



6-10-2020

ECONOMY

INTRODUCTION

Hallowell's economy has been fairly strong over the past 10 years, generally following state-wide trends. City actions to invest in the downtown, as well as in selected other areas, have helped guide investment and appear to have helped that strength continue. The 2011 *Downtown Plan*, its 2014 update, and the implementation of that plan through the *Downtown and Arts District Omnibus Tax Increment Finance District* have shown a commitment to the continued strength of the commercial heart of the city.

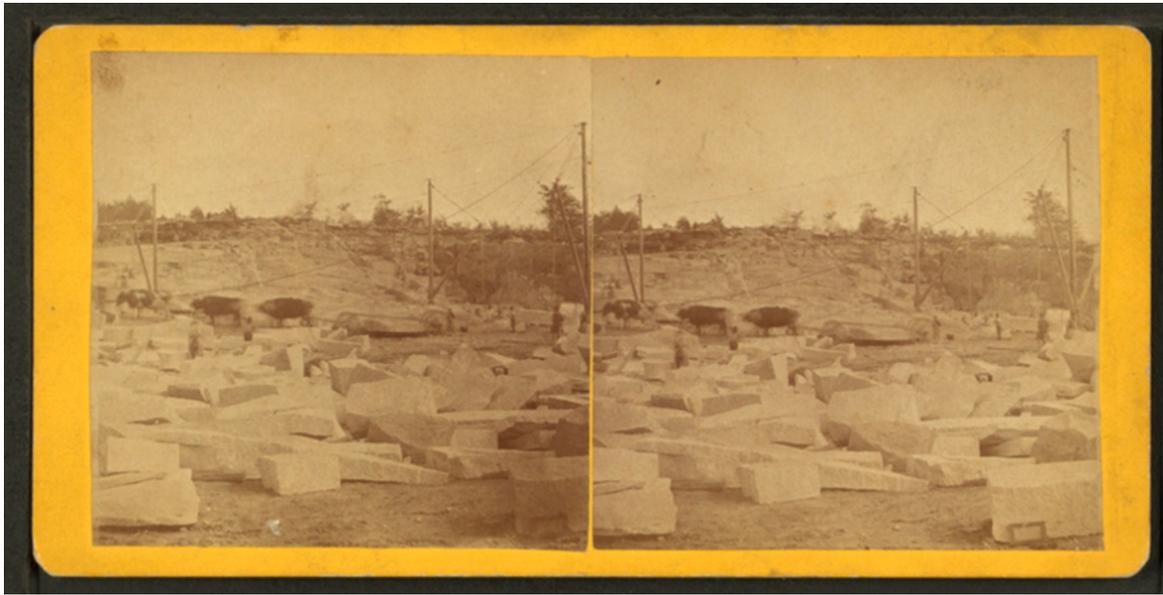
Local businesses are important to the city, both in terms of their economic benefit and the way in which they represent the character of Hallowell. In addition, the presence and impact of the Kennebec River on Hallowell's economy cannot be overstated, both as an attraction as well as an economic engine.

The economy of the city needs to be viewed squarely through the lens of the COVID-19 pandemic. While at this time we don't know exactly what the long-term impacts of the novel coronavirus will be on Hallowell, we can try to plan for a range of possibilities. In the meantime, this document primarily is based on information available as of early 2020. Much of this data will not reflect the sudden changes in 2020. However, they represent a baseline of the core elements of the local economy for comparative purposes.

Growth of the Hallowell economy will be based on incremental changes. Hallowell is not overly dependent on tourism, which helps it avoid some of the seasonal variations seen elsewhere in Maine. The city is a significant draw for in-state visitors, as well as those in the state already to visit other places, due to its attraction as a regional dining and cultural hub. Meanwhile, a small but growing population is working from home, and are increasingly dependent on internet access, increasing the need for improvements to that infrastructure.

Economic growth will likely be based on a combination of new development in and near downtown, including the "business gateway" areas to the north and south of the core, and the Stevens School complex. The Whitten Road corridor may also be appropriate for additional development, either light industrial, business, mixed use, or some combination thereof.

Some public investments may be needed to encourage that growth. In particular, the potential existence of contamination in the soils in the business gateway areas may require testing and remediation. In addition, as with many parts of the state, additional investment in broadband may be warranted. In general, however, these additional efforts would be building on a base of existing systems and tools already in place.



BRIEF HISTORY OF THE CITY ECONOMY

Hallowell's early economy was based on trade, shipbuilding and agriculture. After 1800, granite quarries opened and further diversified the economic base. Granite from Hallowell was used in building Quincy Market in Boston, among other buildings. By the middle of the 1800's a cotton mill had opened and other manufacturing followed. The late 1800s saw the beginning of tourism in the area, with over 100,000 tourists visiting in the 1890's. However, the economic base of the city remained in areas such as ice, shoe manufacturing and lumber exporting.

Its location on the Kennebec River, near the head of the tide with a deep channel, provided a key asset to Hallowell's early economic development. As the transportation role of the river was supplanted by railroads, that economic advantage was lost.

As with many Maine cities and towns, these industries declined in the 1900s. By the 1970's, after some efforts at urban renewal, the city found some footing through its historic heritage and became a center for antique stores.

By the year 2000 antiquing had given way to a unique service-based economy boasting a dynamic night life and live music scene active almost every night of the week. You'll find Maine musicians performing at one or more of the unique locally owned fine restaurants and bars that line that both sides of the street almost every night of the week. Hallowell's Gaslight Theater produces four or more live shows annually and The Harlow shows work by Maine artists and artisans year-round.

In addition, over the past 50 years, the expansion of public administration from Augusta, as well as other professional jobs, have been added to that retail base. Hallowell's economy is generally diverse today.

