

Topsham Economic Development Study



Final Report

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**Economic Analysis
Town of Topsham, Maine**

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Introduction and Project Overview

In order to understand the pros and cons of various types of land uses for the Town of Topsham, it is important for the community to have an understanding of what land uses are realistic from a market perspective, as well as attractive in terms of their impact on the community's budget. The Town of Topsham retained Eaton Peabody Consulting Group and Jeffrey Donohoe Associates (JDA) to evaluate the existing tax base of the community. It is noted that both consultants are engaged on the Reuse Study of the Topsham Annex and coordinated their work through the Matrix Design Group team to ensure that both the Topsham Annex work involving any economic development analysis dovetailed appropriately with the Topsham town-wide economic development analysis.

This report evaluates the existing tax base within Topsham as a baseline for understanding what can be developed within the community, based on existing zoning. The tax base analysis considers potential development of various types of uses, and quantifies the number of housing units and total square footage that could be developed.

In addition, this report includes an overview of the consultants' evaluation of three communities which are used as case studies – Ellsworth, Gorham and Scarborough. The results of interviews with economic development professionals in these communities are presented, together with some of the lessons learned from the experience of these communities.

Based on the tax base analysis and the case studies, the consultants present specific recommendations that the Town should consider, in order to achieve a more balanced tax base for the community. Recommendations are presented for infrastructure and land use, as well as targets for the community's tax base mix.

Finally, this report presents economic development strategies for the community to consider in implementing these recommendations.

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Tax Base and Build-out Analysis

As part of the baseline analysis for the Topsham Economic Development Study, the consultants reviewed the Topsham Assessor's database (September 2006 data). The database provides overview information on parcel size, parcel ownership and use, among other factors. A summary of the compilation of this review appears in the Table below. It should be noted that, since all communities do not reassess their properties on the same schedule, the Property Tax Division of Maine Revenue Services establishes an equalization rate for each community. According to the 2005 Municipal Valuation Return, the equalization rate for Topsham was 65%.

Table 1 – Topsham Tax Base Summary

Land Use	Lots	Total Acres	Total Assessed Value	Equalized Assessed Value
Commercial Leased Land	24	123.6	\$ 4,684,500	\$ 7,206,923
Commercial	179	1,007.2	\$ 118,508,200	\$ 182,320,308
Exempt	119	1,769.1	\$ 181,289,800	\$ 278,907,385
Industrial	14	309.0	\$ 10,111,100	\$ 15,555,538
Mobile Home	397	610.2	\$ 16,163,400	\$ 24,866,769
Residential and Commercial	6	7.9	\$ 793,400	\$ 1,220,615
Rural Residential	1,218	7,292.8	\$ 174,342,700	\$ 268,219,538
Urban Residential	1,530	979.7	\$ 167,214,300	\$ 257,252,769
Utility	37	555.5	\$ 30,525,300	\$ 46,962,000
Vacant Land	489	6,724.0	\$ 29,622,000	\$ 45,572,308
Waterfront	16	11.9	\$ 888,300	\$ 1,366,615
Subtotal	4,029	19,390.9	\$734,143,000	\$ 1,129,450,769
Less Exempt Properties	119	1,769	181,289,800	278,907,385
Net Assessed Valuation	3,910	17,622	\$ 552,853,200	\$ 850,543,385

Source: Topsham Assessor (9/06) and Maine Revenue Services (2005)

As shown in the Table, the Town of Topsham includes more than 4,000 tax parcels, totaling more than 19,000 acres (30 square miles). The total assessed value of these parcels exceeds \$734 million, though this figure includes more than \$181 million in exempt properties, resulting in a net assessed valuation of \$552.9 million. The equalized gross valuation was \$1.13 billion, with a net equalized assessed valuation of more than \$850 million. Residential uses, which include urban, rural, mobile home and waterfront land use categories, are valued at almost \$360 million. Commercial uses, which include leased land, commercial and industrial uses, total \$133.3 million. The remaining uses, which include vacant land, exempt properties and utility properties, are valued at \$241.4 million.

In terms of acreage, rural residential is the largest land use, accounting for almost 7,300 acres. Vacant land is the next largest use category, totaling more than 6,700 acres. It is significant to note that the Town has more exempt properties (1,769 acres) than all commercial and industrial uses combined (1,440 acres). Exempt properties include those owned by the Town and its affiliates (water, sewer, S.A.D.), as well as state and federal

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governmental entities. Property owned by charitable organizations, such as churches and foundations, is also classified as exempt.

The Topsham tax base was then aggregated between uses which the Assessor identifies as residential and non-residential. This analysis includes all properties, and distributes the entire tax base as being either a residential use or a non-residential use.

The Table below presents a summary of the properties identified as residential. Overall, more than 14,200 acres (73%) is identified as residential. This includes 3,303 parcels, and almost \$475 million in assessed value.

In terms of the size of parcels, over half are less than one acre, including 325 condominiums and mobile homes. More than 450 parcels are over 5 acres in size, indicating a likely ability to support subdivision.

Table 2 – Overview of Topsham Residential Properties

Acreage	Lots	Total Acres	Total Assessed Value
No Land (Condo)	325	-	\$ 15,854,600
< 1 acre	1,512	675.4	\$ 151,222,900
1 to 2.99 acres	837	1,365.8	\$ 108,210,900
3 to 4.99 acres	178	662.4	\$ 28,675,900
5 to 9.99 acres	175	1,208.3	\$ 52,856,700
Over 10 acres	276	10,294.7	\$ 118,159,300
Totals	3,303	14,206.6	\$ 474,980,300

Source: Topsham Assessor (9/06)

There are 724 non-residential parcels in the Assessor’s database, more than 500 of which are smaller than 3 acres in size. Only 129 parcels are more than 10 acres in size, but these parcels include almost 4,300 acres in total, an average size of more than 33 acres per lot. Other key information on these parcels appears in the Table below.

