

FOR/Maine COMMUNITY REVITALIZATION OVERVIEW

September 2018

Between the years 2013-2015, Maine lost paper mills in six different communities. The closures not only impacted employment, but also community identity and pride, and in many cases stressed municipal budgets from a sudden drop in the commercial tax base. In 2016, U.S. Senators Angus King and Susan Collins requested an Economic Development Assessment Team (EDAT) visit from the U.S. Department of Commerce to work with the forest products industry and impacted communities to create economic development strategies aimed at strengthening and revitalizing Maine's forest economy in the wake of the mill closures. From this effort came the Forest Opportunity Roadmap (FOR/Maine) and the Communities Committee focused on economic diversification and resilience at the local level.

AREAS OF FOCUS

1. Mill Site Redevelopment

In early 2017, FOR/Maine convened leaders from six towns that lost paper mills around relevant topics. Two initial sessions in 2017 focused on mill site redevelopment, including brownfields, marketing and national case studies to attract new investment.

MRDA GRANTS

In many cases, municipalities simply do not have the human capital or resources to address these economic crises. In 2017, at the request of local communities, the State of Maine established the Rural Manufacturing & Industrial Site Redevelopment Program at the Maine Rural Development Authority (MRDA). The program is intended to provide grants for technical assistance, planning or implementation related to the rehabilitation, revitalization and marketing of manufacturing and industrial sites in rural communities. Eligible applicants include municipalities in which eligible sites are located, as well as site owners. Applications are now being accepted. In this initial round, the MRDA board has earmarked \$600,000 total for granting.

2. Creating the Conditions to Attract Economic Development

Later in 2017, members of the FOR/Maine Communities Committee along with MDF's Sarah Curran arranged introductory meetings with town leaders in all six of the communities that lost mills, plus the town of Jay. Later that year, the team scheduled listening sessions with residents in each town, honing in on the greatest assets and needs. While each community is unique, from

these listening sessions, FOR/Maine identified several recurrent themes where applied resources could have the most impact in the most communities.

Housing In many of these communities, the housing stock was built in a rush to accommodate a massive influx of mill workers over a century ago. Many of the houses are small, clustered together, and suffering from decades of deferred maintenance. Papermaking peaked in the late 1960s, and housing improvements reflect that period of prosperity and the uncertainty of decline for decades afterwards. New buyers in the housing market are looking for better quality real estate with assets such as yards or garages. Professionals in the marketplace are not interested in old mill housing. As populations declined from the high-water mark of employment, many towns are left with vacant units.

Economic Development In addition to the former mill sites, these communities know they must diversify their economies for future stability; that means identifying and leveraging assets, cultivating new markets, and attracting investment. However, many of these towns do not have a history or culture of volunteer leadership in economic development. Of the six former mill towns, there are three full-time equivalent economic development directors (two have full-time directors, and two have part-time directors). Building local capacity to form an economic strategy will take cultivation, training and leadership.

Infrastructure (including Broadband) When the mills shut down, municipalities suffered critical losses in their corporate tax base, only to be made up by residential tax payers in the budget. As mill rates soared, towns have struggled with how to maintain municipal infrastructure and services that were designed for a larger population and paid for largely by the mill. In addition to keeping up municipal infrastructure, communities are grasping with how to invest in new necessities, such as broadband internet, economic development directors, or housing commissions.

Demographics Largely a ramification of other conditions, demographic challenges stem from economic conditions and housing availability. As the mills closed, a portion of working families left town, skewing the average household age higher. The spike in vacant housing collapsed prices, sometimes attracting poorer families. There are very few rental units in most former mill towns, deterring young people or single individuals from moving there. The higher concentrations of retired residents and poverty, coupled with a lack of housing options to attract young people or professionals are challenges to the long-term success of these towns.

COMMUNITY LEARNING SESSIONS

In response to the identified themes, FOR/Maine has convened learning sessions with mill communities.

- **Broadband** In December 2017, FOR/Maine organized a forum on community broadband models when the marketplace is slack. At the meeting was funders, advocates, technical experts and attorneys.
- **Industrial Site Readiness 1.0** In June 2018, FOR/Maine invited commercial site location scout Chris Steele of Boston to present to our community members the factors and data that matter in site selection.
- **Industrial Site Readiness 2.0** In October 2018, FOR/Maine paid to bring in three international industrial site readiness consultants to work with our communities one-on-one about their specific needs and opportunities.
- Additional learning sessions will be planned around recurrent themes stemming from the listening sessions.