EMPLOYMENT

There were 1,218 jobs in Hallowell in 2018, according to the state's Center for Workforce Research and Information, significantly up from 883 in 2010. Given the between economic conditions generally, that change is not surprising, although it is significantly larger proportionately than the change in the state as a whole. This growth appears to be driven by increases in employment in existing businesses, and a few new businesses, as the total number

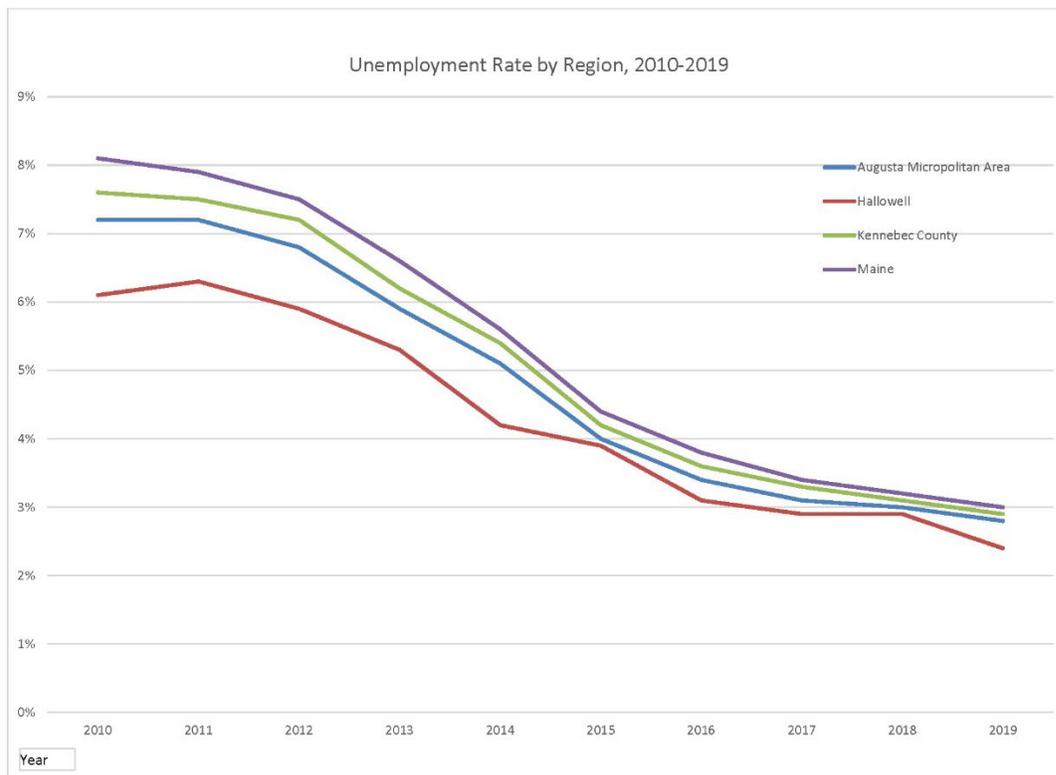
of establishments in the city has not changed significantly since 2010.

The number of jobs closely matches the number of employees living in Hallowell, which indicates a generally good balance between economic activity and housing. While not all working residents work in Hallowell, the balance indicates some opportunities to do so. Hallowell's unemployment rate has followed that of the state as a whole, but has generally been slightly lower. In 2019, the City's unemployment rate was 2.4%, below the state level of 3.0%.

According to the American Community Survey, there were approximately 97 Hallowell residents working out of their homes in 2018. That indicates a more than doubling of that number from the 42 estimated in 2010. While it

is hard to determine trends based on such small numbers, it would be expected that the number of residents working from home would continue to increase given adequate infrastructure, particularly as the workforce adjusts after the COVID-19 pandemic.

Based on the job demand closely matching the population, Hallowell can expect to see a small increase in the number of jobs in the City going forward. While the number will fluctuate based on the economic ups and downs in the next 20 years, at a strong point in the economy around 2040 is likely to see approximately 1,300 jobs. This estimate is based on the projected population growth of 6.15% between 2020 and 2040 and the existing job to resident ratio of 0.49. Similarly, there are expected to be approximately 1,247 workers living in Hallowell in 2040.



MAJOR EMPLOYERS IN HALLOWELL

Hallowell is a city of relatively small employers, with a couple of exceptions. Most notably, the Public Utilities Commission and the Wolfington Group, which provides training and promotional support for selected auto dealerships, both have offices downtown and employ over 100 people each. However, many of the positions with the Wolfington Group are likely located elsewhere, so their actual employment numbers downtown is probably much lower. In addition, the Public Utilities Commission is in the process of locating to a new site off Winthrop Street by I-95, raising the question of how that existing space will be filled in the future.

Other reasonably large employers include other state agencies, local government operations, car dealerships, real estate services, and some of the food & beverage businesses in the city. In addition, Blue Marble Geographics, located on Carriage Lane, is a software company that makes commercial software for Geographic Information Systems professionals, surveyors, cartographers and other professional map makers or map data users. In addition, some hospitality businesses and elderly living developments employ relatively large numbers of people.

The Hallowell Board of Trade serves an important purpose for local employers. The Board provides a member list and information on visiting Hallowell, as well as representing their member interests.

The arts sector and the creative economy are a large market relative to the size of the city. Most of the employers in this field are either individuals or small organizations.

In general, the Hallowell economy is diverse. The potential challenges to the job base are the following:

- ✓ Possible impacts on the hospitality and real estate industries through general economic cycles, and “shock” events such as the COVID-19 pandemic;
- ✓ A significant reliance on public administration employers, most notably the State of Maine; and
- ✓ An underrepresentation of professional service positions not directly dependent on state operations.