Table 3 – Overview of Topsham Non-Residential Properties

Acreage	Lots	Total Acres	Total Assessed Value
No Land	77	-	\$ 8,399,200
< 1 acre	250	99.2	\$ 50,378,500
1 to 2.99 acres	175	292.2	\$ 37,813,500
3 to 4.99 acres	43	161.0	\$ 11,928,300
5 to 9.99 acres	50	354.9	\$ 15,492,800
Over 10 acres	129	4,276.9	\$ 135,150,400
Totals	724	5,184.3	\$ 259,162,700

Source: Topsham Assessor (9/06)

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In order to understand the development potential for properties in Topsham, parcels which are currently identified as vacant were evaluated. In total, the Assessor’s database identifies 489 parcels as vacant. These parcels include more than 6,700 acres, or about 35% of the Town’s land area.

Table 4 – Summary of Vacant Parcels in Topsham

Acreage	Lots	Total Acres	Total Assessed Value
< 1 acre	102	44.9	\$3,154,400
1 to 2.99 acres	114	214.3	\$6,763,700
3 to 4.99 acres	39	143.0	\$1,269,000
5 to 9.99 acres	60	433.3	\$3,915,500
Over 10 acres	174	5,888.5	\$14,519,400
Totals	489	6,724.0	\$29,622,000

Source: Topsham Assessor (9/06)

The largest percentage of vacant land is in parcels of ten acres or more in size. These parcels include almost 5,900 acres in total, or 87% of all vacant property in the Town. The average parcel size of the large parcels is almost 34 acres.

In determining the potential impact of the development of vacant properties on the Town of Topsham, it is important to gain an understanding of the associated zoning for these parcels, and therefore what the development potential of each property is. The Table below provides a summary of the number of lots and acreage available within the Town for each zoning district. As shown in the Table, there is very limited availability of vacant land in the Middle Village, Lower Village and Industrial/R3 districts. It should be noted, however, that the land in the community which has zoning allowing industrial uses¹ is not developed intensively. In particular, 10 parcels totaling almost 475 acres were identified. These parcels had a collective assessed valuation of just \$2.5 million, including \$2 million in land value and \$500,000 in building value. These parcels offer a significant opportunity to move them to a more intensive use. At the allowable floor-area-ratio of 1.0 for industrial properties, as much as 21 million additional square feet of industrial uses could be supported without the necessity for a zoning change.

¹ Includes parcels zoned Industrial, as well as parcels with split zoning, zoned R2/Industrial and R3/Industrial.

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Table 5 – Zoning Districts of Vacant Parcels

Vacant Properties	Lots	Total Acres	Total Assessed Value
Commercial Corridor	11	49.6	\$1,831,800
Industrial/R3	1	3.8	\$27,000
Lower Village	2	0.5	\$53,600
Middle Village	1	3.5	\$8,200
Mixed Use Commercial	26	149.9	\$14,835,900
Mixed Use Limited	58	212.9	\$2,508,900
R1 Residential	35	224.4	\$957,200
R2 Residential	57	427.0	\$1,686,800
R3 Residential	275	5,324.2	\$6,786,300
Rural Commercial	18	293.7	\$699,300
Upper Village	5	34.6	\$227,000
Total	489	6,724.0	\$29,622,000

Source: Topsham Assessor (9/06)

The largest amount of vacant land lies within the R3 Residential District, which includes more than 5,300 acres of vacant land. The R2 Residential zone has 427 vacant acres, the second largest concentration of available land. The Rural Commercial zone and the Mixed Use Limited zone have the most acres of the zones that allow for non-residential uses, with a combined 506 acres.

In order to evaluate the build-out potential for vacant sites in Topsham, the consultants reviewed the Town’s zoning ordinance, to determine the allowable density for each zoning district. For non-residential uses, the floor-area-ratio (FAR), which regulates the maximum floor area as a percentage of the land area for each lot (essentially, the maximum developable square footage per acre), was used. For residential uses, the minimum lot size per housing unit was used as the benchmark. In each case, a range of potential development was used, based on the maximum density allowable, and an amount equal to 50% of the maximum was used as an estimate for the low end of the range.

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Table 6 – Build-out Potential of Vacant Land

Non-Residential and Mixed Use Classes			SF of Development		Development Potential	
Vacant Properties	Lots	Total Acres	Per Acre	Low	High	
Commercial Corridor	11	49.6	21,780	540,362	1,080,724	
Industrial	1	3.8	43,560	81,893	163,786	
Mixed-use Limited	58	212.9	17,424	1,854,349	3,708,698	
Mixed-use Commercial	26	149.9	21,780	1,632,520	3,265,040	
Rural Commercial	18	293.7	17,424	2,558,627	5,117,255	
Lower Village	2	0.5	17,424	4,182	8,364	
Middle Village	1	3.5	17,424	30,492	60,984	
Upper Village	5	34.6	13,068	226,076	452,153	
Total	122	748.4		6,928,501	13,857,002	
Residential Use Classes			Land Area (SF)		Development Potential	
Vacant Properties	Lots	Total Acres	Per Unit	Low	High	
R1 Residential	35	224.4	20,000	244	489	
R2 Residential	57	427.0	30,000	310	620	
R3 Residential	275	5,324.2	65,340	1,775	3,549	
Total	367	5,975.6		2,329	4,658	

Source: Topsham Assessor (9/06) and JDA

As shown in the Table above, vacant land in the Town of Topsham could support between 6.9 million square feet and 13.9 million square feet of new non-residential development, as well as between 2,329 and 4,658 new housing units. The Rural Commercial zone has the greatest level of development capacity, at up 5.1 million square feet.

In addition to these vacant properties, the Topsham Planning Department identified a number of parcels which are considered to be “underdeveloped”. In some cases, these are large land parcels which currently support residential uses, though they are located in some of the Town’s commercial and/or mixed use zones. The parcels identified include approximately 130 acres, and could support an additional 1.3 million to 2.6 million square feet of development without the need for a zoning change.

