



MDI HOUSING SOLUTIONS SUMMIT

MOUNT DESERT ISLAND BIOLOGICAL LABORATORY

MARCH 24, 2023

SUMMARY REPORT

Prepared by the Musson Group, May 2023

The MDI Housing Solutions Summit was an all volunteer effort made possible by donations of time and / or money from the following organizations:

Anonymous
Bar Harbor Bank & Trust
Carter's Real Estate
College of the Atlantic
First National Bank
Friends of Acadia
Island Housing Trust
Lynam Real Estate
Machias Savings Bank
Maine Coast Heritage Trust
MDI Biological Laboratory (in kind)
Ocean Properties
Swan Agency Real Estate
The Knowles Company
The Musson Group



Summary Report prepared by The Musson Group
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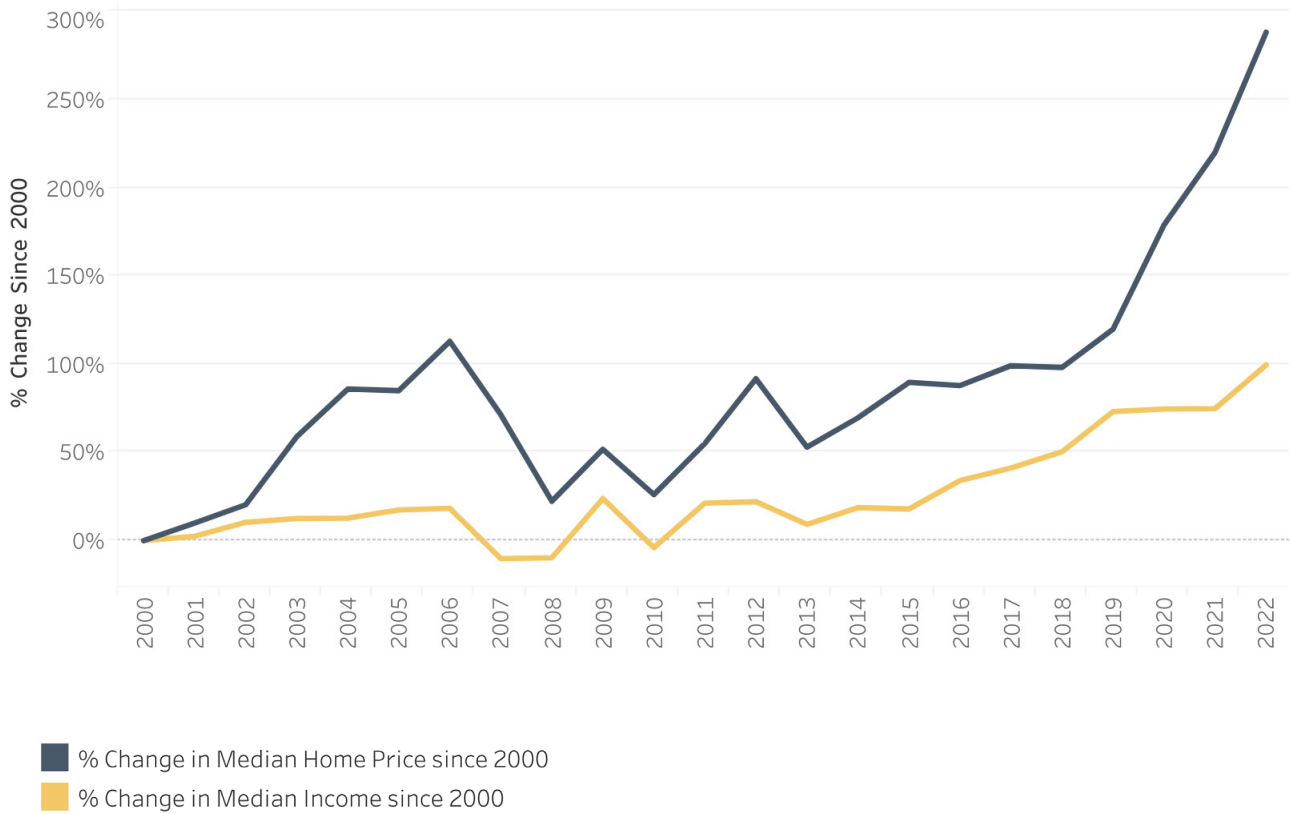
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Relative Increases in Income and Home Prices (Mount Desert Island)



The graph above shows the relative increases in income and home prices in the four towns on Mount Desert Island (Tremont, Southwest Harbor, Bar Harbor, and Mount Desert), Maine since 2000.