HALLOWELL EMPLOYMENT TRENDS

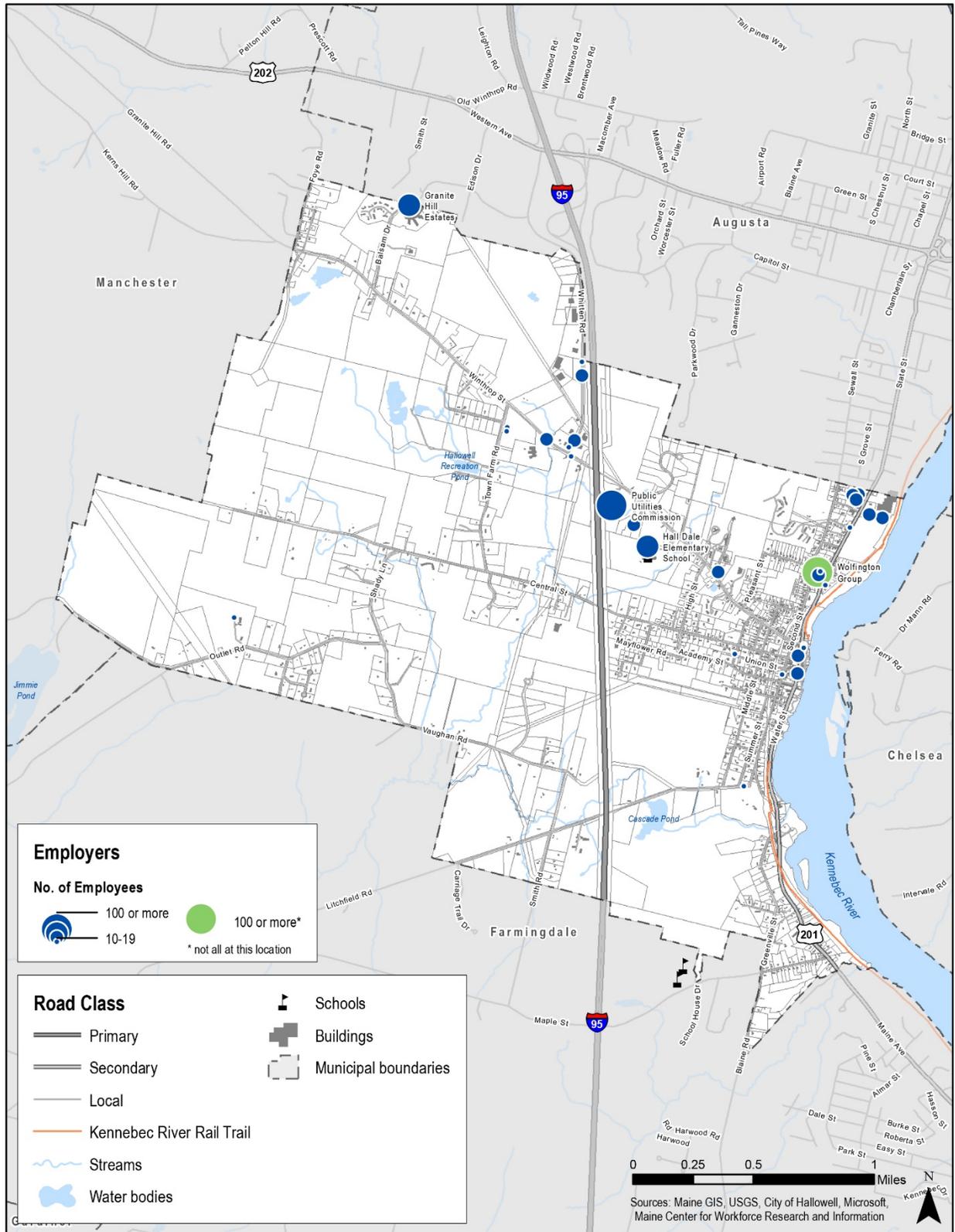
CURRENT NUMBER OF JOBS: 1,218-1,275

CURRENT NUMBER OF WORKERS: 1,175

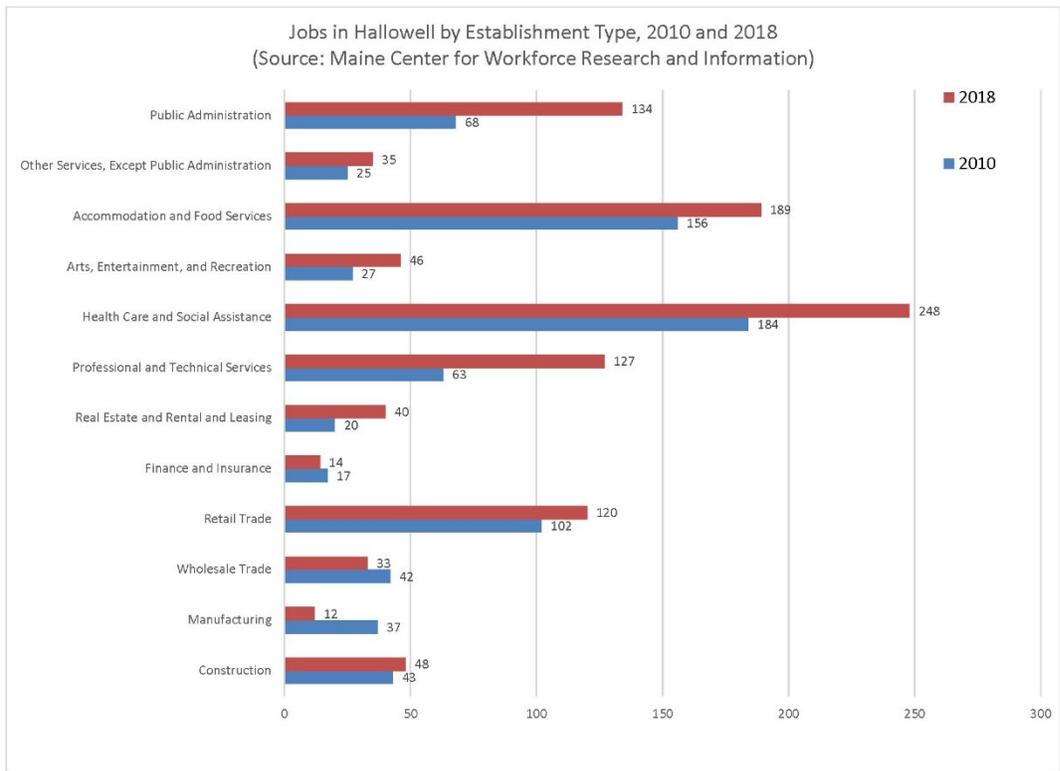
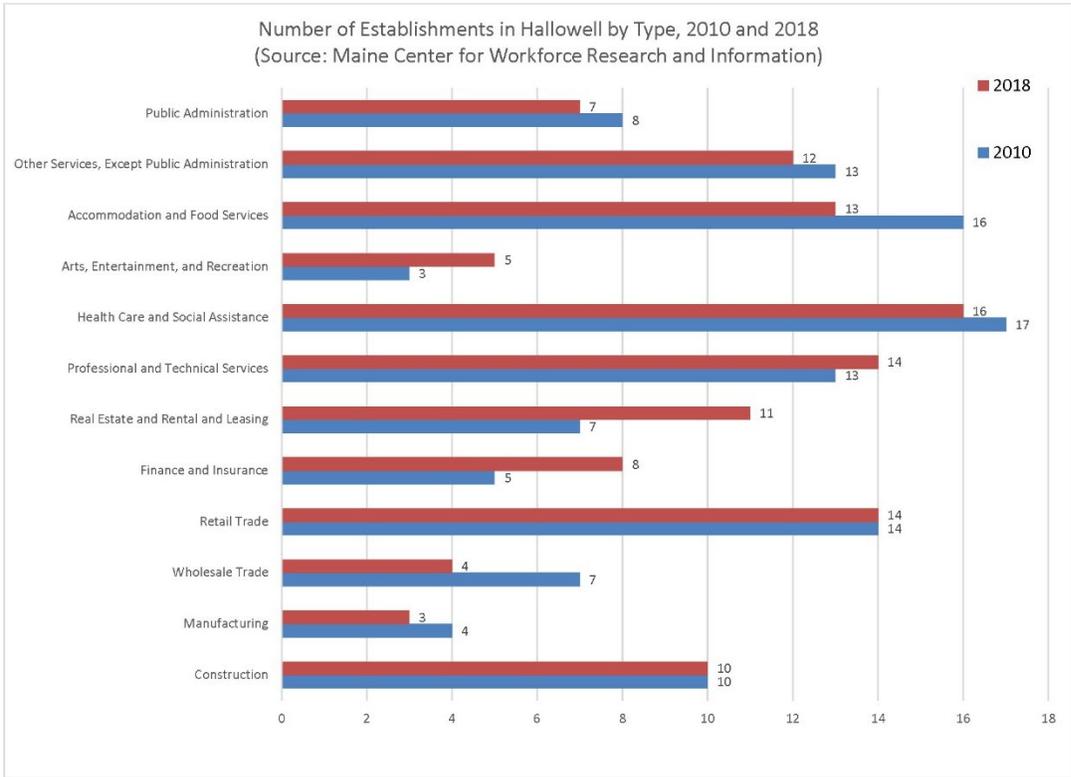
PROJECTED JOBS (2040): 1,300