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Fiscal Impacts

In order to understand the impacts of residential and non-residential uses on the Town's revenues and expenses, a fiscal impact summary was prepared. This summary considers the residential and non-residential tax base, and attributes revenues and expenses on a per capita and per employee basis.

For purposes of this analysis, the primary residential and non-residential use categories were considered. For residential uses, the consultants included urban, rural, mobile home and waterfront land use categories, which are valued at almost \$360 million. Among the commercial uses evaluated are leased land, commercial and industrial uses, which are valued at a total of \$133.3 million. As such, residential uses account for 72.9% of value, while commercial uses account for 27.1% of value. For comparison purposes, similar information was gathered from the Ellsworth and Scarborough. The Table below provides an overview of the distribution of the tax base in these communities.

Table 7 – Distribution of Tax Base

	Topsham	Ellsworth	Scarborough
Commercial	\$ 118,508,200	\$ 197,850	\$ 355,541,500
Industrial	\$ 10,111,100	\$ 33,700	\$ 95,987,800
Other	\$ 424,233,900	\$ 374,100	\$ 2,646,440,000
Total	\$ 552,853,200	\$ 605,650	\$ 3,097,969,300
	Topsham	Ellsworth	Scarborough
Commercial	21.4%	32.7%	11.5%
Industrial	1.8%	5.6%	3.1%
Other	76.7%	61.8%	85.4%
Total	100.0%	100.0%	100.0%

Source: Community Assessors, 2007

As shown in the Table above, among the three communities, Topsham has the lowest percentage of its assessed valuation in the industrial category. Topsham's commercial base, in percentage terms, is almost midway between Ellsworth's and Scarborough's.

Using the Town's audited financial statements for the period ended June 30, 2006, revenues and expenses were allocated to the residential and commercial tax base proportionally. Two exceptions were used in allocating expenses. First, all education costs were attributed to residential properties. Second, all tax increment financing costs were attributed to the commercial properties. To determine per capita revenues and expenses, a population of 10,196 was used, based on information from the Maine State Planning Office (Maine Civil Division Age Forecasts, December 2005). A total of 3,412 employees were used to calculate per employee costs, based on 2006 year-end employment information from the Maine Department of Labor.

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Table 8 – Fiscal Impact Summary, Residential versus Non-Residential

REVENUES	Total	C/I Portion	Per	Residential	
			Employee	Portion	Per Capita
Taxes	\$ 12,973,729	\$ 3,510,101	\$ 1,029	\$ 9,463,628	\$ 928
Intergovernmental	\$ 1,246,552	\$ 337,260	\$ 99	\$ 909,292	\$ 89
Charges for Services	\$ 876,764	\$ 237,212	\$ 70	\$ 639,552	\$ 63
Investment Income	\$ 553,927	\$ 149,867	\$ 44	\$ 404,060	\$ 40
Miscellaneous	\$ 155,799	\$ 42,152	\$ 12	\$ 113,647	\$ 11
TOTAL REVENUES	\$ 15,806,771	\$ 4,276,593	\$ 1,253	\$ 11,530,178	\$ 1,131
EXPENSES					
General Government	\$ 1,253,496	\$ 339,139	\$ 99	\$ 914,357	\$ 90
Public Works	\$ 1,226,473	\$ 331,828	\$ 97	\$ 894,645	\$ 88
Protection	\$ 1,494,652	\$ 404,385	\$ 119	\$ 1,090,267	\$ 107
Culture and Recreation	\$ 568,529	\$ 153,818	\$ 45	\$ 414,711	\$ 41
Public Health and Welfare	\$ 36,085	\$ 9,763	\$ 3	\$ 26,322	\$ 3
Contractual Services	\$ 171,699	\$ 46,454	\$ 14	\$ 125,245	\$ 12
Public Utilities	\$ 229,169	\$ 62,003	\$ 18	\$ 167,166	\$ 16
Education	\$ 7,077,870			\$ 7,077,870	\$ 694
Fixed Charges	\$ 1,266,181	\$ 342,571	\$ 100	\$ 923,610	\$ 91
Tax Incremental Financing	\$ 774,522	\$ 774,522	\$ 227		\$ -
Interest on Long-Term Debt	\$ 675,284	\$ 182,701	\$ 54	\$ 492,583	\$ 48
Depreciation - Unallocated	\$ 326,033	\$ 88,210	\$ 26	\$ 237,823	\$ 23
Capital Outlay	\$ 508,517	\$ 137,582	\$ 40	\$ 370,935	\$ 36
TOTAL EXPENSES	\$ 15,608,510	\$ 2,872,975	\$ 842	\$ 12,735,535	\$ 1,249
NET IMPACT			\$ 411		\$ (118)

Source: Topsham Finance Office, Maine Department of Labor, Maine Office of Planning

As shown in the Table above, the average revenues were \$1,131 per resident and \$1,253 per employee. Expenses were \$1,249 per resident and \$842 per employee, with the cost for education accounting for the majority of the difference. The net impact is that, based on the information above, the Town gets a positive impact of \$411 for each job in the community, and a negative impact of \$118, on average, for each resident.

It is significant to note that the Town has been experiencing growth in the age-restricted housing sector. In general, these units do not include school-aged children, such that the costs for municipal services would be less than half. As such, per capita revenues would be expected to be in the range of \$1,131, while per capita costs for services would be just over \$550. While age-restricted housing does frequently require a higher level of public safety services (typically ambulance), these costs are unlikely to exceed the average cost of education.

Case Studies

As part of this analysis, the consultants visited three communities to provide a context for the issues that Topsham is facing. In particular, the consultants reviewed economic development issues in each community, through interviews with economic development representatives in each community. In addition, the consultants reviewed tax base and budget information for each community, as well as population information.

