Lewiston has become actively and successfully involved in the economic development process—buying land, demolishing old buildings and negotiating lease arrangements with new tenants. The Northern Maine Development Commission (NMDC) has similarly established public-private entities to initiate development activities. Such an active involvement by a publicly oriented body could be the catalyst for significant new development in York County as well.

3. Create a County Economic Development "Brain Trust."

Because of its growing economy, York County has an increased importance for the fiscal well being of the state as a whole. Income, sales and property taxes generated by economic activity in York County finance schools, infrastructure and social programs throughout the state. At the same time, York County's growing population gives its voters increased importance in statewide elections. In addition, York County's unparalleled beauty and quality of life have attracted many residents (both seasonal and year-round) with extensive national and international business experience and connections.

However, because of the lack of regional identity noted above, York County's influence in state politics and economic development decisions does not match its economic and political importance. To a certain extent, this imbalance is the reason for the Economic Summit held in 2004 (as well as the follow up to be held in 2005) and for the suggestion by EDA for York County to apply for designation as its own Development District.

The County should build on this momentum by establishing a formal York County Economic Development Brain Trust dedicated to monitoring the county economy, highlighting and publicizing important development opportunities, recommending public policy actions and encouraging complementary private investments. This group should include representatives from county businesses, local, regional and state government, local educational institutions and nationally prominent business leaders with some York County connection. It should serve as the Advisory Board to SMRPC's countywide Comprehensive Economic Development Strategy (CEDS) preparation and as the sponsor of the annual York County Economic Summit. Its overall purpose would

be to give York County the prominence in public perception that its economic and political significance warrant. On a more practical level, it should help identify and attract to the County businesses that could thrive here, particularly those now expanding in the Greater Boston area.

4. Encourage State Investment in Research Facilities and Associated Educational Programs.

York County needs to take greater advantage of its proximity to the world center of medical and bio-medical research. While investment in research facilities is clearly beyond the capacity of any county economic development organization, the County does have a role in furthering efforts at the state level and within educational institutions to increase the advanced educational and research capacities of The University of New England and The University of Southern Maine.

A proposal to issue a bond to help finance such facilities is now before the Legislature. York County economic developers should support this effort and direct their recruiting and marketing efforts in ways that complement it.

In addition, to the extent that such research and development activity does expand in York County, it will bring with it a demand for skilled technicians and other professional support personnel. County economic development professionals should encourage state officials to support the development and expansion of programs to train such R&D support personnel at the York County Community College.

5. Prepare an Old Mill Redevelopment Strategy.

One of York County's most prominent characteristics are the old brick mill buildings found in virtually every urban and village center. While, on the one hand, they represent the County's dying heritage of textile and shoe manufacturing. On the other, they represent an opportunity for reinvigorating these downtown centers. In some cases, they have been converted to incubators for new business start-ups, in others to arts centers, in still others into affordable housing. All of these outcomes are extremely desirable given the rising cost associated with sprawling patterns of land use.

But how to develop old mill buildings is not a science. What works in one location, may not in another. For this reason, the County should undertake a full-scale inventory of old mill space, categorizing it by age, location, square footage, number of stories, quality of surrounding infrastructure and other qualities deemed important for redevelopment. It should follow this work with a detailed analysis of the successes and failures of other old mill development projects, such as those in Lawrence and Lowell, Massachusetts. In particular, this process should involve the cities of Biddeford and Saco as they continue their negotiations with the Maine Energy Recovery Company (MERC) about closing that facility. Finally, the County should

develop an old-mill redevelopment strategy to be included as part of the its overall Comprehensive Economic Development Strategy (CEDS).

6. Prepare a Health Care Industry Development Strategy.

Health care and social assistance accounts for nearly 11,000 jobs in York County. This amounts to approximately 11% of the county total and represents a concentration approximately 20% above the national average (see Table 5 below). These jobs, moreover, pay, on average, 18% more than the overall average wage in York County. Finally, the Maine Department of Labor projects that Health Services will be the single greatest source of new jobs in Maine over the period from 2000 to 2010, accounting for over 12,000 new jobs.³

For all these reasons together with the fact that York County has the state's only medical school, three significant community hospitals and a growing array of health care businesses, county economic development professionals should examine the health care industry more carefully as a source of new employment. Traditionally, health care professionals have considered their enterprises as community service organizations as opposed to businesses. As a result, they tend to have operated in different arenas from the traditional world of economic development. This is an unfortunate and unnecessary separation. Therefore county development officials should empanel a York County Health Care Industry Task Force to examine the growth prospects for the industry, the major constraints to that growth and what actions should be taken to minimize those obstacles.

³ Maine Department of Labor Employment Change in Maine, 2000 to 2010
<http://www.Maine.gov/labor/lmis>.
The Economy of York County

II. Recent Economic Performance of York County

In some ways, the York County economy has shown signs of new vitality since completion of the Defense Conversion Study in 1995. In other ways, it has illustrated the same problems evident a decade ago. Table 2 presents some of the positive evidence.

Table 2
Rates of Growth , 1995 to 2002, York County, Maine & U.S.

Performance Measure	York County	Maine	U.S.
Population	14%	4%	8%
Personal Income of Residents	55%	45%	45%
Earnings of Employed Residents	59%	46%	47%
Employment in York County	17%	13%	12%
Earnings of Employees	47%	43%	46%

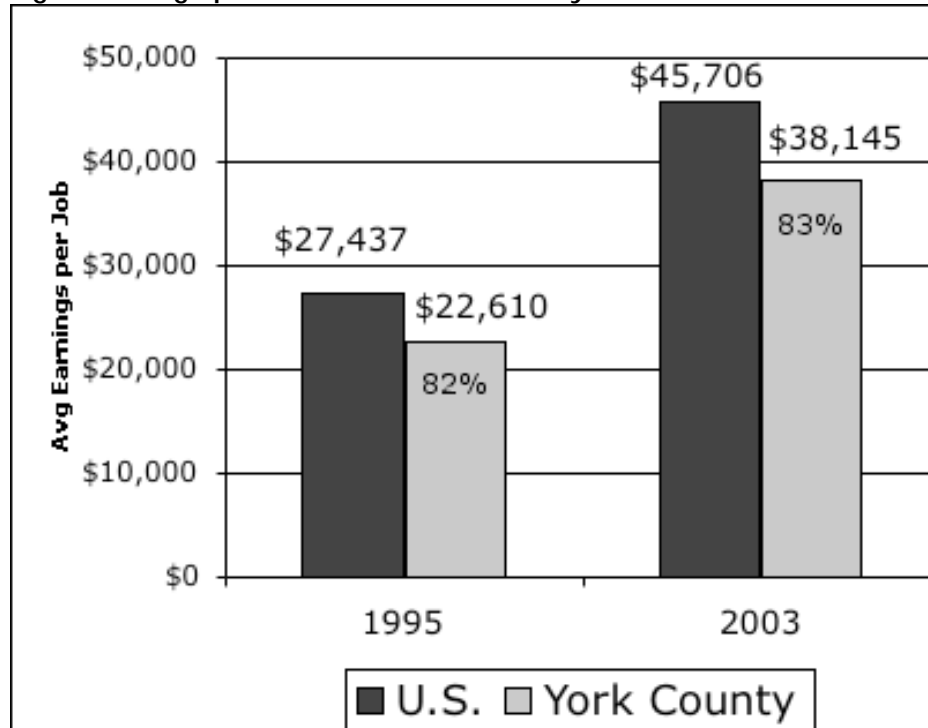
Bureau of Economic Analysis Regional Economic Profiles
<http://www.bea.doc.gov/bea/regional/reis/action.cfm>

Since 1995, York County's population has grown substantially more (14%) than that of the U.S. (8%) and Maine (4%). Similarly, personal income in York County has grown 55% compared to 45% for Maine and the U.S. as a whole. Perhaps more importantly, from the perspective of economic vitality, the earnings of York County residents grew more rapidly (59%) than earnings for residents of Maine (46%) or the U.S. as a whole (47%).

In addition, the growth of jobs provided by businesses within York County (17%), exceeded the rates for Maine (13%) and the U.S. (12%). And so did the earnings of the employees working in those businesses.

In sum, aggregate measures of economic performance indicate that the York County economy has experienced powerful growth since 1995. This growth has not, however, translated into a relative gain compared to the national average with regard to average earnings. It is interesting to note that earnings of York County residents rose 59% over the period, earnings of those working in York County rose only 47%, indicating the continued commuting of York County residents to higher paying jobs outside the County. Figure 1 shows that while average earnings per worker in York County has increased nearly 70 % between 1995 and 2003, its standing relative to the national average remained virtually unchanged at just above 80%.

Figure 1
Average Earnings per Worker, York County and the U.S., 1995 and 2003



Source: U.S. Bureau of Economic Analysis <http://www.bea.doc.gov/bea/regional/reis/>

Another note of caution evident in the data shown in Table 2 is the relatively greater increase in earnings of residents (59%) compared to the earnings of employees (47%). This fact reconfirms two findings of the 1995 Defense Conversion study, namely that York County:

- ü "is strongly influenced by Boston." and
- ü "is a bedroom for New Hampshire and Portland jobs."⁴

In 2002, 97,360 residents of York County were employed, while York County businesses provided only 92,670 full and part time jobs. Thus, at least 4,500 York County residents commuted outside the county for their jobs. In all probability, many more actually commute outside the county since at least some York County jobs are filled by non-residents. Table 3 presents the evidence on this important characteristic of the York County labor market and how it has changed since 1995.