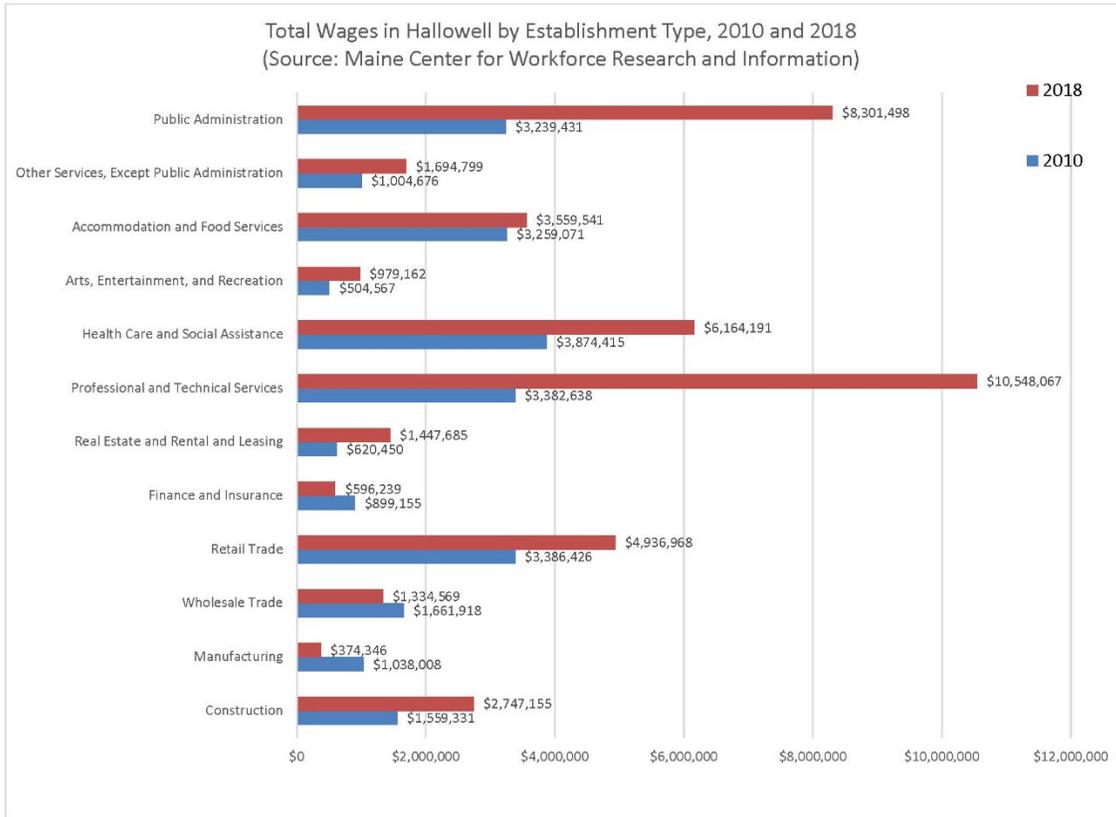
PROJECTED WORKERS (2040): 1,247

Businesses Employing 10 or More People in Hallowell (2019)
ADD CITY AND MDF- delete Fire, Police, DMR, Joseph Associates



Name	Address	Size
Public Utilities Commission	26 Katherine Road	100 or more
Wolffington Group (<i>not all on site</i>)	47 Water Street	100 or more
Granite Hill Estates	60 Balsam Drive	50-99
Hall Dale Elementary School	26 Garden Lane	50-99
Bureau of Alcoholic Beverages & Lottery Operations	10 Water Street	20-49
Blue Marble Geographics	22 Carriage Lane	20-49
Cars by US	7 Water Street	20-49
Ground Round Grill & Bar	215 Whitten Road	20-49
The Liberal Cup	115 Water Street	20-49
Liquor Enforcement Division	10 Water Street	20-49
MESCA Freight Services	47 Water Street	20-49
Motorcity	7 Water Street	20-49
Pathways of Maine	276 Whitten Road	20-49
Quirk Ford of Augusta	7 Water Street	20-49
Slates Restaurant & Bakery	161 Water Street	20-49
Sparetime Hallowell/Augusta	215 Whitten Road	20-49
Woodlands Senior Living	152 Winthrop Street	20-49
City of Hallowell	1 Winthrop Street	20-49
Alliance	104 Water Street	10-19
Café de Bangkok	232 Water Street	10-19
Century 21 Alliance	108 Water Street	10-19
Cohen on the Meadow	22 Town Farm Road	10-19
Dead River Company	21 Water Street	10-19
Downeast Energy	283 Whitten Road	10-19
EJ Perry Construction	128 Winthrop Street	10-19
Hillside Terrace	21 Warren Street	10-19
Camden National Bank Ice Vault/Kennebec Ice Arena	203 Witten Road	10-19
MESCA Transport Services	47 Water Street	10-19
Maple Hill Farm B&B and Conference Center	11 Inn Road	10-19
NAMI	52 Water Street	10-19
Spectrum Generations	22 Town Farm Road	10-19
Vanguard Property Management	104 Water Street	10-19
Vaughan Homestead Foundation	2 Litchfield Road	10-19
Maine Development Foundation	2 Beech Street	10-19
<i>Source: Maine Center for Workforce Research & Information & Levine Planning Strategies</i>		





WAGES

Given the increases in employment since 2010, it's not surprising that overall wages in Hallowell are also up significantly. What's a little more interesting is that the wage increases vary more widely than the numbers of new jobs. Wages for construction, professional & technical services, and, to a lesser extent, public administration, have increased since 2010. Construction wages tend to be driven to some extent by demand, and with the market for real estate being strong, the wages increased commensurately. It's not immediately as clear why professional & technical service wages are up.