Source: Maine Housing.

3

Number of homes sold in 2022 affordable to those earning the median household income out of 136 homes sold that year.

\$646,125

Median home price on MDI in 2022.

\$75,889

Median household income on MDI in 2022.

\$192,905

Household income needed to afford the median home price on MDI in 2022.

INTRODUCTION

Like many areas across the country, housing is increasingly scarce on Mount Desert Island due to a variety of factors, including market dynamics, regulatory forces, the high costs of construction, inflation, labor shortages, residual fallout from pandemic supply chain issues, and low interest rates during the pandemic spurring a surge in purchases of primary and second homes. Mount Desert Island faces additional pressures due to its desirable location, limited land availability, limited year-round rental options, limited public infrastructure, and a historically hot second-home market and, now, short-term rental market.

The result is that our housing stock is often unaffordable to year-round households and unavailable for seasonal workers. These issues are having ramifications on our communities and our island-wide economy. Major employers struggle to attract and retain workers, businesses are unable to stay open on a regular schedule, and service delivery of municipal and healthcare services are strained.

PURPOSE AND OBJECTIVES

The 2023 Mount Desert Island (MDI) Housing Solutions Summit, held on March 24, 2023, brought together key representatives from institutions, businesses, and organizations across MDI in an effort to seek tangible and measurable solutions to the island housing crisis. The objectives of the summit included:

- Create a framework that can achieve significant progress in addressing the housing crisis (work to be done, establishment of working groups, key metrics to measure success over time, etc.);
- Build new social connections between institutions and organizations grappling with the same issue;
- Create a common understanding of MDI housing needs and the barriers preventing those needs from being met;
- Create a common understanding of what solutions are currently underway;
- Identify new solutions to meet housing needs and overcome barriers.
- Make the MDI Housing Solutions Summit an annual event to review progress and celebrate success.

The following report outlines the background, purpose and objectives, structure of the day and the questions asked during facilitated discussions, key takeaways, and suggested action items.

Right: Map of the four towns on Mount Desert Island provided to each breakout group for reference purposes.





OVERVIEW OF SUMMIT

The 2023 MDI Housing Solutions Summit took place on March 24, 2023 at the Mount Desert Island (MDI) Biological Laboratory. The Summit was designed as a meeting to convene institutional, business, non-profit, and municipal leadership from across the island by invitation, as well as state government representatives, builders, engineers, developers, financiers and lenders, grant-makers, and real estate agents. This principal goal for this meeting was to bring together key individuals from a diverse set of professions — that are directly working on or impacted by the housing crisis — for a facilitated conversation about housing on MDI. Facilitators worked with breakout groups to seek consensus about needs and barriers, to share information about solutions already underway, and identify strategies and champions for new solutions.

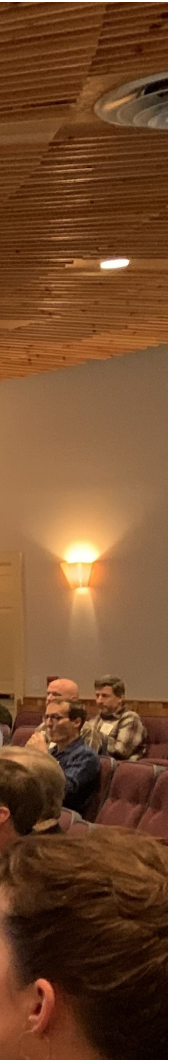
“The benefit of bringing together a group of Solution Partners like this, from a range of professions related to housing on the island, is that we get to think collectively and strategically about what is possible and what makes sense for this housing system and this place.”

- Noel Musson, opening remarks.

The Summit was facilitated by Noel Musson and Susanne Paul of The Musson Group, a land use planning and economic development consulting firm based in Southwest Harbor that works with and for municipalities, non-profit organizations, businesses, and private individuals on MDI and across the state of Maine. The Steering Committee for the Summit consisted of Marla O’Byrne (Island Housing Trust), Dave Edson (Friends of Acadia), Misha Mytar (Maine Coast Heritage Trust), Michele Gagnon (Town of Bar Harbor), and Tricia Blythe (The Knowles Company).

The MDI Housing Solutions Summit was a success. Approximately 80 people attended and participated in lively discussion and debate about the complexity of housing on Mount Desert Island. Major themes from the day included the need for more general cultural awareness of current housing needs, barriers, and solutions currently underway; the need for additional island-wide coordination and collaboration around housing and land use regulations that impact housing; and the need to create new funding mechanisms to address costs of existing housing and barriers to the development of new housing.