In general, these communities share some similarities with Topsham. All enjoy excellent highway access. Scarborough has faced significant retail development previously, and continues to experience pressure for additional retail growth. Ellsworth has more than one million square feet of retail projected to come on-line in the next three years, despite an already substantial retailing sector. Gorham has focused its economic development efforts on tax base expansion, rather than on specific job creation targets.

Ellsworth

The City of Ellsworth is located along Maine’s coast, approximately 100 miles from Augusta. The community has a well established retailing core, which serves as a regional retail center, meeting the needs of residents from surrounding communities. In addition, because of its location in proximity to Bar Harbor and other tourist destinations, Ellsworth also benefits from tourist-related retailing, as many tourists stop in Ellsworth en route to their destinations to “stock up”. The City is seeing a significant increase in retail due to a rezoning, and indicates that one million square feet of new retail will open within three years.

The City has an established industrial park in the northern portion of the community. This park has been established for a number of years, but has seen limited new development, because it does not have sewer service available. The park is estimated to be 50% undeveloped, though all of the lots have been sold. In addition, the community established a small business park, which has both water and sewer available. This park has just ten small lots, but has developed three buildings, and reportedly has two additional lots under agreement.

While the community has clearly defined its retail areas, it has not been as specific regarding its other commercial and industrial areas. In particular, the community has not clearly defined what its level of development should be, and is wrestling with where infrastructure upgrades should be focused.

Scarborough

The Town of Scarborough is the largest of the case study communities based on a number of factors, including population, job base, and tax base, among others. The Town has a tax base of \$3.2 billion, and a per capita tax base of more than \$173,000, as compared to \$77,000 for Topsham. The community benefits from its location south of Portland on the Maine Turnpike, and has a strong retail base.

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The Route 1 corridor has seen significant growth in the non-destination retailing sector. In addition, a new 600,000 square foot retail center is planned for the area near the community's border with South Portland.

The community completed an economic development strategy in 1985 that indicated that Scarborough was becoming a bedroom community for commuters to Portland. At that time, the community had 400 employers, and began aggressively pursuing economic development. Since 1985, the community has created 800 net new businesses. They have established a biotechnology cluster, a medical services cluster and a precision manufacturing cluster. The Town has grown to be one of the ten largest in the State, in terms of population.

The community constructed a major parkway off the Maine Turnpike, which dramatically enhanced the access to (and value of) significant acreage. The property was intended to be a business park, and the community had attracted TD Banknorth as the anchor tenant. However, negotiations with TD Banknorth broke-off, and the park sat idle for some time. Ultimately, a master-planned development is expected to become the anchor tenant, and will include a Cabela's retail store, 60,000 square feet of office space, a hotel, and several small retail pad sites. This change will set a different tone for the business park than originally envisioned, and economic development leaders expressed concern over the lack of a consistent vision on economic development for the community.

Gorham

Gorham's economic development program is focused primarily on tax base expansion. Specifically, the Town tries to make sure that its commercial and industrial development keep pace with a rapidly expanding residential tax base. The Town's tax base is highly diversified, and is not focused on one or two major employers.

The Town has an established industrial park that is almost fully built-out. Water and sewer services are available on-site, with substantial capacity to meet the needs of most users. The park is undergoing its second major expansion, which is expected to provide sufficient developable land for the next ten years. In general, the community relies on tax increment financing (specifically credit enhancement) to fund the expansion of the park and the associated infrastructure.

The Economic Development Director raised cautions that not everything at the industrial park is viewed in a positive light. Specifically, a recycling center and an asphalt plant are receiving negative comments from members of the public. However, these are allowable uses that fit within the framework of the industrial park, and therefore the uses are being supported by the Town. The Economic Development Director reinforced the importance of staying with the plan and vision for the community, and the importance of ignoring short term gains.

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Key Findings and Implications for Topsham

The review of information from the case study communities reveals some interesting information. The items below summarize some of the key facts which will affect the future of Topsham. These include:

- Topsham is the fastest growing community among the case studies, with estimated 12% growth since 2000.
- Topsham’s retail growth, while substantial, is not unusual. Scarborough is projecting up to one million square feet will be added in the next three years, including 600,000 square feet during 2007. Ellsworth is projecting similar retail growth of one million square feet in the next three years.
- In terms of retail sales per capita, Topsham is clearly a major retail service center. Retail sales per capita are estimated to be more than \$14,600, more than double the per capita retail sales in Gorham, and well above the estimated total retail demand of approximately \$11,000 per resident.
- All of the case study communities have benefited from the creation of planned industrial and business parks.

Table 9 – Summary of Key Facts, Topsham and Case Study Communities

	Ellsworth	Gorham	Scarborough	Topsham
2000 Population	6,456	14,141	16,970	9,100
2006 Population	6,733	15,454	18,750	10,196
Growth Rate, 00 - 06	4.3%	9.3%	10.5%	12.0%
Equalized Tax Base (2005)	\$ 730,042,500	\$ 1,031,541,000	\$ 3,143,853,300	\$ 766,414,800
Tax Base per Capita	\$ 108,428	\$ 66,749	\$ 167,672	\$ 75,168
Employment	6,357	4,085	13,256	3,508
Tax Base per Employee	\$ 114,841	\$ 252,519	\$ 237,165	\$ 218,476
Ratio of Jobs to Residents	0.98	0.29	0.78	0.39
Retail Sales	\$ 308,358,300	\$ 92,164,600	\$ 341,230,800	\$ 123,240,100
Retail Sales per Capita (2006)	\$ 45,798	\$ 5,964	\$ 18,199	\$ 12,087
Estimated Retail SF	1,027,861	307,215	1,137,436	410,800
Retail SF per Capita	153	20	61	40
Source: JDA, 2007				

- Topsham has experienced significant retail growth in recent years, adding approximately 460,000 square feet of retail space between 2003 and 2007, including 200,000 projected to be completed during 2007. However, the Town has also seen more than 100,000 square feet of new office-type facilities constructed, including two major financial institutions, the Red Mill project and several medical offices. While the Red Mill is not occupied as yet, it is expected to be primarily office users.