Looking at the wages through an equity lens, there continues to be a wide range of income levels based on job types. In addition, while the sectors mentioned above have seen increases, some other sectors have stagnated or even gone down. The accommodation & food service

sector is one of those. In addition, the finance & insurance sector has seen a decline.

Regionally, wages in the social service and manufacturing fields in Hallowell lag below those regionally and statewide. On the other hand, construction, professional and service wages are higher in Hallowell.

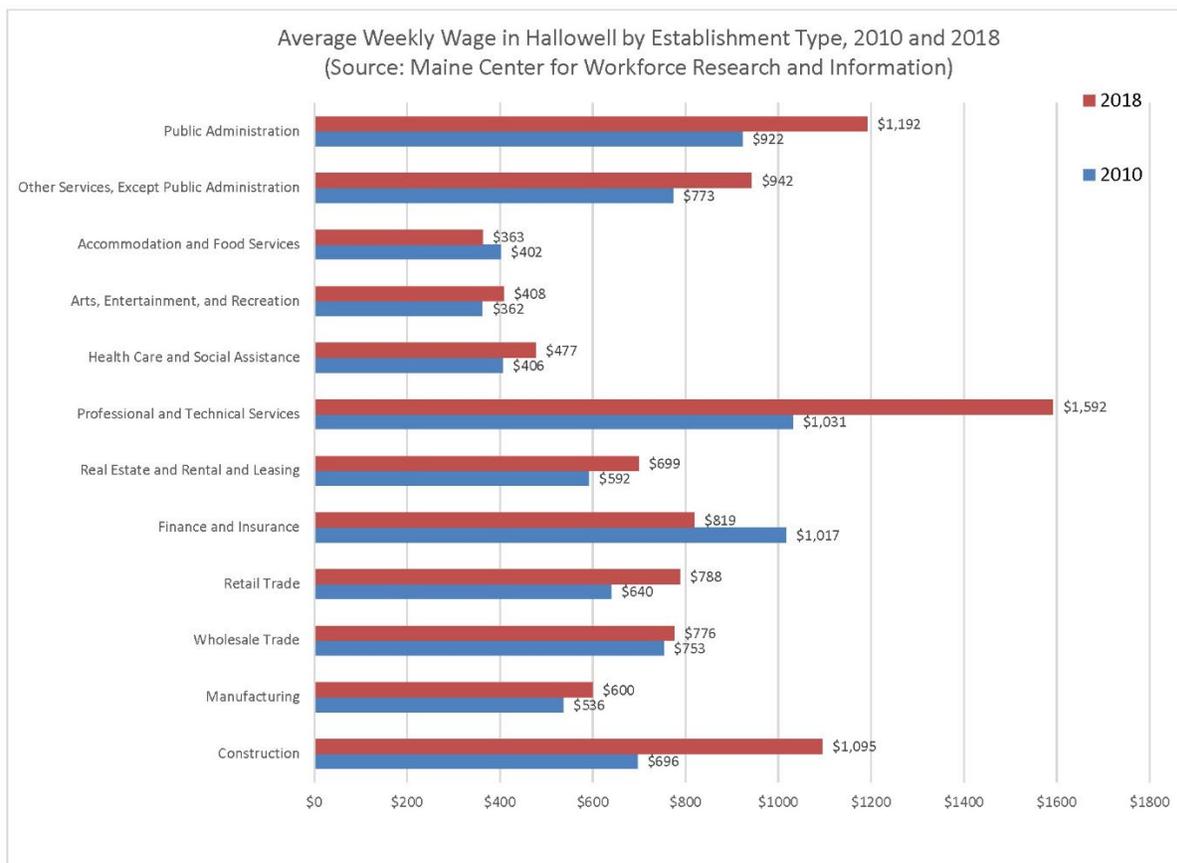
WAGES IN HALLOWELL

AVERAGE WEEKLY WAGE (2010): \$620

AVERAGE WEEKLY WAGE (2018): \$787

AVERAGE ANNUAL INCREASE: 3.37%

(SOURCE: MAINE CENTER FOR WORKFORCE RESEARCH & INFORMATION)



THE REGIONAL MARKET & SPECIALIZATIONS

Hallowell has more jobs in real estate, accommodation, and food services than in the region generally. On the other hand, there are fewer construction, professional and technical positions in Hallowell, with the exception of public administration positions.