KATAHDIN BROADBAND

Among the towns in the Mount Katahdin region -- Millinocket, East Millinocket, and Medway (where two major mills closed) -- internet access and affordability was inconsistent, to a degree that inhibited the economic development potential of new businesses, their employees that may need to be connected at home, the recruitment of new residents that are accustomed to reliable internet access, and educational programming that relied on internet access at home. In 2016, the community-development nonprofit Our Katahdin successfully applied for a planning grant from ConnectME, the state broadband promotional entity. Our Katahdin assessed the potential of running fiber through the three communities, but with limited funds, opted for a high-impact project to hit as many people as possible on a limited budget: public wireless hubs in downtown Millinocket and (soon) on Main Street in East Millinocket. The hub in Millinocket has had thousands of subscribers to date, including both residents and tourists.

But the work was not over. Following the lead of Baileyville and Calais, two Maine towns that collaborated to form a public utility to deliver broadband internet, Our Katahdin asked FOR/Maine to convene interested residents in Millinocket, East Millinocket and Medway to meet with attorney Dan Pittman of Eaton Peabody, who had crafted the formation of the Baileyville-Calais utility. Over several meetings over six months in 2018 -- with representation from each town -- the group discussed the conditions, goals and process to establish a new Katahdin Regional Broadband Utility. The legal paperwork has been completed and is up for ratification from each town now.

What is especially inspiring about the Katahdin broadband initiative is how members of the community have been able to come together collaboratively with an eye toward the future. During the broadband planning process, participants were positive, respectful, productive, and

collaborative. There was a pervasive air of optimism throughout the process. It bodes well for community development initiatives to come.

NEXT STEPS

The FOR/Maine Communities Committee will continue to bring our forest economy communities together for shared learning and best practices around identified topics of interest. We will continue to support local and regional efforts to create the conditions necessary to attract capital investment, and to diversify local economies.

3. Background

THE SIX COMMUNITIES THAT LOST MILLS

Bucksport

Bucksport, Maine is a deep-water port at the mouth of the Penobscot River at the top of Penobscot Bay, in a region called the Midcoast. It is situated on the coastal highway Route One, and is about 25 minutes south of the city of Bangor. Papermaking did not emerge until 1930, producing massive quantities of newsprint. The mill shut down in 2014, laying off 570 workers. The town manager of Bucksport at that time financially prepared the town for a shutdown by stocking a rainy-day fund for nearly a decade to offset commercial tax losses before the mill closed, insulating Bucksport from suffering from the financial shock of losing its largest tax payer. After a period of community mourning for its lost industrial identity, Bucksport began making investments in public amenities and the schools, despite the uncertainty about the vacant mill parcel. A new community pride emerged, with multiple volunteer committees forming to advance the arts and civic spirit in town. The mill was sold to a global metal scrapper who dismantled the assets but maintained open communications with the town to set the stage for redevelopment of the site. In 2018, a new



advanced-technology, land-based salmon farm announced a \$75 million investment in part of the mill site, and the Maine Maritime Academy expressed interest in another parcel.

East Millinocket

The town of East Millinocket is situated between two tributaries at the head of Maine's Penobscot River. In their heyday, the two sister mills in Millinocket and East Millinocket employed approximately 3,000. Great Northern Paper was bought out in a hostile 1990 takeover by Georgia Pacific, and the mill traded hands several times and sharply declined in production since then. The East Millinocket mill's last contract was in 2013 before shuttering and laying off the remaining 250 workers.

Lincoln

Known as the town of thirteen lakes, Lincoln, Maine is situated on the Penobscot River 45 minutes north of the city of Bangor, on Interstate 95. Lincoln is a service center for many of the rural communities in the northern half of Penobscot County and western Washington County. Lincoln has a hospital, the regional technical high school, and a big-box retailer. Paper production first started in the 1880s and the mill changed hands numerous times over the years, shutting down sporadically due to market conditions and parent company stresses. The mill directly employed 600 in the 1960s, but only a few hundred in the early days and in more recent times. The Lincoln Paper & Tissue company filed for Chapter 11 bankruptcy in 2015 after a boiler explosion two years prior signaled the end of paper production, ending employment for 180 workers. The vacant mill site suffered from some arson damage in 2017. The Town voted to seek brownfields funding for cleanup of former operations. The Town successfully purchased 77 clean acres of the site in 2018 to repurpose for potential manufacturing tenants. In 2018, Nestle opened a major spring water extraction facility in Lincoln.

Madison

Madison, Maine is located on the Kennebec River in Central Maine, about 20 miles northwest of Interstate 95 and the city of Waterville. Madison's first paper machine arrived in 1899. After a succession of owners over 117 years, Madison Paper Industries permanently closed its doors and laid off the last 214 workers in 2016. A number of holding companies have since sold off Madison Paper's assets separately, including subdividing the hydropower and water treatment operations. Madison's public sewer utility is examining purchasing the water treatment facilities at the mill site. Many of the laid off workers seeking jobs were able to find employment at the nearby Sappi North America Somerset Mill in Skowhegan, but Madison lost its critical corporate tax base when Madison Paper closed.