Left, clockwise from top: Opening Session; Beech Mountain Team discussion; participants greet each other during morning check-in; Norumbega Mountain Team during a small group breakout session.



STRUCTURE OF THE DAY

8:30 am - 3:30 pm



Above: Participants gather in Maren Auditorium to recap the morning small group breakout session.

The 2023 MDI Housing Solutions Summit took place from 8:30am – 3:30pm. Summit organizers divided the day into five main sections, along with a lunch and afternoon break: Opening Welcome Session, Small Group Breakout Session 1, Regroup, Small Group Breakout Session 2, and a Final Regroup.

OPENING WELCOME SESSION

During the Opening Welcome Session participants gathered in Maren Auditorium for a short presentation and guided discussion. Noel Musson, one of the organizers and facilitators of the Summit, welcomed the group, thanked sponsors, outlined the structure and schedule for the day, and then engaged participants in a general discussion of the housing crisis on MDI. When asked why they felt compelled to spend a whole day working on this topic, participant responses ranged from “so my kids can live here one day” to business owner concerns about staffing, employee recruitment and retention, and town population decline. After a short discussion, participants broke into their assigned groups and convened at their assigned locations.

SMALL GROUP BREAKOUT SESSION 1

Small Group Breakout Session 1 asked participants to discuss housing needs on MDI and barriers encountered in meeting those needs. In addition, facilitators asked participants if any housing needs are higher priority than others and to discuss their understanding of different terms related to housing types, such as “affordable,” “workforce,” “year-round,” and “seasonal.” Participants shared how they personally or their companies / organizations / businesses are experiencing barriers to meeting housing needs. Lastly, Small Group Breakout Session 1 asked participants to consider how much additional development can and should MDI absorb.

REGROUP

During the regroup session, small group facilitators provided a report-out from each group and asked participants to volunteer additional thoughts about their discussions in Small Group Breakout Session 1. Lunch followed the regroup session.

SMALL GROUP BREAKOUT SESSION 2

Small Group Breakout Session 2 focused on solutions and actions. This session asked participants to wrestle with needs, barriers, and priorities identified in the first session and develop action-oriented strategies on multiple scales to help address various aspects of the housing crisis. Facilitators encouraged participants to develop concrete project ideas and possible community champions or leaders for those projects.

FINAL REGROUP AND WRAP UP

The last session of the day brought everyone back together to reflect on potential solutions raised during the Small Group Breakout Session 2. Facilitators and note-takers provided a summary of ideas developed by their small groups. Noel Musson then facilitated a larger group discussion and reflection on possible solutions and next steps.

“There was definitely a different energy at the Housing Solutions Summit this year compared to past events” said David Witham, one of the participants. “Though the issues and challenges discussed were essentially the same, the impact of these challenges had clearly taken root among all in attendance thus creating an urgency to act. Whether a business trying to staff up, a town trying to attract teachers, or a younger generation knowing they cannot stay; a sense that we were all in this together bonded the group. I feel more hopeful than ever that the energy from this Summit will bring about some desperately needed solutions to help secure the future of MDI for all.” - David Witham, Summit Participant.

KEY TAKEAWAYS

The following section summarizes the key takeaways that emerged during the Housing Solutions Summit discussions. They are divided into Needs, Barriers, and Solutions.



Above: Participants from the St. Sauveur Mountain Team discuss housing needs on MDI.

NEEDS

- **Housing for local employees, be they seasonal or year-round.**
Participants frequently noted the large number of people who work on the island that desire to live closer to work. Groups also discussed the reality that there is limited capacity of the island to accommodate all who work here and the need to better understand that limit, be it environmental and infrastructure carrying capacity or the role that character of place plays in the tourism economy.
- **Housing for 100 – 200+% of the area median income, so those making between approximately \$70,000 - \$150,000 a year (in 2023).** Several state and local programs work to address housing needs at the lowest income levels and those households with higher incomes (250+% and more / approximately \$190,000+ a year) can compete in the housing market. However, many participants noted that there is limited housing affordable to those in that in-between, middle-income segment. According to the MaineHousing Affordability Index, between 2017- 2022, there were 933 homes sold on MDI; 89 or 9.5% were affordable to those earning the median income and 844 or 90.5% were unattainable to those earning the median income.
- **A common understanding of “workforce,” “affordable,” “seasonal.”**
These terms are often used in discussing housing needs on the island, in some cases, evoke strong reactions. Workforce housing typically means housing for those middle-income households that earn too much to qualify for traditional housing subsidies. Affordable housing is often used to describe housing for lower to middle-income households, though the definition of affordable is spending no more than 30% of your pre-tax income on housing, and thus the term is relative depending on which group is being discussed. On MDI, “seasonal” housing typically refers to housing for employees who work in the summer tourism and service economy.