⁴ Defense Conversion Study, p. 3. Resident employment measures all employed residents of York County regardless of where they work. Employment by place of work measures jobs provided by businesses located in York County regardless of where employees reside.

Table 3
A Comparison of the Number of Jobs Held by York County Residents
With the Number of Jobs Provided by York County Businesses, 1995-2002

Measure of Employment	1995	2002	% change
Number of York County Residents Holding a Job	85,780	97,360	13%
Average Earnings	\$27,738	\$38,834	40%
Number of Jobs (full & part time) Provided by York County Businesses	78,999	92,674	17%
Average Earnings	\$24,755	\$31,026	25%
Ratio of Jobs Provided to Jobs Held	0.92	0.95	3%
Ratio of Average Earnings	0.89	0.80	-10%

Sources: Resident employment from Maine Department of Labor <http://www.state.me.us/labor/lmis/data/>. All else from Bureau of Economic Analysis.

In 1995, York County businesses provided approximately 79,000 jobs. York County residents held nearly 86,000 jobs, meaning that the local economy provided nearly 7,000 fewer jobs than residents were willing to fill. To the extent that these 7,000 would be willing to work in York County if it offered jobs they wanted, they represent a “development capacity” available for economic development.

Over the 1995 to 2002 period, York County businesses increased the number of jobs they provided by 17% while the number of jobs held by York County residents increased “only” 13%. As a result, the County’s ratio of jobs provided to jobs held increased from 0.92 to 0.95, i.e., the County utilized some of its potential labor force “development capacity.” However, while the average earnings of employed York County residents increased 40% to nearly \$39,000 in 2002, the average earnings of all workers employed in York County businesses increased only 3%, thus reducing the ratio of average earnings in jobs provided to that of jobs held from 0.89 to 0.80.

In short, while county businesses provided more jobs, they did not narrow the relative earnings gap between those working in the county and those working outside the county.

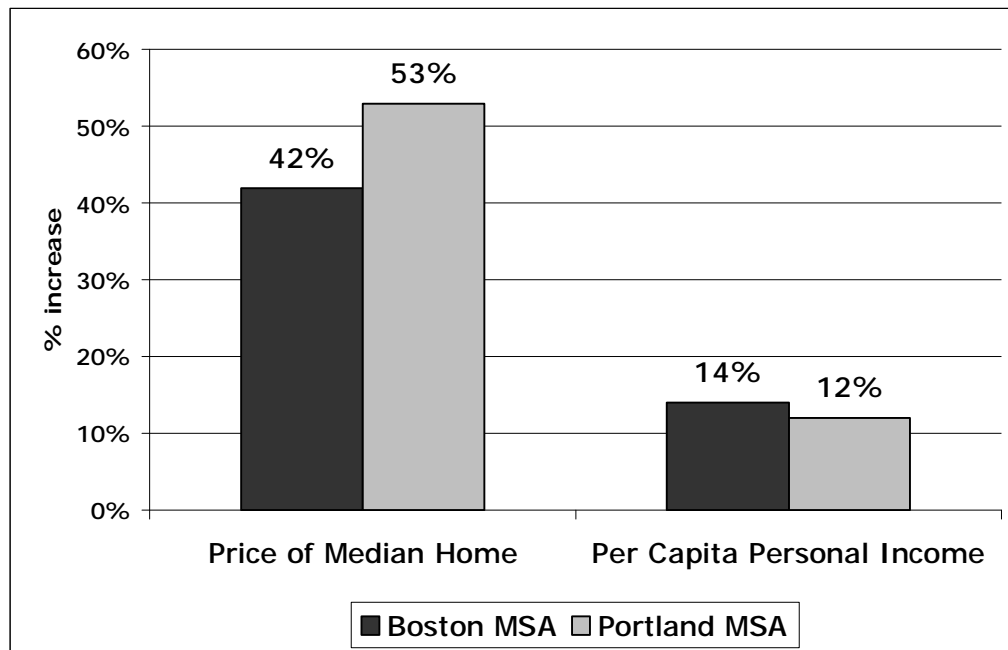
While the reasons for this discrepancy cannot be determined by these data, two reasons are likely—the number of part-time jobs and the slight increase in the number of self-employed as a percentage of total employment. In any case, the data do illustrate the County’s need to provide more high quality, high wage jobs closer to home. This fact was true in 1995 and, in spite of the substantial growth since then, remains true today.

This challenge is even more important in light of the importance of two other facts:

the increasing regional and social disparity between those with jobs and higher incomes (see Section IV below) and the rapidly rising cost of housing.

According to the National Association of Realtors, the median price of a single-family home in the Portland Metropolitan Statistical Area (MSA)—defined as York, Cumberland and Sagadahoc Counties—rose from \$130,000 in 1999 to \$199,000 in 2003. This increase, fueled by the increase in out of area incomes noted above as well as the migration of retirees and part-time residents into York County, has put even modest housing out of the reach of more and more in-County workers. This trend, exacerbated by the increasing number of towns limiting the construction of new housing, has made affordable housing as important a challenge to economic development as business creation and labor force education and training.

Figure 2
Comparison of Trends in Home Prices and Income, 1999 to 2003



Sources: National Association of Realtors [Quarterly Survey of Median Home Prices](http://www.realtor.org/research/nsf/Pages/MetroPrice) <http://www.realtor.org/research/nsf/Pages/MetroPrice>. Bureau of Economic Analysis [State & Local Personal Income](http://www.bea.doc.gov/bea/regional/statelocal.htm) <http://www.bea.doc.gov/bea/regional/statelocal.htm>.

Over the past four years, the price of the median single family home in the Portland MSA increased over 50%, far more than the 42% increase experienced by the median house in the Boston MSA. Yet per capita income in the Portland MSA increased less than in the Boston MSA. It is this growth differential that represents the hidden underside of the surface prosperity of the York County economy and that remains one of the greatest challenges to the economic development of York County.

III. The Economic Structure of York County

The 1995 Defense Conversion Study characterized the York County economy as:

- ü Having a diversified base with special strengths in manufacturing and tourism;
- ü Being unusually cyclical;
- ü Not heavily dependent on the defense industry
- ü Not being particularly export oriented; but
- ü Having major prospects for growth.

The introduction of the North American Industrial Classification System (NAICS) in 2001 provides an opportunity to reassess the structure of York County's economy and compare it to that of the U.S. as a whole with much more precision than was possible in 1995. Tables 4 and 5 present a picture of the County's relative economic structure.

Table 4
Relative Economic Structure of the York County Economy, 2002

(1)	(2)	(3)	(4)	(5)	(6)
Item	2002	% of 2002 total	relative share	% change 2001-02, York Cty.	U.S.
Total employment	92,674	100%	1.00	1.7%	0.1%
Wage and salary employment	69,861	75%	0.92	0.8%	-0.9%
Proprietors employment	22,813	25%	1.39	4.6%	5.1%
Farm proprietors	539	1%	0.44	0.0%	0.1%
Non-farm proprietors	22,274	24%	1.46	4.7%	5.5%
Farm employment	666	1%	0.39	0.3%	0.7%
Non-farm employment	92,008	99%	1.01	1.7%	0.1%
Private employment	77,955	84%	1.00	1.8%	-0.1%
Government	14,053	15%	1.08	1.3%	1.0%
Federal, civilian	4,613	5%	3.05	3.8%	0.1%
Military	1,178	1%	1.09	-11.8%	-4.5%
State and local	8,262	9%	0.80	2.1%	1.7%
State government	464	1%	0.17	5.9%	0.6%
Local government	7,798	8%	1.03	1.9%	2.2%

Source: Bureau of Economic Analysis <http://www.bea.doc.gov/bea/regional/reis/>

The key points to be made with respect to York County's overall economic structure are:

- ü That it is less dependent on wage and salary employment than the U.S. as a whole (75% of total employment versus 82%) and thus more dependent on self-employed proprietors; but
- ü That wage and salary employment in 2002 grew 0.8% in York County in 2002

compared to a 0.9% decline for the U.S. as a whole, indicating York County's emergence from the recession while the U.S. continued to struggle with the "jobless recovery;"

- ü That York County has about the same split between private and government employment as the U.S. as a whole (84% and 16%); but
- ü That York County's government sector has a substantially higher share of federal civilian (3.05) and military (1.09) employment than the national average, a vastly lower percentage of state government employment (0.17) than the national average and a slightly higher percentage of local government employment (1.03) than the national average.