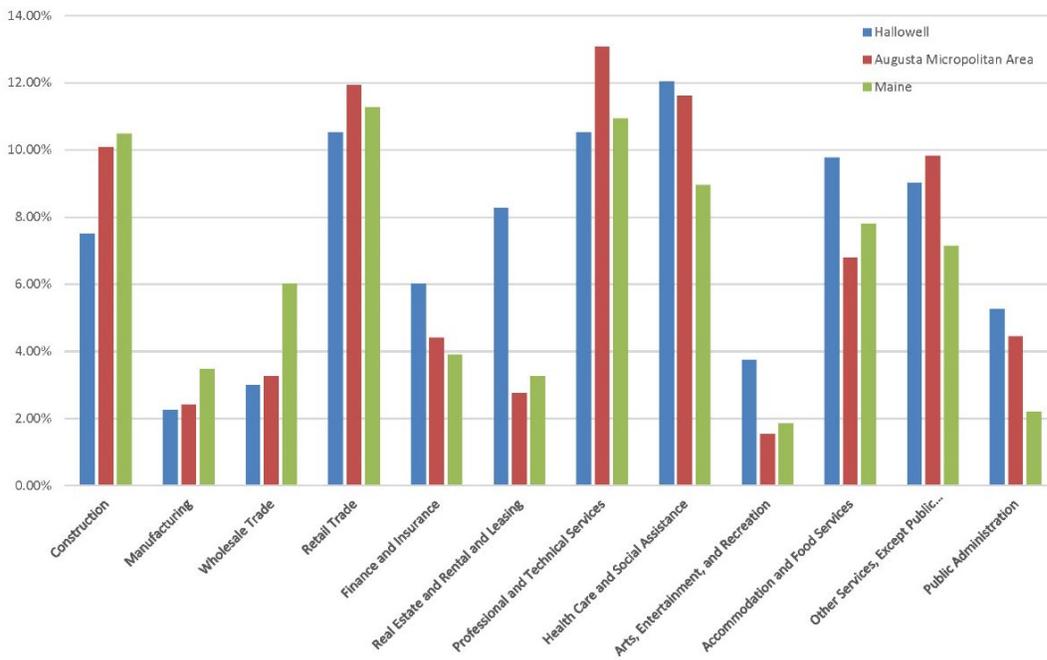
Hallowell residents travel to a variety of places to work. More Hallowell residents (387) work in Augusta than in Hallowell itself (299). That's not that surprising given that Augusta is the location of many state offices. After those two cities, there is a significant drop in the number of residents working in any one city, to Lewiston and Waterville, with below 50 residents working in each.

Similarly, workers come from a broad range of communities to work in the city. In addition to Hallowell, many workers commute to the city from Augusta and Gardiner. That is also not surprising given the proximity. Other places where large numbers of Hallowell employees live include Fairfield and Whitefield.

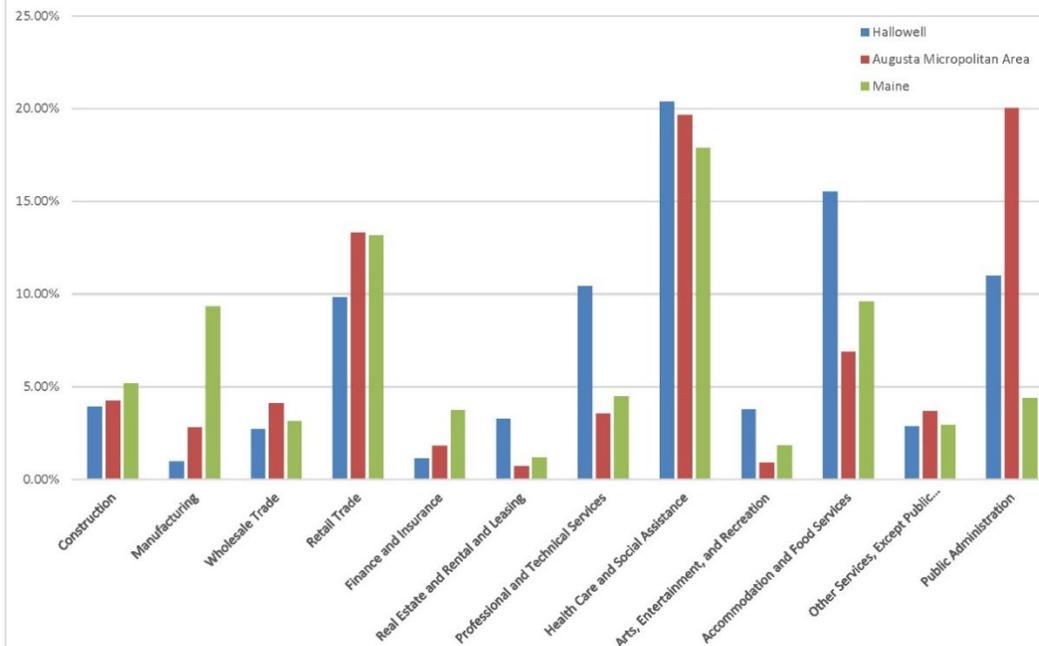
Workplace of Hallowell Residents	
Augusta	387
Hallowell	299
Lewiston	45
Waterville	43
Manchester	34
Farmingdale	33
Winthrop	32
Vassalboro	28
Gardiner	27
Newport	23
Freeport	21
Litchfield	21
Winslow	19
Portland	18
Chelsea	18
Belgrade	16
Fayette	16
Wiscasset	11
Rangeley	10
China	10
Other Places	64
TOTAL W/O HALLOWELL	876
TOTAL	1,175
<i>Source:</i> <i>ACS 2011-2015 Journey to Work Data</i>	

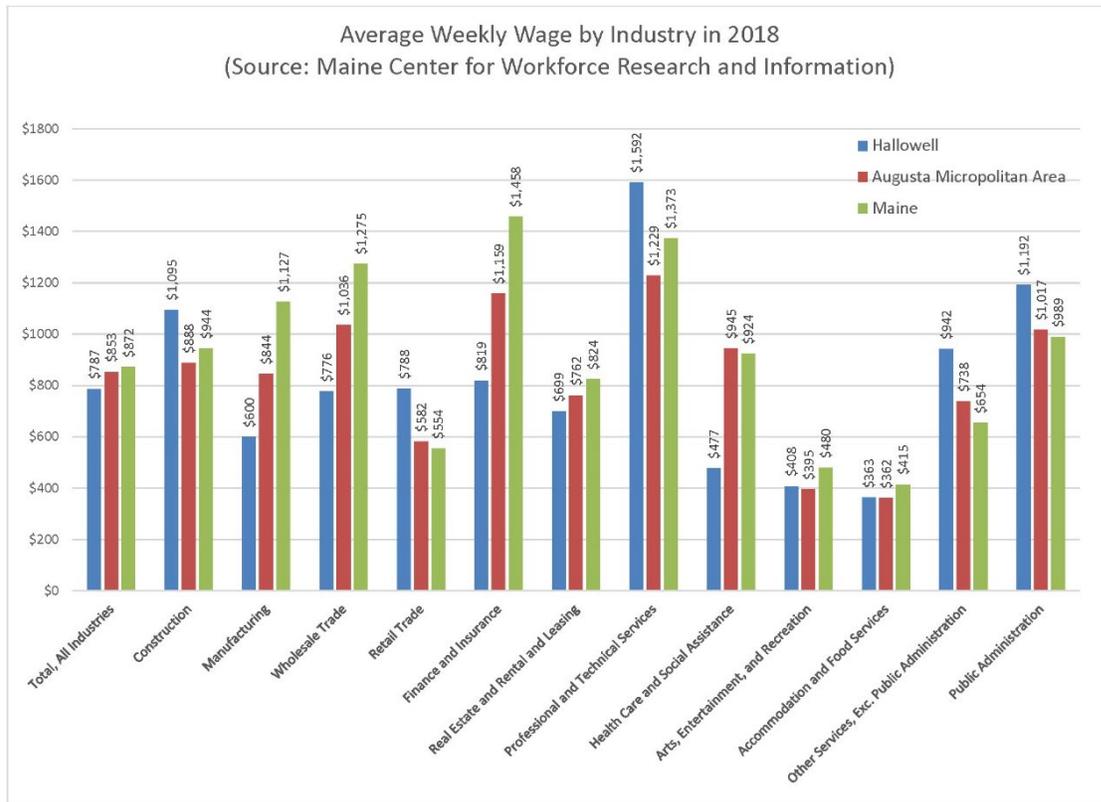
Residence of Employees Working in Hallowell	
Hallowell	299
Augusta	249
Gardiner	113
Fairfield	63
Whitefield	52
Temple	38
Monmouth	37
Rome	33
Readfield	32
Freeport	25
Sidney	23
Topsham	22
Winslow	21
China	20
Manchester	19
Waterville	18
Farmingdale	17
Pittston	16
Cumberland	15
Lewiston	14
Clinton	14
Chelsea	13
Wayne	13
Windsor	12
Winthrop	12
Vassalboro	11
Litchfield	10
Other Places	60
TOTAL W/O HALLOWELL	972
TOTAL	1,271
<i>Source:</i> <i>ACS 2011-2015 Journey to Work Data</i>	