- **More year-round rental housing.** Year-round rental housing is critical to any housing market: rentals provide options and stability for younger households who are just getting started; provide stability for households that are not financially able to purchase a home; provide a means of entry for households that relocate and desire to put down roots; and provide housing for households that are living in an area for a few years due to their job structure or other circumstances. According to the U.S. Census Bureau’s American Community Survey (ACS) 2021 5-year estimates, approximately 28% of MDI households rent their homes, with the highest percentage living in Bar Harbor and Southwest Harbor. Having an adequate supply of year-round rental housing on MDI supports employers attempting to recruit new employees from outside of the Acadia region, for example, and those who are saving for eventual home ownership. Year-round rental housing is limited as owners perceive their rentals to be more lucrative as short-term rentals due to the dominant summer tourism economy.
- **Greater variety of housing types.** The housing stock on MDI is predominantly detached single-family homes. Participants in all groups noted that a greater variety of housing types, such as duplexes and multi-family housing, would create more opportunities for everything from first-time homebuyers to seniors aging in place.
- **Increased awareness of the connection between housing and economic development.** Housing and the economy are a large, interconnected system on MDI and in the region. While housing and economic development have always been connected, it is often easy to overlook the degree to which they are so closely intertwined. As housing availability and affordability declines on MDI, everyone from small businesses to major employers feel the repercussions. Participants expressed concern that not enough people realize the impacts of the housing crisis on the island economy. Some shared stories of trying in vain to recruit new employees who could not find a place to live close enough to work or afford the homes that do exist on the island, or both. Others noted the stressors of trying to find housing for tourism-related service industry staff, the impact on quality of service they can provide, and the need to close their businesses more often and shorten their season.
- **A shared vision for MDI in the future.** All the groups expressed enthusiasm for the interesting, housing-related cross-section of MDI individuals and professions gathered for the Summit, and the rare opportunities to bring an island-wide group like this together. Participants repeatedly recognized the interconnection between the four MDI towns, and surrounding communities, and discussed the need for more island-wide collaboration around planning and economic development issues, as policy actions in one town have a ripple effect on all the other towns. Groups also recognized that there is a balance to strike between town collaboration and honoring the history and individuality of each town.
- **Lower costs of development.** Perhaps one of the most clearly identified common themes amongst the breakout groups was the need for more money to address the housing crisis, particularly to lower the costs of development – whether due to land costs or public infrastructure required for additional development.
- **Opportunities for aging in place.** The Island Housing Trust’s Housing Needs Analysis and Assessment for MDI (2018) predicted that by 2023 there would be nearly 2000 senior households on MDI. Many of these households have incomes below the area median income. Participants discussed the need for a variety of housing types that allow seniors to remain in their homes and/or communities.



BARRIERS

- **As an island, Mount Desert Island has limited developable area.** Several factors, such as environmental constraints (e.g. wetlands and ledge) and high amounts of conserved land limit what is actually developable on MDI.
- **Limited public water and sewer infrastructure.** There are limited locations on MDI that have public water and sewer infrastructure. The high cost to construct this infrastructure makes it difficult to expand service areas. Given the limited availability of these services, it will be difficult to gain from the economies of scale and environmental benefits that they can provide.
- **MDI has a predominantly seasonal tourism economy.** Participants discussed that on MDI many jobs are low to mid-paying service economy jobs while housing is limited and costs have risen substantially in the last decade. In addition, given the predominance of the seasonal tourism economy, there are limited career opportunities for year-round residents to change jobs within their field, increase their income over time, and keep up with rising home values.
- **Vacation rentals impact the housing supply.** The historically high demand for vacation rentals and the lucrative investment opportunity they present means that some of the island housing supply will always be tied up as vacation rentals. Participants discussed that, from a strictly bottom-line perspective, vacation rentals will always be more desirable and profitable than year-round rentals. Breakout groups stated that MDI residents can make a living out of buying and managing vacation rentals. Participants recognized that the topic of vacation rentals and vacation rental regulation is emotional and contentious. In many cases, MDI residents can remain in their homes and continue to live on the island by supplementing an otherwise lower household income with revenue from their vacation rental(s). Participants recognized a distinction between those who rent out an apartment above their garage or an accessory unit on their property where they live year-round and those who buy additional houses to run as vacation rentals. Groups noted that when old houses are flipped and renovated for use as vacation rentals, it removes the opportunity for less expensive housing stock to filter down to lower income and/or first-time home buyers who can improve the home themselves and build equity over time. In addition, some participants stated that owners selling homes used as vacation rentals expect a higher value and price for those homes.