Table 5
Economic Structure of York County's Private Sector, 2002

Sector	(1)	(2)	(3)	(4)	(5)	(6)
		2002	% of 2002 total	relative share	% change 2001-2002, York Cty.	U.S.
Total Private employment		77,955	84%	1.00	1.8%	-0.1%
Accommodation and food services		9,520	10%	1.57	4.1%	1.0%
Construction		7,310	8%	1.34	4.2%	-0.3%
Forestry, fishing, related activities		741	1%	1.31	2.6%	-1.2%
Arts, entertainment, and recreation		2,326	3%	1.27	6.8%	2.1%
Retail trade		12,846	14%	1.26	1.2%	-0.9%
Health care and social assistance		10,601	11%	1.18	4.7%	3.2%
Manufacturing		9,955	11%	1.14	-12.2%	-7.0%
Educational services		1,909	2%	1.10	9.6%	3.3%
Real estate, rental and leasing		3,713	4%	1.04	18.8%	16.1%
Other services, except public adm.		4,844	5%	0.95	2.0%	2.3%
Utilities		269	0%	0.78	5.9%	-1.5%
Professional and technical services		4,272	5%	0.74	4.9%	-1.5%
Administrative and waste services		2,846	3%	0.54	0.7%	-0.9%
Wholesale trade		1,809	2%	0.53	5.9%	-1.8%
Finance and insurance		2,266	2%	0.52	5.2%	1.5%
Transportation and warehousing		1,472	2%	0.49	5.1%	-2.0%
Information		953	1%	0.45	-9.4%	-5.2%
Mining		96	0%	0.22	10.3%	-3.9%
Management of companies		207	0%	0.21	7.3%	-1.1%

Source: Bureau of Economic Analysis <http://www.bea.doc.gov/bea/regional/reis/>

With respect to its private sector employment, York County's economy is highly diversified, with nearly equal shares of total employment divided among retail trade, health care, manufacturing and accommodation and food service. In terms of regional specialization, the tourism industry (meaning accommodation, food service, arts, entertainment & recreation) is York County's most highly specialized sector with relative employment shares 57% and 27% above the national average respectively.

These facts highlight the County's strong base in the elements of the "creative economy" and point to the potential for growth in this newest "sector."

York County's other areas of high specialization are fishing and forestry with an employment share 31% above the national average, construction at 34% above the national average, retail trade at 26% above, health care at 18% above and manufacturing at 14% above.

All of these sectors (except manufacturing) experienced employment growth between 2001 and 2002 and at rates that exceeded the national average. Only in the manufacturing sector, where employment fell 12% compared to a national decline of 7% did York County fare worse than the national average.

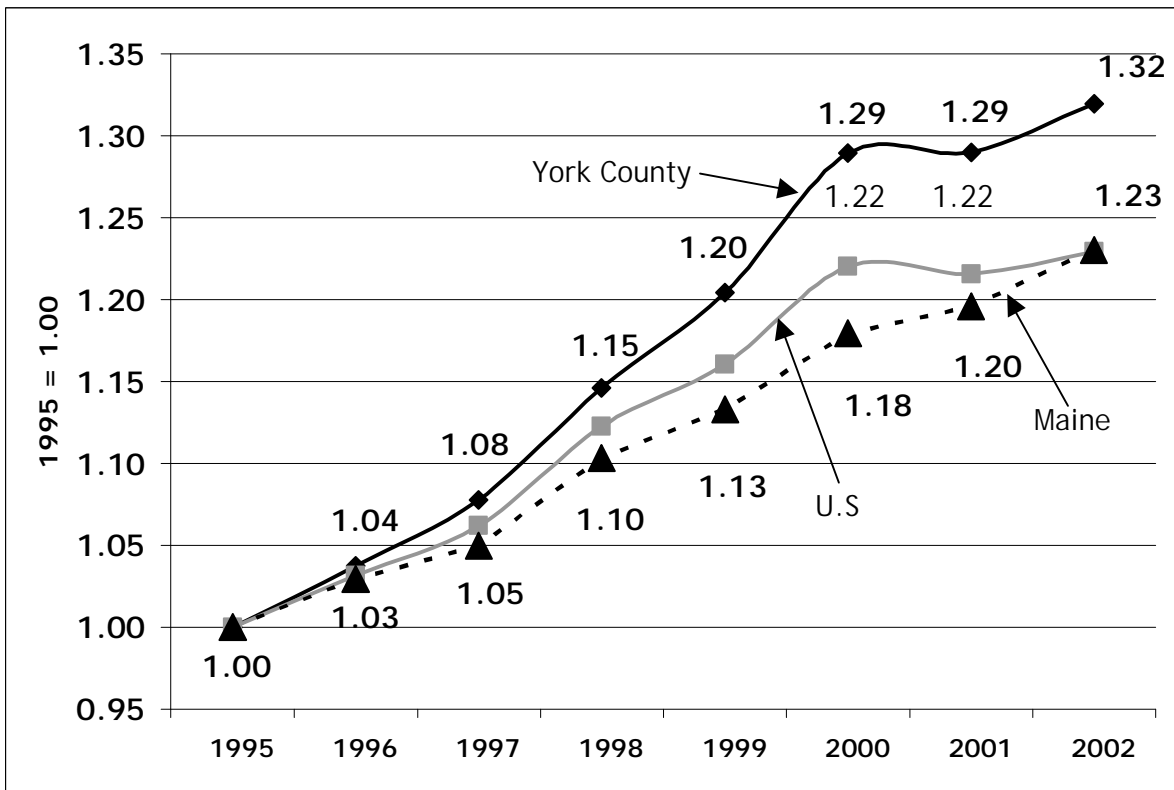
York County's below average shares of employment in professional, technical, administrative, managerial and information services as well as in finance, insurance and wholesale trade help explain the difference in average wages between jobs held and jobs provided. Undoubtedly many York County residents commute outside the county to work in these industries and earn the above average wages that go with them. The desire of these workers to work closer to home documented in USM's Center for Business and Economic Research (CBER) study of the York County labor market points to a potential area of growth for future jobs **within** the county.⁵ It also points to the importance of high-speed internet connections as a key to job growth and to the potential for the collaborative efforts of The University of New England and The University of Maine System to create research based enterprises in York County. Finally, it highlights the need to look on land for economic development not just as a need for traditional industrial parks but as a need for professional business parks that serve the service sector as well as the industrial sector.

Another finding from the 1995 study that remains basically true today, but with an odd twist is the volatility of the York County economy. The 1995 report found that "York County's economy is more cyclical than Maine's."⁶ Figure 3 shows this to have been true for the most recent (2001) recession, but to a lesser degree than has been true in the past.

⁵ University of Southern Maine Center for Business and Economic Research [York County Labor Force](http://winweb1.usm.maine.edu/mced/index2.cfm) <http://winweb1.usm.maine.edu/mced/index2.cfm>. October, 2001.

⁶ Defense Conversion Study, p. 5.

Figure 3
Index of Real Personal Income, 1995 to 2002(1995 = 1.00)



Source: Bureau of Economic Analysis <http://www.bea.doc.gov/bea/regional/reis/>

Through the expansion of the late 1990's, personal income in York County grew more rapidly than that of either Maine or the U.S. as a whole. During the recession of 2001, personal income in York County, like that of the U.S. as a whole, paused. But during the recovery since that time, it has resumed its above average growth rate.

In short, the excessive volatility of the York County economy appears to be subsiding. This is due in no small part to the relative decline in manufacturing's share of total employment and earnings. It is also due to the increasing role of retail trade in the county's structure. Retail trade is driven by consumer spending which is much less volatile than manufacturing which is driven by business investment decisions which are more dependent on interest rates and psychological expectations about the future.

Finally, the 1995 Report noted that while the Kittery-Portsmouth Naval Shipyard was a major employer, county businesses were not overly dependent on the Department of Defense for their sales. This characterization remains true today. The shipyard today remains one of Maine's largest employers, providing jobs to over 4,800 civilians, approximately 2,800 of whom live in York County. The shipyard's payroll is

approximately \$318 million. This together with the military payroll of nearly \$30 million represents a major source of consumer spending in the local economy. In addition, the shipyard purchases nearly \$100 million in goods and services annually, much, particularly in the maintenance and support services sectors, coming from regional businesses. Should this economic mainstay be lost because of a base shutdown, area businesses would suffer major sales declines.

In short, just as in 1995, the first priority of county economic development professionals must be to join the effort to keep the shipyard open. However, should the political decision be made to close the yard, they must be prepared to address the major issues of re-use and re-development. The Town of Kittery, through a grant from the Department of Defense, has begun exploring ways other communities have dealt with base closures. Once these planning and governance issues have been addressed, area towns need to consider the broader question of economic readjustment.

In short, the key challenges facing York County with respect to economic development are:

1. to increase the number of jobs provided by businesses in the county to more fully exploit the labor market capacity represented by those who now commute out of the county for work;
2. to increase the quality of jobs in the county so as to be able to attract the workers noted above;
3. to continue to identify and development new land suitable for business development;
4. to continue to recapitalize and more fully leverage the revolving loan funds that have been created over the past decade;
5. to work with the non-service center communities to address their fears regarding growth, to educate them to the countywide benefits of economic development and to help them avoid wasteful and unnecessary duplication of infrastructure;
6. to improve regional planning capacities so that efforts to exploit new opportunities are not stymied by inter-municipal and inter-agency squabbling.

IV. The Geographic Structure of York County

The 1995 Defense Conversion Study noted that York County did not have a single coherent economy but was “a collection of small regional economies.”⁷ It further observed that “many York County residents do not perceive a community of interest with their neighbors.”⁸ These conclusions remains true today. A recent Economic Summit on the York County economy concluded that the “lack of a coherent regional identity” was one of the key challenges facing the county.⁹

York County’s geographic diversity, as well as its accompanying organizational confusion is the result of its existence as a borderline area. On a broad, macro-economic level, York County falls between the Greater Boston metropolitan area to its south and the Greater Portland metropolitan area to its north. Figure 4 illustrates this position. The red bars indicate the relative magnitude of employment within York County and in the urban areas to its south and north. The yellow arrows indicate the magnitude of commuting out of the County to these jobs.