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Table 10 – Summary of Retail Development

Retail & Restaurant	Size	Status	Date
Home Depot	116,000	Built	2005
Target	125,000	Built	2006
Dick's	48,100	Built	2007
Bed, Bath, Beyond	21,500	Built	2007
Petco	16,000	Built	2007
Retail Building #1	8,950	Built	2007
Ruby Tuesday's	6,200	Built	2005
Tim Horton's	3,224	Built	2006
Goodwill	9,600	Built	2006
Self Storage	75,000	Built	2007
Retail Building #2		proposed	
Bootleggers	7,200	Under construction	2007
Best Buy	20,055	under construction	2007
Maurice's	3,500	under construction	2007
Payless	3,000	under construction	2007
Total New Retail & Restaurant	463,329		

Source: Topsham Planning Department

- All of the case study communities had significant amounts of industrial, commercial and retail land available for immediate development. In contrast, the Town of Topsham has virtually no land immediately available for industrial users, though there are a number of parcels that are considered under-developed.
- Despite its growing population base, Topsham's equalized tax base is small. The Town's equalized tax base is \$790 million, excluding exempt properties. On a per capita basis, Topsham is substantially below Ellsworth and Scarborough. This is partially due to the Town's significant amount of tax-exempt property on a per capita basis. As shown in the Table below, Topsham has more than \$27,000 in exempt properties per capita, almost four times the per capita rate in Scarborough.

Table 11 – Summary of Tax Exempt Properties

	Ellsworth	Gorham	Scarborough	Topsham
Exempt Properties	99,048,597	182,397,600	138,541,900	181,971,450
Equalized	132,064,796	227,997,000	138,541,900	279,956,077
Exempt per Capita	19,615	14,753	7,389	27,457

Source: Maine Property Tax Division (2005) and Maine State Planning Office (2006)

Economic Development Strategies and Development Recommendations

Based on the analysis of Topsham’s tax base, as well as the information gathered through interviewing economic development professionals in the case study communities, the following economic development strategies and recommendations are provided:

Define a Community Vision and Stick with It. It is important for the community to have a clear vision of what “it wants to be when it grows up”. Economic development is a long-term effort which requires extreme patience and persistence. It can take several years for long range plans to materialize into “real world” projects and new private sector investment.

Sticking with a community vision, based upon sound planning and public input, will instill confidence on the part of the business community to make significant investments. The sound planning which Topsham undertook for its Main Street corridor is a good example of sticking to a vision. This vision resulted in a revitalized Bowdon Mill site with mixed uses, the new “Red Mill” office building under construction and the Border Trust Building across from the Bowdon Mill. It is important to note that the initial planning work for the Lower Main Street Corridor and the Bowdon Mill site began over ten years ago. The Topsham Main Street Committee planning efforts now include addressing future development opportunities for the Main Street Upper Village Area.

Success with attracting desired private sector investment to Topsham is about “community preparedness”. Community preparedness can take many forms, from passive reactive approaches to more aggressive approaches, which could include municipal ownership and management of business and industrial parks and buildings. The goal is to achieve the right balance to accomplish community desired outcomes.

It is recommended that this report be used to create a clear development direction vision for Topsham. Communities that articulate a clear vision, and stick with it over time, stand the best chance to be successful.

Land Use and Zoning. The community has virtually no land available, near existing public infrastructure, to support industrial-type uses. Some of the community’s existing industrial land is located a significant distance from existing infrastructure systems, while other land with access to infrastructure is “under-developed”.

- **Industrial Uses** - Consideration should be given to rezoning 200 to 350 acres of developable land to support industrial development activities. Under the community’s available floor area ratio of 1.0, this could create between 8 million and 15 million square feet of industrial, warehouse and/or distribution uses. At an average of \$50 per square foot, this could add between \$400 million and \$750 million in tax base to the community at build-out.
- **Retail Uses** - The community should work to maintain retailing within a clearly defined retail district. In particular, large-scale retail activity should be clustered

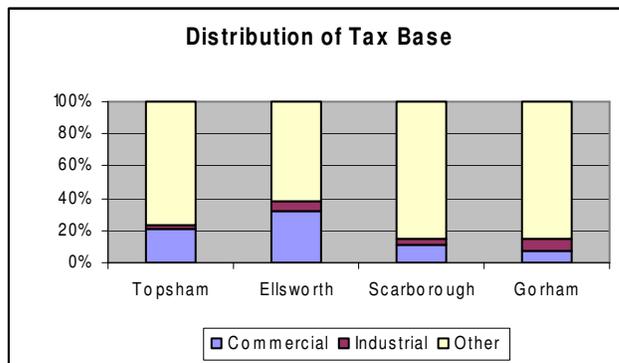
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to minimize traffic impacts on other areas of the community, and to maximize the benefits of concentrated usage of key infrastructure systems.

- **Create an Industrial/Business Park Zone** – The community should focus energy on creating an industrial/ business park zone, which could support between 2 million and 5 million square feet of development. This could require between 125 acres and 350 acres to support, assuming an average floor area ratio of 0.4. Within a industrial/business park zone, it is likely that there will be a need for support services such as restaurant and hotel uses. However, the industrial/business park zone should only allow these uses up to a maximum of 10% of the square footage of the business park zone. At an average of \$130 per square foot, this could add between \$260 million and \$650 million in tax base at build-out.

Land Use Targets and Community Economic Diversification. The existing level of 73% residential and 27% non-residential should be viewed as the minimum threshold for the community. Topsham’s percentage of non-residential tax base is higher than Scarborough’s and Gorham’s, but lower than Ellsworth’s, as shown in the Figure below.