Percentage of Establishments by Type in 2018
 (Source: Maine Center for Workforce Research and Information)



Percentage of Jobs by Type in 2018
 (Source: Maine Center for Workforce Research and Information)





DOWNTOWN PLAN

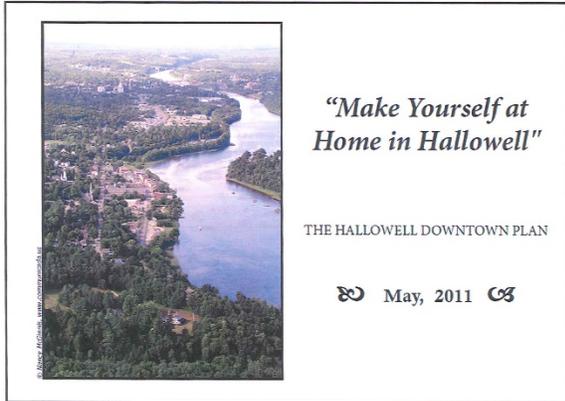
Following the *2010 Comprehensive Plan*, the city completed *Make Yourself at Home in Hallowell*, a downtown plan for Water Street and surrounding areas. That plan emphasized the importance of downtown Hallowell and recommended a set of improvements to downtown, including updating street lights, improving parking, upgrading the transportation infrastructure, and improving sewer and stormwater service.

In 2014, the downtown plan was updated in preparation for creation of a Tax Increment Finance district to enable investment in infrastructure and other needs in downtown Hallowell. That update emphasized the importance of waterfront open spaces downtown. It outlined the investment the City made in the former Eastern Steamship bulkhead and wharf as part of Granite City Park,

and suggested a possible extension of the park to the former Exxon Mobil site to the north.

The 2014 update inventoried the buildings downtown, finding 250,000 sf. of building space, of which 244,000 sf. were privately owned. That space included 153 residences. Of the spaces inspected, about 2/3 was considered to be in “average to good” shape, with the remainder needing improvements. There was very little office space vacancy, and retail vacancy was between 5% and 10%.

The update further detailed the needs identified in the 2011 plan, and added a need for water system upgrades. The update specifically noted the need to upgrade the water main on Water Street, which dated to 1898. These upgrades have largely been completed. The update also noted the potential for infill development in the Northern Gateway along Water Street north of downtown, and the Stevens School complex.



INCENTIVES & INVESTMENT

The City of Hallowell has three Tax Increment Finance districts that have been used to guide economic investment in the City. The *Downtown and Arts District Omnibus Tax Increment Finance District*, created in 2014, is used to fund public and private investment pursuant to the downtown plan. The *Kennebec Ice Area TIF District*, which took effect in 2012, provides credit enhancement to the arena as a regional economic asset. The *Woodlands of Hallowell TIF*, created in 2006 and amended in 2014, provides credit enhancement to the developer of that project, and additionally funds infrastructure needs. More details on the three TIF districts is below.

- ✓ *Downtown and Arts District Omnibus Tax Increment Finance District*: This is a 30-year TIF that began in FY14 and will end in FY43, with an allowed capture rate of up to 100%. The purposes of this TIF are to provide funding for public infrastructure, economic investment, the creative economy, and credit enhancement for new developments. It was estimated that the district would fund \$2.26 million of overall eligible costs during its lifespan. This district

includes the Sevens Commons campus, where the City invested \$675K in public road and infrastructure projects.

- ✓ *Kennebec Ice Area TIF District*: This is a 10-year district that took effect in FY12 and will end in FY21, with a capture rate of 100%. The purpose of this district is to provide credit enhancement to the owners of the Ice Area, known generally as the Camden Ice Vault. Over the 10-year lifespan of the district, it is expected to provide a total of \$612,000 to the Ice Vault, with the ability of the city to retain 1% of the capture for administrative costs.
- ✓ *Woodlands of Hallowell TIF*: This district took effect in FY06 and was slated to end in FY11, after a 10 year term. Originally it had a 50% capture rate to provide credit enhancement for the developers of the Woodlands (at 49%) and city administration of the district (at 1%.) In 2011, this TIF district was amended and restated. The revised district has a 30-year term until FY35, with a 100% capture rate. Of that amount, 49% remained as credit enhancement and 1% for administration until FY16, with the additional 50% capture going towards the development program for the *Downtown and Arts Omnibus TIF District*. After FY16, 99% of the capture began being portaged over to the Downtown TIF, with 1% remaining for administration.