From the vantage point of Figure 4, it is much easier to see that York County is dominated by the population and employment centers of the Boston MSA to its west and south and by the Portland MSA to its east.¹⁰ This strategic location is both the reason why York County lacks “a coherent regional identity” and its greatest opportunity to enhance its future economic development.

At the other—micro level—it is equally easy to see how the complexity of its socio-economic connections prevent York County from developing a coherent regional identity. This can best be illustrated by the varying definitions of areas defined by three simple activities—going to work, shopping and banking. As defined by the U.S. Bureau of Labor Statistics, a labor market area (LMA) is “an economically integrated geographic area within which individuals can reside and find employment within a reasonable distance, or can readily change employment without changing their place of residence.”¹¹ York County encompasses three full LMA’s and parts of two others.

⁷ Defense Conversion Study, p. 3.

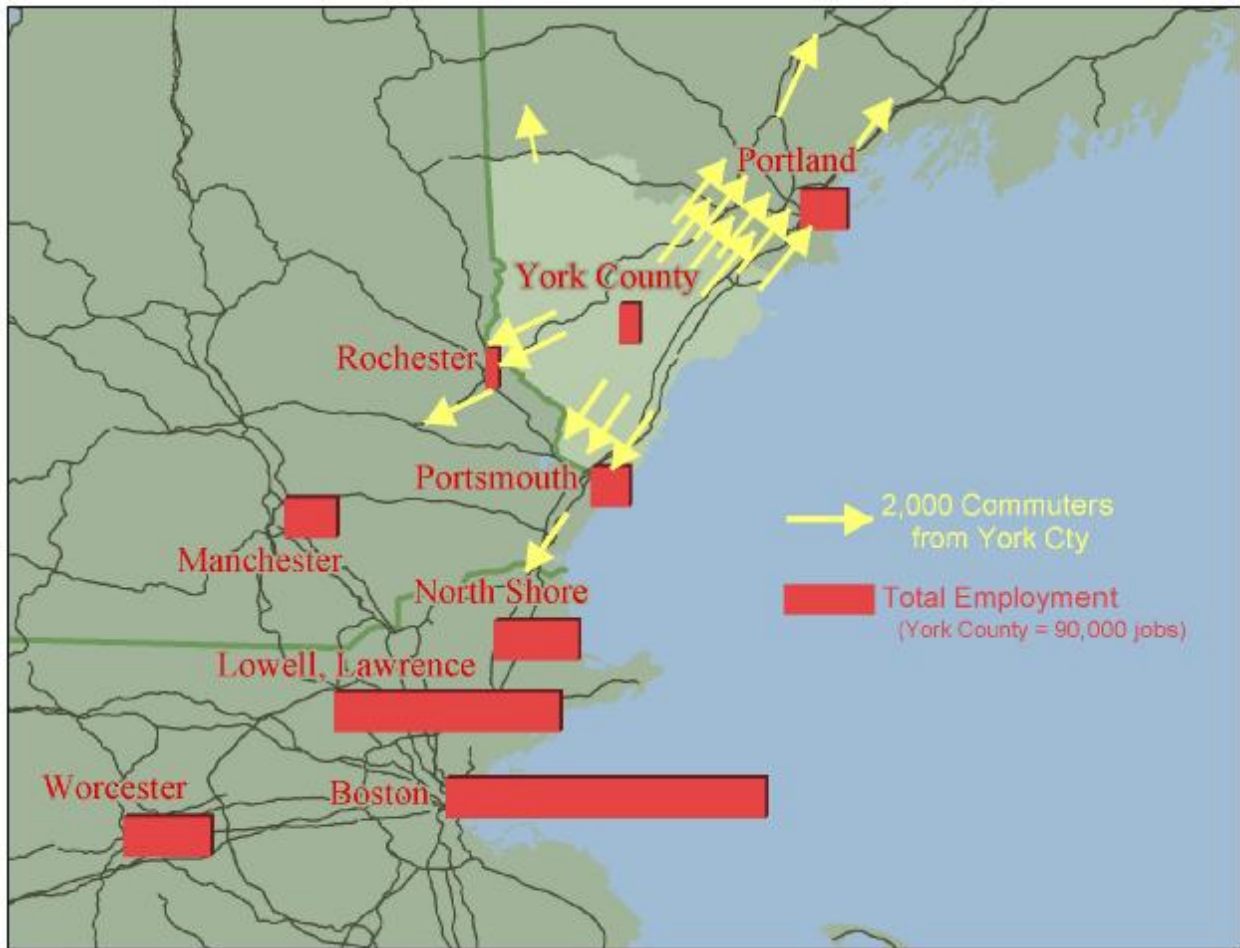
⁸ Defense Conversion Study, “Economic Base of York County” p. 3

⁹ York County Economic Summit Steering Committee Defining Solutions...The First Step: Report on the York County Economic Development Summit., p. 3.

¹⁰ The Office of Management and Budget (OMB) published “Standards for Defining Metropolitan and Micropolitan Statistical Areas” Federal Register ((65 FR 82228-822238) December 27, 2000. It defined an MSA as “an urbanized area of at least 50,000 population plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.”

¹¹ U.S. Bureau of Labor Statistics Labor Market Areas, 2003 January 2003.

Figure 4
York County within the Broader Economic Region



Source: US Census, US Bureau of Economic Analysis

For the purposes of aggregating data on retail sales into coherent shopping districts, the Maine State Planning Office defines economic summary areas (ESA's). While there is some overlap with LMA's, these shopping districts do not include the same municipalities as the labor market areas.

Finally, the Federal Reserve System defines banking markets for the purposes of determining the degree of competition in deposit and lending activities. In York County these defined banking markets present yet a third, and distinct, aggregation of York County towns.

Figure 5
Officially Defined Labor, Shopping and Banking Markets, York County

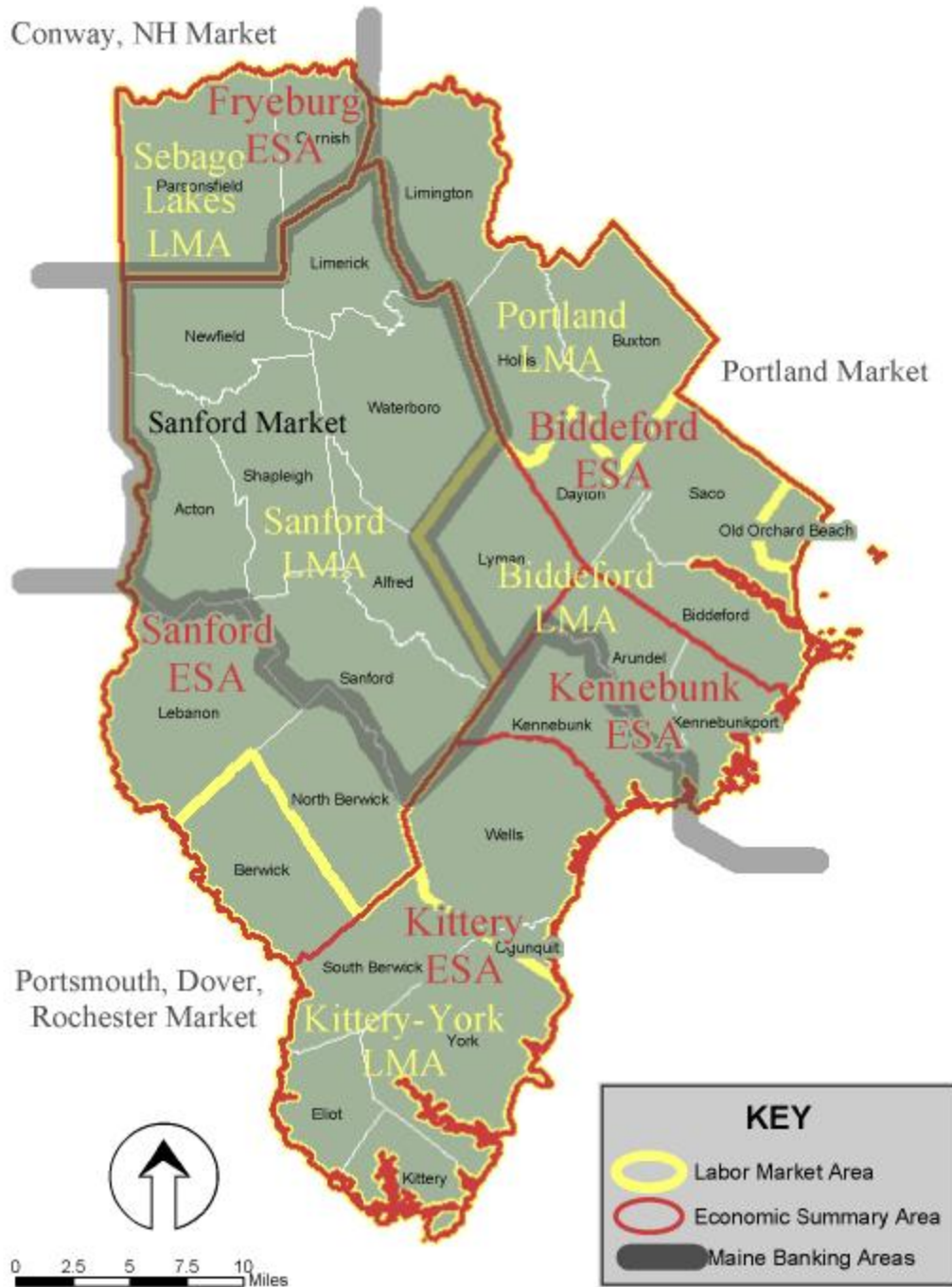


Figure 5 presents a comparative view of these differing market definitions and underscores the fact that York County has no central economic core around which its

constituent towns revolve. While politically part of Maine, many residents of southern York County are tied by commuting and shopping patterns to the Portsmouth and Dover/Rochester areas of New Hampshire. Many residents of northern and eastern York County are more connected to the greater Portland metropolitan area.