Figure 1 – Comparison of Tax Base Distribution



The general fiscal impacts of various types of non-residential land uses are summarized in the Table below. As shown in the Table, the density of employment is a key factor in whether a specific land use will have a positive or negative fiscal impact. Using the existing tax rate for the community, the average taxes per square foot are estimated, based on an average value of \$60 per square foot for industrial uses, \$85 per square foot for retail and \$135 per square foot for office uses. The value per 1,000 square feet below is equalized based on the Town’s equalization rate of 65%.

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Table 12 – Potential Fiscal Impacts

	Industrial	Retail	Office
Value Per 1,000 SF	\$ 39,000	\$ 55,250	\$ 87,750
Estimated Taxes per 1,000 SF	\$ 784	\$ 1,111	\$ 1,765
Employees per 1,000 SF - Low	0.5	2.0	2.5
Employees per 1,000 SF - High	1.5	3.5	5.0
Cost of Services - Low	\$ 421	\$ 1,684	\$ 2,105
Cost of Services - High	\$ 1,263	\$ 2,947	\$ 4,210
Net Fiscal Impact - Low	\$ 363	\$ (573)	\$ (340)
Net Fiscal Impact - High	\$ (479)	\$ (1,836)	\$ (2,445)

Source: Urban Land Institute and JDA

These estimates indicate that employment densities result in both office and retail uses generating a negative fiscal impact, assuming an average cost of services of \$842 per employee. Certainly, these estimates argue for a renewed focus on industrial development within the Town.

As discussed earlier in this analysis, the Town’s existing tax base includes less than 2% of its assessed valuation in industrial properties. Over the long term, the Town should focus its efforts on raising the industrial portion of its tax base to as much as 10%. In addition, commercial assessments (office, retail and other) are presently just over 21% of net assessed valuation. The Town should focus its efforts on increasing this percentage, with a goal of 30%. As a goal, the Town should seek to maintain an equal balance between office-type properties and retail-type properties. In total, the Town should focus on increasing the non-residential portion of the tax base from its current level of 27% towards a goal of 40%.

On the residential side, the Town has seen a significant increase in age-restricted housing. While this is considered positive from a fiscal impact perspective, it is important to recognize that the age-restricted market has become overbuilt in some areas. It is recommended that the Town seek to balance age-restricted development against other forms of residential development, and that age restricted units be targeted to be between 15% and 20% of housing units. At the present time, the Town has an estimated 2,777 housing units (Claritas, 2007). The Highland Estates and Highland Greens project currently include more than 200 age-restricted units. Future phases of this project will add an additional 175 to 300 units to the project. At build-out, the Highland Estates and Highland Green projects will account for more than 15% of the Town’s housing units, barring additional development.

Invest in Public Infrastructure near Existing Infrastructure. Future economic diversification activities should focus on those areas with existing utility services (water and sewer) in place, or in close proximity to existing systems, such that extension of utilities can be readily accomplished. This will focus the Town’s growth within the core areas in proximity to the major transportation routes of I-295, Route 196 and 201. This approach is consistent with Smart Growth principles, and will limit required expenditures for additional infrastructure.

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Future Transportation Investment. As Topsham is aware, traffic issues can inhibit future development opportunities, just as new development can affect traffic patterns and levels of service in the community. In 2004, Topsham commissioned Gorrill-Palmer Consulting Engineers to complete a transportation planning study for the primary travel routes around and through the Town. The goals of that study were to identify alternative means of access to the Topsham Fair Mall, and analyze the existing traffic network for five years out and twenty years out. The study identified a series of alternatives to address congestions and safety issues in the Town. Among the long term improvements envisioned for Topsham’s traffic infrastructure are a connector road from Route 201 to Route 196 west of I-295, and a connector road extending from Route 201 through the Crooker property to Route 196 opposite the Topsham Fair Mall Road.

From an economic development perspective, consideration should be given to establishing a connection between Route 201 and Interstate 295, in the northern portion of the development core. Creation of a service road west of I-295 (through the northwest quadrant) should be considered to move traffic from Route 201 to the north and Route 196 to the south. This would not only enhance movement in a north-south direction and alleviate some congestion at the existing intersection of 196 and 201, but could also serve as a primary thoroughfare for a new business and/or industrial park. This approach will also serve to minimize the traffic impacts on existing Town roadways. The primary reason for pursuing the Western Connector first is the expectation that the necessary land will be readily available, as compared to the Crooker property, which could affect one of the community’s largest employers to continue.

In the event that a new development of a new business and/or industrial park in the southwest quadrant, transportation access should focus on the creation of a loop road which begins and ends on Route 196. This approach would allow for maintaining buffers between new uses and existing neighborhoods, and will focus traffic associated with the development along Route 196, thereby allowing easy connection to Interstate 295.

Create an Inventory of Developable Land with Public Infrastructure Services. Companies shopping for a new business location need to know what land is available including public infrastructure services and land cost. It can take years to plan and design business and industrial parks. It is important for a community to have a readily available “shovel ready” supply of business and industrial land with public infrastructure services, at a known cost, for communities to attract new investment. By the time business owners have made the decision to expand their business, they generally need facilities within a few months. Topsham’s lack of available business and industrial land, with public infrastructure services, means that it is not able to complete, let alone secure, new private sector investment.

Special consideration needs to be given to the first development project in a new business or industrial park, particularly at the park’s gateway. During community case study research looking at Scarborough’s development activity, it was learned that the first development project planned to be located within *Scarborough’s Professional Gateway at Haigis Parkway* was a 100,000 square foot bank office building. The large single

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tenant bank building was not constructed due to a lack of community support for investing in public infrastructure. Instead, the first development project for the *Haigis Parkway* will be a Cabela's 130,000 square foot retail complex with a hotel. The point being made is that retail and hotel uses are very different kind of business park tenants (with a different image) than a large professional office building. The first development project, especially at a park's gateway, will influence the direction for the remainder of the park acreage.