Millinocket

Millinocket is nestled in the shadow of Mount Katahdin, Maine's highest peak and the end point of the Appalachian Trail. In 1899, prospectors saw the potential of a vast wood basket and the

headwaters of the Penobscot River to make paper. The sister mills of Millinocket and East Millinocket were wildly prosperous during most of the 20th century. In the 1970s, Millinocket was considered to have among the highest per-capita income in the state. A number of factors contributed to the mill's demise starting in the late '70s, including labor strikes, a bud worm epidemic that ravaged wood supply, and environmentalists aggressively targeting dams used for hydropower. In 1990, Georgia Pacific bought out the assets of Great Northern Paper's parent company. Great Northern was sold off almost immediately to Bowater, who tried in earnest to turn a profit, but Great Northern's liabilities were too great. Starting in 1999, the mill changed hands three more times before closing permanently in 2008. The last holding company to own the mill never started up operations. In 2014, when the great smokestacks over the mill were demolished, residents knew that paper production was never coming back. In 2017, a community development nonprofit called Our Katahdin, founded by several ex-pats who loved their hometown, bought the 1,400 acre site for \$1 and assumed its IRS tax liabilities. Currently, a cross-laminated timber manufacturer of structural building materials has announced intent to locate on part of the mill site.

Old Town

Old Town is an incorporated city amidst a series of islands in Maine's Penobscot River situated on Interstate 95 three towns north of the city of Bangor. Paper and tissue were produced throughout the 20th century when Georgia Pacific bought the plants in 2000. Old Town has experienced a series of dramatic fits and starts since then. In 2003, a tissue plant closed, laying off 300. In late 2004, Koch Industries bought Georgia Pacific and four months later shut down Old Town operations and its subsidiary suppliers, leaving 459 people without work. A business coalition bought the mills out of bankruptcy in 2006 but declared bankruptcy itself two years later. In late 2008, a new venture called Old Town Fuel & Fiber purchased the assets with the intent of extracting cellulosic sugars from wood fiber, but employment growth and product development were slow and incremental. Old Town Fuel & Fiber went bankrupt in 2014, laying off 180 people, and Wisconsin-based Expera purchased the mills to produce pulp for its other specialty-products facilities. The mill went dark again the next year, and 195 workers lost their jobs. A liquidation company picked up the assets in the interim before selling to a joint venture of Maine business interests in 2018, sparing the mill assets from scrap. The University of Maine also houses its Forest Bioproducts Research Institute Technology Research Center in 40,000 square feet of Old Town mill complex.

OTHER FOREST ECONOMY COMMUNITIES

FOR/Maine Communities Committee has also been working with several communities in Maine that have active mills or are seeking forest products economic development.

- **Baileyville** The town's pulp and tissue plant faced similar economic pressures to other mills in Maine. In the 1990s work stoppages brought employment to zero. Recent reinvestments have employment climbing to 400.
- **Jay** In recent years, Jay's papermaking future was uncertain. Mill owner Verso Corp closed a sister mill in an adjacent town and furloughed 120 workers at the Jay plant in 2017. The company reported heavy operating losses. But in 2018, Verso hired back the furloughed workers and announced a major investment in the plant to produce specialty paper. The mill today employs about 400.
- **Rumford** The Rumford mill employs about 620 people and was sold in July 2018 to one of the world's largest paper manufacturing companies based in Asia. The new owners are in growth mode and do not envision downsizing.
- **Ashland** Historically a lumber village, in 1993 a biomass (wood processing waste)-to-electricity boiler plant opened. In 2011 it was acquired by ReEnergy and today produces enough power for 37,000 homes.

FOR/Maine COMMUNITIES COMMITTEE MEMBERS

FOR/Maine maintains a standing committee focused on Maine's forest-economy communities. Committee members include:

Planning Committee

- **Andy Hamilton** of Eaton Peabody, corporation counsel to several mill towns;
- **Charlie Spies** of CEI, CEO of CEI's Capital Management LLC overseeing New Market Tax Credit investments nationally;
- **Peggy Daigle**, East Millinocket selectwoman, former town manager in Millinocket, Lincoln and Old Town;

Ex Officio Members

- **Adam Lachman**, **Barbara Hayslett**, and **Chris Rector**, delegation staff to U.S. Senator Angus King;
- **Carol Woodcock**, delegation staff to U.S. Senator Susan Collins;
- **Mark Kontio**, delegation staff to U.S. Representative Bruce Poliquin;

Staff to the Committee

- **Robert O'Brien**, program director, Maine Development Foundation.