The regional complexity is best understood by showing that the 29 municipalities that comprise York County:

- ü encompass 3 full LMA's and small parts of 2 other LMA's:
 - 9 comprising the Biddeford LMA
 - 5 comprising the Kittery-York LMA
 - 9 comprising the Sanford LMA
 - 4 are part of the Portland LMA
 - 2 are part of the Sebago Lakes LMA

- ü encompass 4 full ESA's and part of a 5th:
 - 7 comprising the Biddeford ESA
 - 6 comprising the Kittery ESA
 - 11 comprising the Sanford ESA
 - 3 comprising the Kennebunk ESA
 - 2 are part of the Fryeburg ESA

- ü encompass 1 full Federal Reserve defined banking market and parts of four other larger banking markets centered outside York County:
 - 7 comprising the Sanford market;
 - 10 included in the Portland market;
 - 10 included in the Portsmouth/Dover/Rochester market; and
 - 2 included in the Parsonfield market.

This organizational complexity is particularly confusing for towns that are part of several different groupings. Ten municipalities are part of one LMA and a different ESA. Four municipalities are part of one LMA a different ESA and still a third banking market.

Another factor further inhibiting the development of a coherent York County identity is the absence of a dominant County newspaper. In addition, the television market—like the banking market—tends to be centered outside the County in Portland and Boston and to further pull county residents in opposite directions. This division is further reinforced by the bi-directional pull of commuting—to Portland and to Boston—and the bi-directional origins of recent migrants to York County—from the south outside of Maine and from the north in Maine.

Finally, quite apart from official definitions, an examination of demographic and

economic data shows that the communities of York County may usefully be divided into one of four categories:

- ü **urban service centers** characterized by relatively low levels of seasonal housing and (except for Saco) relatively low rates of population growth;
- ü **coastal communities** characterized by relatively high levels of seasonal housing and much higher rates of population growth;
- ü **inland seasonal communities** characterized by relatively high levels of seasonal housing, rapid population growth and a division in economic activity among commuting, seasonal recreational activities and rural farm/forest activities; and
- ü **inland suburban communities** characterized by relatively low levels of seasonal housing and substantially lower rates of population growth.

Tables 6 and 7 illustrate these distinctions.

Table 6
Pattern of Population Growth, York County, 1990 to 2010

Area	Category	seasonal housing	Population 1990	Population 2000	% change	Population 2010	% change
York County		17.8%	164,587	186,742	13.5%	206,430	10.5%
Saco	Service Center	3.7%	15,181	16,822	10.8%	17,943	6.7%
Kittery	Service Center	6.7%	9,372	9,543	1.8%	9,869	3.4%
Sanford	Service Center	5.0%	20,463	20,806	1.7%	20,990	0.9%
Biddeford	Service Center	2.9%	20,710	20,942	1.1%	21,240	1.4%
Service Center subtotal		4.7%	65,726	68,113	3.6%	70,042	2.8%
York	Coastal/Suburb	12.6%	9,818	12,854	30.9%	15,674	21.9%
Kennebunk	Coastal/Suburb	65.4%	8,004	10,476	30.9%	12,460	18.9%
Ogunquit	Coastal/Suburb	44.6%	974	1,226	25.9%	1,507	22.9%
Wells	Coastal/Suburb	33.1%	7,778	9,400	20.9%	11,045	17.5%
Old Orchard Bch.	Coastal/Suburb	25.0%	7,789	8,856	13.7%	9,933	12.2%
Kennebunkport	Coastal/Suburb	35.2%	3,356	3,720	10.8%	4,032	8.4%
Coastal subtotal		33.5%	37,719	46,532	23.4%	54,651	17.4%
Acton	Inland/Seasonal	53.9%	1,727	2,145	24.2%	2,476	15.4%
Shapleigh	Inland/Seasonal	47.8%	1,911	2,326	21.7%	2,656	14.2%
Newfield	Inland/Seasonal	42.8%	1,042	1,328	27.4%	1,594	20.0%
Parsonsfield	Inland/Seasonal	31.3%	1,472	1,584	7.6%	1,666	5.2%
Limerick	Inland/Seasonal	30.9%	1,688	2,240	32.7%	2,720	21.4%
Waterboro	Inland/Seasonal	19.6%	4,510	6,214	37.8%	7,692	23.8%
Lyman	Inland/Seasonal	18.9%	3,390	3,795	11.9%	4,205	10.8%
Limington	Inland/Seasonal	12.5%	2,796	3,403	21.7%	4,174	22.7%
Lebanon	Inland/Seasonal	11.1%	4,263	5,083	19.2%	5,732	12.8%
Inland Seasonal subtotal		29.9%	22,799	28,118	23.3%	32,915	17.1%
Alfred	Inland/Suburb	6.9%	2,238	2,497	11.6%	2,706	8.4%
Cornish	Inland/Suburb	6.0%	1,178	1,269	7.7%	1,341	5.7%
North Berwick	Inland/Suburb	4.1%	3,793	4,293	13.2%	4,758	10.8%
Hollis	Inland/Suburb	3.2%	3,573	4,114	15.1%	4,653	13.1%
Buxton	Inland/Suburb	3.0%	6,494	7,452	14.8%	8,227	10.4%
Arundel	Inland/Suburb	2.5%	2,669	3,571	33.8%	4,383	22.7%
Eliot	Inland/Suburb	2.1%	5,329	5,954	11.7%	6,472	8.7%
Dayton	Inland/Suburb	0.6%	1,197	1,805	50.8%	2,396	32.7%
South Berwick	Inland/Suburb	0.5%	5,877	6,671	13.5%	7,320	9.7%
Berwick	Inland/Suburb	0.4%	5,995	6,353	6.0%	6,566	3.4%
Inland Suburban subtotal		2.9%	38,343	43,979	14.7%	48,822	11.0%

Sources: Census Bureau and Maine State Planning Office

**Table 7
Socio-economic Characteristics of York County, 2000**

Area	median age	% under 18	% over 65	rental %	median household income	families below poverty rate	low & moderate income %	vehicles per household
York County	38.5	24.8%	13.6%	27.4%	\$43,630	5.9%	38.8%	1.80
Saco	37.2	25.0%	13.9%	33.8%	\$45,105	7.0%	35.3%	1.73
Kittery	39.0	21.9%	15.2%	35.9%	\$45,822	5.7%	43.4%	1.70
Sanford	36.6	26.7%	14.4%	36.5%	\$34,668	11.0%	47.8%	1.62
Biddeford	36.4	22.1%	15.5%	51.4%	\$34,976	8.7%	45.6%	1.52
Service Center avg.	37.3	23.9%	14.8%	39.4%	\$40,143	8.1%	43.0%	1.64
York	43.4	22.8%	17.1%	17.8%	\$56,171	1.4%	31.6%	1.89
Kennebunk	41.3	25.6%	17.2%	20.5%	\$50,914	2.9%	29.2%	1.80
Ogunquit	55.2	10.4%	30.9%	22.6%	\$47,727	1.2%	31.2%	1.61
Wells	43.3	21.0%	16.9%	18.0%	\$46,314	3.1%	31.8%	1.91
Old Orchard Beach	40.1	19.1%	14.9%	44.3%	\$36,568	7.7%	47.4%	1.47
Kennebunkport	46.0	20.5%	19.1%	16.3%	\$54,219	1.7%	21.8%	1.82
Coastal avg.	44.9	19.9%	19.4%	23.3%	\$48,652	3.0%	32.2%	1.75
Acton	41.1	25.4%	15.6%	10.8%	\$39,036	7.1%	42.7%	2.09
Shapleigh	39.7	24.1%	14.4%	11.2%	\$42,026	3.0%	34.7%	2.01
Newfield	39.0	26.4%	11.3%	13.1%	\$38,654	7.8%	47.7%	2.09
Parsonfield	38.7	25.4%	15.3%	19.1%	\$32,214	10.5%	53.2%	1.86
Limerick	35.7	27.6%	11.2%	17.4%	\$40,845	7.4%	43.4%	1.98
Waterboro	33.3	30.8%	7.0%	13.5%	\$43,234	3.5%	38.4%	1.97
Lyman	37.9	26.5%	8.3%	9.2%	\$47,860	5.0%	31.0%	2.10
Limington	36.6	27.4%	11.0%	14.7%	\$42,023	9.5%	49.3%	2.05
Lebanon	36.7	28.6%	9.9%	12.3%	\$40,021	9.0%	46.2%	2.08
Inland Seasonal avg.	37.6	26.9%	11.5%	13.5%	\$40,657	7.0%	43.0%	2.02
Alfred	42.2	21.5%	19.1%	17.4%	\$40,583	4.3%	36.8%	1.87
Cornish	40.5	24.8%	16.2%	20.5%	\$38,125	9.4%	41.1%	1.85
North Berwick	37.8	26.8%	13.3%	18.1%	\$46,883	4.2%	32.7%	2.10
Hollis	36.8	26.8%	7.7%	15.3%	\$48,846	4.7%	33.5%	2.00
Buxton	37.4	25.1%	9.5%	15.2%	\$48,958	3.2%	37.4%	2.15
Arundel	37.3	26.1%	8.2%	15.1%	\$49,484	5.1%	31.2%	2.02
Eliot	39.7	25.8%	12.1%	18.1%	\$52,606	5.2%	34.3%	1.92
Dayton	34.6	29.5%	7.8%	12.2%	\$53,056	2.9%	20.0%	2.11
South Berwick	36.2	30.4%	8.4%	21.6%	\$53,201	2.8%	27.4%	1.91
Berwick	35.6	29.1%	9.5%	23.8%	\$44,629	6.8%	45.1%	1.95
Inland Suburban avg.	37.8	26.6%	11.2%	17.7%	\$47,637	4.9%	34.0%	1.99