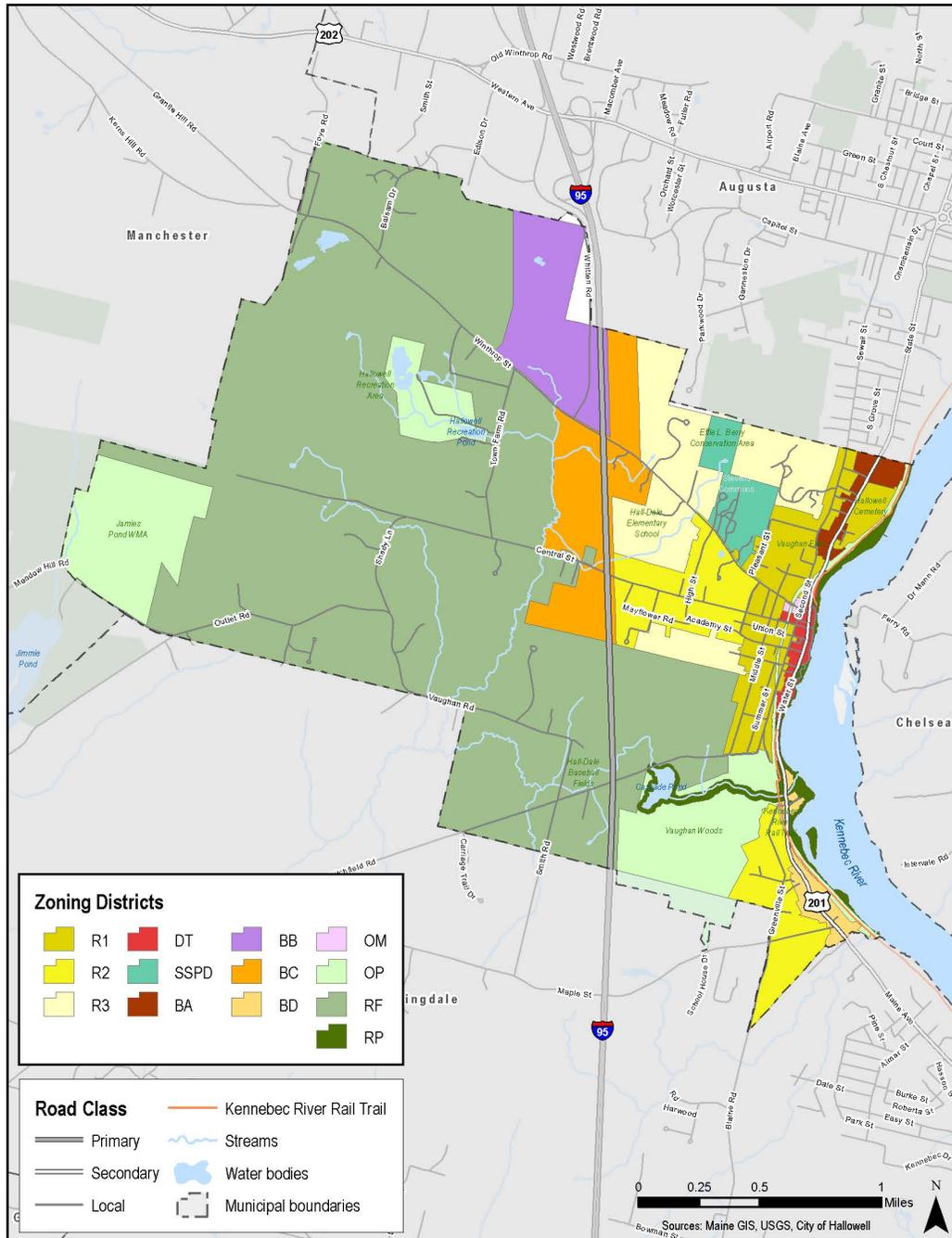
In 2019, the Hallowell City Council adopted a TIF Policy to provide guidelines for use of this economic development and incentive tool in the city.

LOCATING ECONOMIC ACTIVITIES & MINIMIZING NEGATIVE IMPACTS

Hallowell has been able to locate economic activities in specific areas of the city, due to the City's zoning code and targeted economic planning activities. In particular, those tools have focused economic development efforts in the downtown and North Gateway, along the

Whitten Road corridor nearby portions of the Winthrop Street corridor as part of the Stevens School redevelopment.

These areas correspond to the DT, BA & BD districts; the BC district, and the SSPD district. Having appropriate zoning tools in place have helped keep the negative impacts of this investment minimized, while allowing economic activity to occur.



UNIQUE ASSETS OF THE CITY

Hallowell has a number of assets that contribute to the economy of the city. Most importantly, the city has a vibrant and active downtown, as noted above, that attracts visitors and also serves as a center for commerce and recreation for residents. Cultural tourism is an existing asset, and also one that could potentially be expanded to attract more economic activity.

As stated at the beginning of this section, local businesses are important to the city, both in terms of their economic benefit and the way in which they represent the character of Hallowell. In addition, the presence and impact of the

Kennebec River on Hallowell's economy cannot be overstated, both as an attraction as well as an economic engine.

In addition, the city has open space assets such as Vaughan Woods and the Kennebec River that make the city an attractive place to invest in. The city's transportation infrastructure, including access to I-95 and the U.S. Route 201, also serve as economic assets. The Kennebec River Rail Trail provides both an active living and transportation asset. Finally, an engaged population helps ensure that high-quality investment occurs and that the city's long-term interests are kept in mind as investment occurs.

ANALYSIS & ISSUES FOR FURTHER STUDY

- ✓ What steps can be taken to help the local economy to recover post-COVID-19?
- ✓ Is there an interest in promoting additional work from home as an economic strategy for Hallowell post COVID-19? If so, what investments need to be made in infrastructure?
- ✓ What potential exists in the downtown gateways for additional investment? Are there environmental, ownership, or other factors that are inhibiting appropriate economic investment in these areas? Should branding efforts be undertaken?
- ✓ Does the Business B district continue to serve a productive purpose, or should the area be examined for rezoning to Business C or otherwise?
- ✓ What, if anything, can the city do to help cushion the economy against rapid changes in economic cycles, such as the one caused by the COVID-19 pandemic?
- ✓ How should the city respond when a major employer relocates, such as the Public Utilities Commission? Is there a role for public action?
- ✓ How can the city ensure that its small businesses remain vibrant and continue to contribute to the quality of community in Hallowell?
- ✓ Does the city need to take steps such as seeking grants to improve broadband to increase the ability of local businesses and residents to access the internet?
- ✓ Is the city's economy too reliant on the state government for employment? If so, what can be done to diversify this base?