Create an Inventory of Modern Commercial and Industrial Space. The same principle, as discussed under the above available developable land strategy, holds true for having an inventory of built modern commercial space. A lack of available modern commercial space can make the difference whether or not a community can compete to attract new investment. The lead time it takes to plan, finance and construct commercial buildings means a community will miss out on business attraction opportunities. Topsham is fortunate to have such as available inventory of existing commercial space options with the Border Trust Building and the Red Mill to meet existing and near-term future demand for commercial type uses.

Set-up and Maintain a Predictable Municipal Regulatory Process. The private sector likes certainty to regulatory approval process timeframes with known costs. One of the first items to give attention is land use and zoning district designations. Community comprehensive plan and zoning need to be aligned with the desired commercial and industrial community vision.

Other proactive steps could include working with the private sector to secure State of Maine approval for the projected development "build-out" of business and industrial parks or publicly owned parks. Provided "pre-approved" development remains within maximum thresholds for public utilities, environmental and traffic impacts, individual development projects or business/industrial parks can be approved by a municipality, saving a developer time and money.

Actively Market and Recruit Desired Business Investment. After developing the product (i.e. commercial/industrial land and space inventory), a community is in a position to undertake marketing and business recruitment.

Work with the *Midcoast Council for Business Development and Planning (MCBDP)* and *Maine & Company* to access out-of-the-State of Maine business recruitment assistance. Topsham is a member of the MCBDP which entitles the community to their business recruitment coordination assistance available through Maine & Company. Maine & Company is a private, non-profit corporation whose staff provides free and confidential services to companies locating to or growing in Maine. Services include real estate site searches, data collection and analysis, incentives identification and valuation, site visit coordination, and financing coordination.

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Consider Public-Private Partnerships. Consider different forms of public-private partnerships to stimulate and attract new private sector investment. Two types of partnerships are recommended for consideration.

- **Tax Increment Financing (TIF) Public Infrastructure Program -** Consideration should be given to establishing new TIF districts for areas desired for business and industrial parks and projects.

TIF's permit a municipality to participate in local project financing by using some or all of the new property taxes associated with commercial or industrial investment within a designated geographic district. A community has the option of using the new, or 'incremental', taxes to retire bonds it has issued to support the economic development project, return a portion of the taxes to a developer or business for development project costs, or fund eligible municipal economic development activities. TIF districts may be designated for up to thirty (30) years and bonds may be issued for up to twenty (20) years. The designation of a TIF district requires proper notice, a local public hearing, the majority vote of the municipal legislative body and state approval from the Department of Economic and Community Development.

TIF's should be designed to partner with the private sector to fund public infrastructure extensions. Negotiations should include developer land donations in exchange of municipal TIF financial investment in public infrastructure. Land donations of specific lots, within fully improved business/industrial parks, can be used by a community to construct speculative buildings and/or to sell to attract desired businesses.

Topsham has seven locally approved TIF's including the *Topsham Interchange TIF Financing District* covering the Topsham Fair Mall and I-295 Southwest Quadrant. This TIF Development Program captures one hundred (100) percent of new property tax revenue over twenty years to invest in the following types of activities: public water and sewer extensions, additional access roads, transportation improvements, sidewalks/bicycle lanes, investment in a Topsham Development, Inc. (TDI) managed business park, construction of speculative buildings and on-going TIF administrative expenses.

- **Tax Increment Financing (TIF) Credit Enhancement Agreement Program -** It is recommended that future TIF District Development Programs be designed to allow a portion of the new tax revenue for credit enhancement agreements (CEA) financial assistance. CEA programs can be utilized in conjunction with TIF public infrastructure programs. TIF's should be designed with flexibility to use new tax revenue to fund both public infrastructure extensions and return a portion of the new taxes to a developer. It is recommended that Topsham utilize the TIF CEA program to create incentives to attract desired types of businesses, to construct privately owned speculative buildings or for the developer to fund the public infrastructure at their expense. The CEA Program enables a community to reduce

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or eliminate the amount of municipal debt in support of project and thereby, reduce a community's risk.

- **Local Development Corporation** – Communities establish local development corporations to guide their economic development direction, and to own real estate, including the ability to manage commercial and industrial buildings. A local development corporation's role is to proactively identify desired types of businesses to attract and make sure that there is adequate available supply of developable land and commercial/industrial buildings to keep their community competitive. If the private sector is not establishing business and industrial sites, parks, and constructing speculative buildings, a local development corporation can play a lead role.

Topsham Development Inc. (TDI) was established by Topsham to support Topsham's economic growth. TDI's 2006-07 Work Plan includes establishing a business park as a goal. As discussed, the Topsham Interchange TIF Financing District includes allowances for Topsham's investment in a TDI managed business park and to construct one or more speculative buildings to enhance the community commercial base.

Military Redevelopment Zone. The Military Redevelopment Zone (MRZ) was created in 2006 to increase and diversify economic opportunities in Midcoast Maine, in preparation for the 2011 closure of the Brunswick Naval Air Station, which includes the Topsham Annex. The closure of the Topsham Annex and the Naval Air Station could have a significant impact on the region's economy, as the disposable income from Navy employees is removed from the economy. At the same time, the region is expected to see a significant out-migration of population, and the addition of a significant number of housing units at the Annex and the Naval Station.

The MRZ offers tax credit incentives to eligible businesses, which include most manufactures and specified commercial office type uses, creating what the State of Maine defines as "quality" jobs. The zone encompasses sixteen (16) municipalities located within the Brunswick Labor Market Area, which includes a workforce of more than 41,000. The zone is bordered to the east by the Atlantic Ocean and is adjacent to two major US transportation routes, I-295 and Route 1. The total area for designation of the MRZ is 1,500 acres. Five hundred (500) of these acres may be located outside the Naval Air Station Brunswick (NASB) boundaries, but must be located within the Brunswick Labor Market Area. The remaining 1,000 acres is available within the boundaries of NASB, including the Annex upon its closure in 2011.