Sources: Census Bureau and Maine State Planning Office

The socio-economic characteristics presented here tend to reinforce the distinctions among York County communities derived from demographic data. If countywide and sub-regional groups are to generate the sense of identity and common purpose necessary both to develop a coordinated economic development strategy and to make

it succeed they must recognize, acknowledge and work from these important differences.

The urban service centers are characterized by:

- ü an age distribution approximately equal to the county average;
- ü a higher percentage of renters;
- ü a lower median income;
- ü a higher percentage of families in poverty;
- ü a higher percentage of low and moderate income people; and
- ü fewer cars per household.

The coastal communities are characterized by:

- ü an older age distribution (fewer young people, more elderly);
- ü a lower percentage of renters;
- ü a much higher median income;
- ü a much lower percentage of families in poverty; but
- ü still about one third of the population in the low/moderate income category; and
- ü an average number of cars per household.¹²

The inland communities (both seasonal and suburban) are characterized by:

- ü a slightly younger age distribution (more young people, fewer elderly);
- ü a much lower percentage of renters; and
- ü many more cars per household.

The major difference between the seasonal and suburban inland communities is in income. The median household income of inland suburban communities (no doubt reflecting the very fact of commuting) was \$47,600 in 2000, nearly 20% greater than that of the inland seasonal communities. In addition, the percentage of families below the poverty rate in seasonal communities was 7.0% compared to a rate of 4.9% for the inland suburban communities, and the percentage of low and moderate income individuals in the seasonal communities was 43% compared to 34% in the suburban communities.

Perhaps even more significant is the absolute number of low and moderate-income individuals. York County ranked 6th of the 16 Maine counties in share of low and moderate income individuals with 38.8%, but ranked first—even ahead of Cumberland County—in the absolute number of low and moderate income individuals with over 71,000. In addition, individual locations such as central Berwick and central Sanford

¹² It should be noted that all of the above characteristics would be greater if Old Orchard Beach were excluded from this grouping.

had extremely high (over 50%) concentrations of low and moderate individuals.¹³ To a large extent, this concentration also reflects York County's status as a buffer between two regional centers. Low and moderate income is defined to be 80% of the median family income of the corresponding state, county or metropolitan area. Because so many York County towns are compared to the Portland and Portsmouth areas—where incomes are relatively higher—the disparity of incomes earned in York County becomes more obvious.

In sum, the regional disparities within York County are as great as—and in some ways perhaps greater than—they were in 1995. Thus the challenge of articulating a sub-regional economic development strategies is even greater today and the need for generating support for it even more important.

¹³ Tabulations from the State Community Development Program provided by the Southern Maine Regional Planning Commission.
The Economy of York County

V. Key Issues and Major Opportunities

Progress Since 1995

The 1995 Defense Conversion Study concluded that the key to York County's future economic success depended on addressing three major obstacles: land, money and economic development organization. Since that time, York County has made major strides in addressing each of these obstacles.

ü Land:

The County has added approximately 200 acres of industrial land to its inventory in fully serviced industrial parks in Saco, Biddeford and Sanford. At the same time, fear of rising property taxes has led 17 of the 25 non-service center towns in the County to enact residential building caps, indicating a process of self-selection in the desire for economic growth and an emphasis on tax limitation rather than property creation. In addition, the State of Maine in 2003 passed legislation providing tax and financial incentives to businesses that locate in designated areas of low wages and high unemployment—called Pine Tree Zones (PTZ).¹⁴ In York County, thirteen communities have completed applications for PTZ status for land amounting to over 4,200 acres. In addition, another three communities are completing applications covering approximately 130 acres.¹⁵

In addition to adding to its inventory of industrial land, York County has made significant strides in redeveloping old industrial mill buildings for modern use. A survey completed in 2004 found 65 active businesses in three buildings in the Biddeford mill complex. The average tenure of businesses in these sites was approximately 4 years, and nearly one-third had moved in within the past year.¹⁶ In short, these old mill complexes as well as similar ones in Saco, Sanford, the Berwicks and Kennebunk represent a potential resource for businesses wishing to move to or expand into York County.

Looking to the future, the County's very success in developing and filling business parks presents an ever-greater challenge. As lots are filled, more are needed. Service Center communities need to redouble their efforts of the past decade to identify and develop new parcels for professional/commercial/industrial development. In doing so, they must be sensitive to two conflicting forces—an anti-growth attitude and a tendency to industrial/commercial sprawl. Because of the

¹⁴ Maine Department of Community & Economic Development
http://www.mainebiz.org/business_assistance/pine_tree_zones.asp.

¹⁵ Unpublished data provided by the Southern Maine Regional Planning Commission.

¹⁶ Biddeford's Mill Complex: An Inventory and Survey Completed by Southern Maine Regional Planning Commission in cooperation with the City of Biddeford Economic Development Office, January 2004.

ever-rising property values and tax rates, many York County municipalities have instituted growth caps. While respecting the rights of individual towns to attempt to control their growth rates and visual and social character, economic developers must continue to promote the value to the County as a whole of business development. This will require increasingly close cooperation with municipal officials and perhaps even efforts to develop cooperative tax sharing arrangements regarding development of new professional/commercial/industrial space.

On the other side of the coin, the same tax pressures that have led some towns to impose residential growth caps have led others to seek business development in places that are geographically remote and risk excessive municipal infrastructure expense for little results. This tendency will require the same efforts at economic development education and inter-municipal cooperation.

Finally, the potential for reuse of old mill buildings and, more generally, of revitalizing downtown areas raises the issue of what are the most appropriate uses for downtown buildings. In specific terms, this raises the question of whether or not to close the Maine Energy Recovery (MERC) plant in Biddeford and what to do with the shipyard property should the Portsmouth Naval Shipyard be closed. Just as SMRPC led the effort to examine the impact of a potential casino in Sanford, so it will be called on to help articulate the issues surrounding controversial uses and re-uses of downtown properties. Being prepared to address these conflicts will help facilitate the economic development process.

ü Money:

The conclusion that York County needed additional capital for business expansion derived from two sources. The first was a survey of businesses that found 43% of respondents had applied for a loan over the previous two years and that 31% had been denied a loan.¹⁷ The second reason for seeing the absence of investment money as an obstacle to development was the much lower level of revolving loan fund capital available in York County compared to the amounts available in other regions of the state.¹⁸

Since completion of the 1995 report, York County has witnessed an increase in the commercial banking services available. The number of commercial banks and savings institutions operating in York County has increased at a much faster rate than in the State as a whole, and the total value of deposits available for lending has increased by approximately \$750 million since 1995. Table 7 below illustrates this change in the commercial banking sector in York County. While the increased availability of financial institutions does not guarantee increased access to loans by local businesses,

¹⁷ Defense Conversion Study, Appendix B (Business Survey) and E (Capital Availability).

¹⁸ Defense Conversion Study, Appendix E (Capital Availability) and (F) Sources of Public Business Financing.

the simple availability of more loanable funds helps reduce the challenge.

Table 7
Indices of Change in Commercial Banking in York County, 1995 to 2003

Item	1995	2003	change	% change
Maine				
institutions	49	42	-7	-14%
branches	485	507	22	5%
deposits (\$m)	\$12.1	\$16.1	\$4.0	33%
York County				
institutions	12	15	3	25%
branches	58	65	7	12%
deposits (\$m)	\$1.4	\$2.1	\$0.7	50%

Source: Federal Deposit Insurance Corporation <http://www2.fdic.gov/sod/SODSumReport.asp>.

Also, since the 1995 Study, the Southern Maine Economic Development District (SMEDD) has established a revolving loan fund, and the Biddeford-Saco Area Economic Development Council (BSAEDC) has expanded its traditional loan program and established four new revolving loan programs. Together, these organizations have made nearly \$10 million in financing available to area businesses. Based on historical leverage ratios, these funds have ultimately led to over \$80 million worth of investments in southern Maine businesses.¹⁹

Again, however, this success has created its own challenges for the future. BSAEDC has fully utilized its loan funds and could make many more productive loans if it had the funds available. The possible designation by the federal Economic Development Administration (EDA) of York County as a distinct Economic Development District (EDD) is likely to make more investment funds available in the county, but more will still be needed. Given York County's proximity to the entrepreneurial activity of Boston/Cambridge, it is increasingly important that development organizations find and leverage additional sources of investment capital.

ü Economic Development Organization:

The 1995 Study concluded with a set of economic development action steps for all of the major institutional actors affecting economic development in York County—state government, regional and sub-regional entities, municipalities and businesses. Appendix 1 summarizes these recommendations and actions taken since 1995 to follow them.

On the whole, municipal and sub-regional organizations have remained the leading force in undertaking the activity of economic development in York County. However,

¹⁹ BSAEDC 2003 Annual Report, p. 5-6. SMEDD Loan Facts <http://www.gpcog.org/rev-loan.php>.

as the strength of the County's economy has grown and its relative political importance in the State has become more fully recognized, greater attention has been paid to developing a more coordinated approach to economic development. SMRPC has taken a more active role in articulating countywide issues, particularly during the debate surrounding the Indian Casino proposal and, more recently, with regard to examination of the possible effects of closure of the Kittery-Portsmouth naval shipyard.

At least in part because of these issues, SMRPC sponsored a series of "visioning" sessions throughout the county during the Spring of 2004.²⁰ This resulted in the articulation of the following strategies intended to guide economic development in the county:

- ü Tailor economic development initiatives to the capacity of individual municipalities and groups of municipalities to accommodate growth;
- ü Invest in all types of infrastructure on a regional level;
- ü Increase capacity of smaller communities to attract economic development that respects their capacities for growth and their existing local character;
- ü Eliminate regulatory barriers that may limit redevelopment of older buildings;
- ü Focus on growing small businesses by providing affordable incubator space in appropriate locations;
- ü Make use of the unique natural and historic resources of communities to attract appropriate economic growth; and
- ü Ensure that the region is properly prepared to respond to a possible base closure.

In addition, the County's institutions of higher education—The University of New England and York County Community College—have become much more engaged in the economic development process, most notably in helping cosponsor and participating in the York County Economic Summit held at UNE on March 14, 2004 and in participating in the preparation for a second summit to be held April 1, 2005.

Finally, as noted above, the possible designation of York County as an Economic Development District will provide more federal funds for economic development planning. It is important that these funds be utilized in such a way as to enhance the county's sense of regional collaboration.

Because of the efforts of county economic development organizations, the issues highlighted in the 1995 report have been addressed, but the problems they posed remain. The County still needs more land for business parks and more money for business investment. In addition, other problems and opportunities have emerged that also need to be addressed.

²⁰ SMRPC Connecting Communities: Planning in Southern Maine A Report on Regional Visioning August 2004.

Agenda for the Future

York County's central economic problem—the lack of a coherent regional identity resulting from the opposing pulls exerted by the Greater Boston region to the south and the Greater Portland region to the north—is also its greatest opportunity. The County has more workers than it has jobs. Growing and attracting businesses that can more fully exploit the skills of the existing labor force could bring a stronger and wider prosperity to York County.

New Areas of Opportunity

In addition to addressing the traditional problems of land, money and organization, other problems have emerged that also need to be addressed. In particular, County economic development officials and public policy makers should address **six areas of striking opportunity**. They should:

1. Develop business attraction materials and a **marketing strategy** to make the advantages of York County more widely known to businesses in the Greater Boston area;
2. Create a public-private **development authority** that can own property and initiate select real estate deals with significant county-wide impact;
3. Capitalize on the growing economic importance of York County and the presence of many national business leaders in the County (at least seasonally) to create an Economic Development "**Brain Trust**" composed of business, governmental and academic representatives and dedicated to ongoing review of the county's economic prospects and performance; and
4. Promote the allocation of **state investments in research and development** to York County's institutions of higher education and encourage increased support of the educational programs related to those investments;
5. Undertake a full-scale inventory of the County's **old mill buildings** and prepare a redevelopment strategy encompassing industrial uses, business attraction programs, the creative economy and affordable housing; and
6. Undertake a full-scale inventory of the County's **health care industry** and develop a strategy for meeting its physical plant expansion and labor training needs;

1. Market York County.

Several facts have come together over the past decade that present York County with an unprecedented opportunity for economic growth. Having:

- ü assembled more industrially ready land;
- ü demonstrated the success of old mill development;
- ü increased the size of both commercially available loan funds and quasi-public complementary revolving loan funds;
- ü been presented by the state Pine Tree Zone Program with a vehicle for offsetting Maine's "high tax" image;

ü been blessed with a location on the northern edge of the expanding Greater Metropolitan Boston area
York County has the opportunity to articulate a clear message about why it is an ideal location to start or expand a business.

Economic developers should take advantage of the Pine Tree Zone Program to illustrate comparisons with “tax free” New Hampshire. This along with the quality of life available in Maine would make a very attractive package to the businesses that spin out of the centers of Boston entrepreneurship on a regular basis. This effort should be undertaken with a more systematic effort to document the volume of industrial land being filled and still available. The County has made strides in adding to its inventory of available industrial land, but it has not fully realized the goal of maintaining an easily accessible and up-to-date inventory of currently available land. In addition, based on the absorption of such land, county developers should maintain a target number of additional acres and square footage to bring on line on an annual basis.

To complement this effort, the York County legislative delegation should promote a truly comprehensive tax reform, one that eliminates the internal contradictions of the current system and further promotes a favorable comparison to New Hampshire.

2. Create a Quasi-Public Entity to Initiate Real Estate Deals.

The second area where York County needs to take its economic development program to the next level is in the area of real estate development. Just as public loan funds can often mean the difference between success and failure in the financing of a “good deal,” so the existence of a quasi-public body that could do more than just promote the development of old mill buildings or other real property with significant development potential would enable York County to get more projects off the ground.

SMRPC or perhaps a collaborative of development organizations should incorporate a regional development organization capable of taking title to property and entering into development deals with private and public entities on projects that have significant regional importance. The City of Lewiston has become actively and successfully involved in the economic development process—buying land, demolishing old buildings and negotiating lease arrangements with new tenants. The Northern Maine Development Commission (NMDC) has similarly established public-private entities to initiate development activities. Such an active involvement by a publicly oriented body could be the catalyst for significant new development in York County as well.

3. Create a County Economic Development “Brain Trust.”

Because of its growing economy, York County has an increased importance for the fiscal well being of the state as a whole. Income, sales and property taxes generated

by economic activity in York County finance schools, infrastructure and social programs throughout the state. At the same time, York County's growing population gives its voters increased importance in statewide elections. In addition, York County's unparalleled beauty and quality of life have attracted many residents (both seasonal and year-round) with extensive national and international business experience and connections.

However, because of the lack of regional identity noted above, York County's influence in state politics and economic development decisions does not match its economic and political importance. To a certain extent, this imbalance is the reason for the Economic Summit held in 2004 (as well as the follow up to be held in 2005) and for the suggestion by EDA for York County to apply for designation as its own Development District.

The County should build on this momentum by establishing a formal York County Economic Development Brain Trust dedicated to monitoring the county economy, highlighting and publicizing important development opportunities, recommending public policy actions and encouraging complementary private investments. This group should include representatives from county businesses, local, regional and state government, local educational institutions and nationally prominent business leaders with some York County connection. It should serve as the Advisory Board to SMRPC's countywide Comprehensive Economic Development Strategy (CEDS) preparation and as the sponsor of the annual York County Economic Summit. Its overall purpose would be to give York County the prominence in public perception that its economic and political significance warrant. On a more practical level, it should help identify and attract to the County businesses that could thrive here, particularly those now expanding in the Greater Boston area.

4. Encourage State Investment in Research Facilities and Associated Educational Programs.

York County needs to take greater advantage of its proximity to the world center of medical and bio-medical research. While investment in research facilities is clearly beyond the capacity of any county economic development organization, the County does have a role in furthering efforts at the state level and within educational institutions to increase the advanced educational and research capacities of The University of New England and The University of Southern Maine.

A proposal to issue a bond to help finance such facilities is now before the Legislature. York County economic developers should support this effort and direct their recruiting and marketing efforts in ways that complement it.

In addition, to the extent that such research and development activity does expand in York County, it will bring with it a demand for skilled technicians and other

professional support personnel. County economic development professionals should encourage state officials to support the development and expansion of programs to train such R&D support personnel at the York County Community College.

5. Prepare an Old Mill Redevelopment Strategy.

One of York County's most prominent characteristics are the old brick mill buildings found in virtually every urban and village center. While, on the one hand, they represent the County's dying heritage of textile and shoe manufacturing. On the other, they represent an opportunity for reinvigorating these downtown centers. In some cases, they have been converted to incubators for new business start-ups, in others to arts centers, in still others into affordable housing. All of these outcomes are extremely desirable given the rising cost associated with sprawling patterns of land use.