Topsham is participating in the MRZ program and has designated 117 acres in Topsham. It is recommended that MRZ designated acreage align with the boundaries of any new business and industrial site/park locations.

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Maintain Knowledge of All Available State and Federal Business Assistance Programs. Several business assistance programs from federal, State of Maine, regional and local agencies are often utilized to support individual economic development projects. Directories of business assistance programs are available from the State of Maine Department of Economic and Community Development (DECD) and Maine & Company via the internet. Two programs worth noting include workforce training assistance programs - the Maine Quality Center Program (MQC) available through the Maine Community College System and the Governor's Training Initiative (GTI) available through the Maine DECD. These workforce training programs can be combined to upgrade the skills of a company's existing workforce or to support the training for new hires. It is recommended that Topsham economic development staff maintain a general knowledge of federal, State of Maine and regional business assistance programs in order to create the maximum leverage to attract new investment to Topsham. Topsham economic development staff should be able to broker these workforce training programs and others, in order to attract the types of businesses desired by the community.

TOPSHAM ECONOMIC DEVELOPMENT STUDY

Contract Scope

PURPOSE

The Topsham Economic Development Study purpose and outcomes include:

- **Community Development Growth Pattern Recommendations.** Consultants will provide work with the community to identify economic and community development goals, and provide recommendations regarding the preferred development growth patterns for the community, based on an evaluation of existing development patterns, projecting future development growth patterns, conducting a municipal fiscal impact overview of land use categories and community case studies.
- **State and Local Development Strategies.** Provide recommendations regarding the State and municipal public infrastructure and business incentive program to support the community desired optimal development growth patterns.

BACKGROUND

In order to understand the pros and cons of various types of land uses for the Town of Topsham, it is important for the community to have an understanding of what land uses are realistic from a market perspective, as well as attractive in terms of their impact on the community's budget. The consultants will advise community leaders about future development estimates and preferred growth patterns from a municipal cost and benefit perspective, based upon historic economic development experience, augmented by an analysis of fiscal impacts by broad land use category, using existing data from the Town's Assessor and regional employment data. The goal of this effort will be to cooperatively identify the community's economic and community development preferences, and to provide recommendations on specific land use changes which will help the community achieve its goals.

In addition, the consultants will offer specific strategies - including the use of tax increment financing (TIFs) districts and Military Redevelopment Zone Program incentives - to support the type of growth and employment that Topsham wishes to encourage. The consultants will work with community representatives to identify case study communities. Case study communities will be reviewed to examine the impacts of growth on select Maine municipalities, to provide Topsham with an understanding of "lessons learned" by these communities.

SCOPE OF WORK

Step One (Baseline Analysis). At the outset of this analysis, the consultants will evaluate projected development (build-out) under existing zoning, based upon the assumption of maximum allowable density, including residential and non-residential

uses. This will serve as the “worst case” analysis under existing zoning, and act as the baseline condition against which all other alternatives are evaluated.

Once the baseline is completed, a second scenario will be developed, based on parcels which the community believes are likely to be re-zoned. One primary parcel is a 100 acre site in the southwest quadrant, but others will also be considered. This secondary baseline will provide the community with an understanding of the impacts associated with “likely” land use and rezoning changes.

Step Two (Development Growth Patterns Mix Recommendations). The consultants will prepare a recommended target for the “optimal” land use mix for the Town of Topsham. As part of the analysis, Topsham’s assets as an economic development location will be considered. The consultants will provide a realistic, market-driven evaluation of the types of businesses and industries that Topsham is likely to compete for in the future.

This recommended optimal land use mix will be based on the consultants’ professional experience in the field of economic development, augmented by a high-level fiscal impact overview of various land use categories. Using the baseline data developed in Step One will allow for an evaluation of the recommended changes in the land use mix, as well as an evaluation of the impacts associated with these changes. This task will allow community leaders to evaluate the potential impacts of potential zoning/ land use changes against their existing (baseline) zoning, to gain an understanding of potential changes in employment, tax revenues and municipal operating costs.

This approach will allow for Sensitivity Testing to be performed on the “optimal” or preferred land use mix. In particular, the impacts of more or less residential development can be evaluated, including the impacts of age-restricted development versus traditional market rate family housing in addition to non-residential development.

Step Three (State and Local Development Strategies). Consultants will provide recommendations regarding the use of State and municipal incentives to support the community desired optimal development growth patterns including recommended TIF district approaches to support public infrastructure investment along with other available State infrastructure and business incentive programs.

Step Four (Community Case Studies). As part of this broader economic development evaluation, three to five communities will be identified jointly by the consultants and the community as “case studies”. The case study communities will be reviewed in the context of their recent land use changes and development history, to identify the effect on the tax base. In addition, the consultants will interview economic development and local governmental representatives within the case study communities, to identify “lessons learned”, including issues and challenges associated with their recent development.

DELIVERABLES AND TIMEFRAME

The consultants will work with Suzanne Watson and Rich Roedner to complete this work. Draft report is expected to be completed by March 1, 2007 for review and comment. A final report will be provided April 15, 2007.

Consultants will hold one meeting with key stakeholders and one public meeting on the Study results. The public presentation will include appropriate text and graphics.

PROJECT BUDGET

The Study will be completed under an amended contract with Matrix for a fixed price of \$29,000 including direct costs such as travel, mileage and production expenses.

CONSULTANTS

- Gregory A. Mitchell, EPCG
- Jeffrey Donohoe, Jeffrey Donohoe Associates
- Tim Dreese of Matrix Design Group

It is noted that both consultants are engaged on the Reuse Study of the BNAS Annex and will coordinate their work through the Matrix Team insuring that both the Matrix Annex Reuse work involving any economic development analysis will dovetail appropriately with Topsham's town-wide economic development analysis defined here.