But how to develop old mill buildings is not a science. What works in one location, may not in another. For this reason, the County should undertake a full-scale inventory of old mill space, categorizing it by age, location, square footage, number of stories, quality of surrounding infrastructure and other qualities deemed important for redevelopment. It should follow this work with a detailed analysis of the successes and failures of other old mill development projects, such as those in Lawrence and Lowell, Massachusetts. In particular, this process should involve the cities of Biddeford and Saco as they continue their negotiations with the Maine Energy Recovery Company (MERC) about closing that facility. Finally, the County should develop an old-mill redevelopment strategy to be included as part of the its overall Comprehensive Economic Development Strategy (CEDS).

6. Prepare a Health Care Industry Development Strategy.

Health care and social assistance accounts for nearly 11,000 jobs in York County. This amounts to approximately 11% of the county total and represents a concentration approximately 20% above the national average (see Table 5 below). These jobs, moreover, pay, on average, 18% more than the overall average wage in York County. Finally, the Maine Department of Labor projects that Health Services will be the single greatest source of new jobs in Maine over the period from 2000 to 2010, accounting for over 12,000 new jobs.²¹

For all these reasons together with the fact that York County has the state's only medical school, three significant community hospitals and a growing array of health care businesses, county economic development professionals should examine the health care industry more carefully as a source of new employment. Traditionally, health care professionals have considered their enterprises as community service organizations as opposed to businesses. As a result, they tend to have operated in

²¹ Maine Department of Labor [Employment Change in Maine, 2000 to 2010](http://www.Maine.gov/labor/lmis)
<http://www.Maine.gov/labor/lmis>.
The Economy of York County

different arenas from the traditional world of economic development. This is an unfortunate and unnecessary separation. Therefore county development officials should empanel a York County Health Care Industry Task Force to examine the growth prospects for the industry, the major constraints to that growth and what actions should be taken to minimize those obstacles.

Appendix One: Status of 1995 Recommendations

1995 Defense Conversion Study Policy Recommendations by Level of Jurisdiction

Recommendation (1995)	Actions Taken (since 1995)	Actions to be Taken in the Future
1. State Government		
a. focus more economic development attention on York County	Governor and DECD Commissioner attended 2004 York County Economic Summit	Attend 2005 York County Economic Summit
b. help York County develop business financing tools	Creation of Pine Tree Zones	Actively campaign for passage of Economic Development Bond package
c. establish GIS System for industrial land, infrastructure and environmentally unavailable land		Bring Creative Economy Initiative to York County
d. improve 1-800 business information hotline		Expand business attraction programs aimed at Boston area bio-tech firms
2. SMRPC		
a. set quantifiable economic development benchmarks	Welfare to Work Task Force <u>Benchmarks for the York County Economy</u> , March 2000.	Include benchmarks in Comprehensive Economic Development Strategy (CEDS) required for EDA designation
b. maintain an inventory of fully serviced, industrially zoned real estate.	<u>Industrial Properties Market Study</u> , August 2002.	Establish collaborative effort with municipal economic development departments to establish and maintain inventory system

	<u>Reuse Potential of Portsmouth Naval Shipyard</u> , December 2002	Be prepared to put re-use plans into action should yard be closed.
	<u>Biddeford's Mill Complex: An Inventory and Survey</u> , January 2004.	Establish old mill space inventory by working with municipal assessors.
c. prepare an annual <u>State of the York County Economy</u> report.	CEDS Update, June 2002.	Use Economic Summit <u>White Paper</u> and <u>Defense Conversion Update</u> as basis for an annual <u>County Economic Update</u> .
d. establish a regional business financing program.	SMEDD revolving loan fund provided \$2.5 million to York County.	Establish new York County specific RLF with EDA funds under SMRPC.
e. provide regular training in economic development and grantsmanship.	SMRPC oversees Small Business Development Center in York County	Expand training services with EDA funds.
f. integrate economic development goals into planning and zoning services.	SMRPC sponsored numerous smart growth, community visioning and old mill re-use seminars	Continue to work with municipal officials to educate them about benefits of County wide economic development efforts.
g. create a Tourism Development Strategy	Local Chambers sponsored tourism workshops and 2004 Economic Summit held tourism workshop.	Create tourism sub-committee on CEDS advisory board.
3. Sub-regional Business Development Centers		
a. provide small business counseling	BSAEDC and Sanford Springvale Chamber of Commerce operate business assistance programs.	Create business training sub-committee on CEDS advisory board and include representatives from UNE and YCCC.

b. give voice to the local business community		Include numerous business representatives on CEDS Committee.
1. Visitation program	Started by state chamber, but abandoned for lack of use of data gathered.	
2. Advocacy		Follow Small Business Ombudsman bill now in the Legislature.
c. plan for and promote tourism	Local Chambers sponsored tourism workshops and 2004 Economic Summit held tourism workshop.	
d. create a financial packaging capability	BSAEDC loans \$4.1 million;	Recapitalize BSAEDC Revolving Loan Funds.
e. establish sub-regional loan pools.	BSAEDC operates four RLF's for \$2.6 million	Recapitalize BSAEDC Revolving Loan Funds.
f. actively develop local business parks	Biddeford and Saco have each developed one new industrial park	Actively search for potential new locations for business parks.
4. Municipalities		
a. provide direct financial support for local economic development activities.	Presumes all communities seek economic development (or ignores the evidence that many do not want economic development). It therefore avoids the strategic question of how to support economic development in York County by accepting the local preference, ie helping those who help themselves.	SMRPC must continue its work with municipalities and help coordinate disparate goals and policies as best it can. The key is to promote regionalism where it can be promoted without forcing those who do not want to participate.

b. take a more activist role in advocating for state attention to York County's economic development.	Biddeford co-sponsored the 2004 York County Economic Summit.	Use the combination of the York County Economic Summit Steering Committee and the need for SMRPC to establish a CEDS committee to formalize a group including business, municipal and educational representatives and charged with regularly assessing the York County economy and promoting its interests. Follow the example of the Northern Maine Development District.
c. designate a single point person for business within municipal government.	Biddeford, Saco and Sanford have active Economic Development Departments within City Government	See above.
d. assure adequate supply of land for business uses.		Establish a quasi-public real estate development body to put together deals of County wide significance.
e. establish a local TIF policy.		establish a TIF policy sub-committee of the CEDS Advisory Board.
5. Business		
a. participate in and support financially local government, area chamber and regional commission economic development committees.	Many area businesses participated in and helped finance the 2004 and 2005 York County Economic Summits	participate in CEDS development process.

Appendix Two: Information Sources

a. studies

Critical Insights, Strategic Market Research Training Needs Assessment of York County Small Business Community survey conducted for York County Technical College, February 2002.

Maine Science & Technology Foundation Positioning Maine for the New Economy: Maine's Science & Technology Action Plan 2001.

Maine Science & Technology Foundation The Maine Innovation Index 2002: Measuring Maine's Performance in the New Economy.

Maine Department of Community & Economic Development and PolicyOne Research Maine Innovation Index 2004

Mainland Consultants and Dirk Thomas Market Study: Industrial Properties, Cumberland and York Counties, Maine August 2002 a comprehensive analysis of the industrial properties in southern Maine, August 15, 2002.

Report of the York County Defense Conversion Project, November 1995, The York County Defense Conversion Committee consisted of twenty-nine individuals representing fourteen York County Communities. Its operations were funded by a grant from the Maine Department of Community and Economic Development.

RKG Associates and Oest Associates Evaluation of the Reuse Potential of Selected Facilities at the Portsmouth Naval Shipyard, Kittery Maine a study for the Southern Maine Economic Development District December 2002.

Southern Maine Economic Development District Comprehensive Economic Development Strategy, 2002 Update June 2002.

Southern Maine Regional Planning Commission Cluster Analysis of Portland Economic Area July 2004.

Southern Maine Regional Planning Commission in cooperation with the City of Biddeford Economic Development Office Biddeford's Mill Complex: An Inventory and Survey, January 2004.

University of Southern Maine Center for Business and Economic Research and Maine Department of Community and Economic Development A Profile of the Workforce in the York County Region October 19, 2001.

York County Community College Hospitality Industry Forum, November 15, 2004.

York County Community College Manufacturing Industry Forum, January 25, 2005.

York County Economic Summit Steering Committee Defining Solutions...The First Step: Report on the York County Economic Development Summit, July 2004.

York County Welfare to Work Community Task Force Benchmarks for the York County Economy March 2000.

b. Data Sources

U.S. Department of Commerce, Bureau of Economic Analysis Regional Economic Profiles <http://www.bea.doc.gov/bea/regional/reis/action.cfm> and State & Local Personal Income <http://www.bea.doc.gov/bea/regional/statelocal.htm>.

U.S. Department of Commerce, Bureau of the Census Decennial Census 2000 and 1990 <http://www.census.gov/>

U.S. Bureau of Labor Statistics Labor Market Areas, 2003 January 2003.

Maine Department of Labor Resident Employment <http://www.state.me.us/labor/lmis/data/>.

Maine Department of Labor Employment Change in Maine, 2000 to 2010 <http://www.Maine.gov/labor/lmis>.

National Association of Realtors Quarterly Survey of Median Home Prices <http://www.realtor.org/research.nsf/Pages/MetroPrice>.

Office of Management and Budget (OMB) "Standards for Defining Metropolitan and Micropolitan Statistical Areas" Federal Register ((65 FR 82228-822238) December 27, 2000.