Below: Participants gather before the start of the MDI Housing Solutions Summit.

- **Attitudes toward additional growth or change can deter progress.** Each breakout group discussed how the barriers posed by opposition to change can slow down the development process and deter additional development (NIMBYism). They noted that this opposition occurs in village centers or rural areas, and the complex role that “character” plays in the island economy.
- **Zoning and Land Use Regulations and Review Process.** Participants raised questions about current zoning and land use regulations and whether they provide enough flexibility to create additional housing opportunities. Representatives from municipal staff were present at the Summit and participated in these conversations. They provided additional insight into the limited staff capacity and funding of town governments, for example only one town has in-house planning staff (Bar Harbor) and another town contracts that role out to a consultant (Mount Desert). Participants noted that Town Managers and Code Enforcement Officers are stretched thin and this impacts their abilities to address these issues in their towns.
- **High cost of construction.** During the COVID-19 pandemic and followig inflation the cost of materials increased dramatically. This high cost has significant implications to new development. In addition, labor costs on MDI are typically higher, whether due to travel, scarcity of skilled labor, or other factors.





SOLUTIONS

- **Identify new revenue streams.** Funding mechanisms, such as local option sales taxes and transfer taxes, could feed a housing trust fund that could in turn fund a variety of activities to lower the cost of housing construction, such as infrastructure extension where appropriate.
- **Create incentives.** Explore incentives for year-round rental housing or home buying, such as a municipal program that provides tax rebates or payments for renting year-round, or working with lenders to promote state and federal first-time home buying opportunities.
- **Pursue flexible zoning and land use.** Ensure zoning, land use regulations, and the local approval process allows for enough flexibility to produce more housing types, particularly multi-family housing development that provides a range of housing types and household sizes.
- **Increase public engagement.** Create opportunities to engage residents and visitors in the reality of the housing crisis on MDI, to help create a common understanding of the different terms (“affordable,” “workforce,” “seasonal”), and to improve public understanding of the connection between housing, economic development, and vitality of the year-round community.
- **Keep strategizing.** Participants expressed enthusiasm for the Housing Solutions Summit, the mixture of people gathered, and the desire to continue to gather annually at a Summit.
- **Improve communication.** Create opportunities for communication between the four MDI towns to discuss and collaborate around shared housing, economic development, and public facilities goals and different approaches to planning and land use.
- **Share strengths.** Increase professional development and discussion opportunities amongst members of similar professional groups (e.g. builders, financiers, realtors).
- **Act on multiple scales.** Identify local, regional, state, and federal opportunities and programs that could help fund planning and development of housing.



Above: Participants from various teams share their stories about housing needs and barriers, and brainstorm additional solutions to address these issues on MDI.

NEXT STEPS & ACTIONS

One of the main goals of the MDI Housing Solutions Summit was to discuss and identify solutions, project ideas, and concrete actions for addressing the housing crisis. Throughout the day, three broad topic areas emerged. Within each of these topic areas there were multiple action items or project ideas suggested to help meet identified needs and overcome identified barriers. These three broad topics are described below as Action Areas and used to organize next steps and actions in the pages that follow.

1 FUNDING STRUCTURES & MECHANISMS

Identify funding sources and structures to support housing development and planning.

2 ISLAND-WIDE COLLABORATION

Increase communication between town policy makers, non-profits, and the business community for idea sharing, data and information gathering.

3 EDUCATION & COMMUNICATION

Create a common understanding of housing needs, market dynamics, terms, and impacts on the economy.

ACTION AREA 1

FUNDING STRUCTURES & MECHANISMS

PURPOSE

Identify funding sources and structures to support housing development and planning.

ACTION IDEAS, SUGGESTED TIME FRAMES & RESPONSIBILITIES

ACTION	WHEN	WHO	STATUS
Identify and apply for grant funding to continue planning efforts, coordinate proposed initiatives, and organize future Summits.	<i>Immediate</i>	<i>Non-Profits, Consultant</i>	<i>Underway</i>
Identify and apply for grants to support new housing development.	<i>Ongoing</i>	<i>Non-Profits, Municipalities</i>	
<p>Establish a working group to explore new and established funding sources for housing projects. Those could include efforts at the state and local level:</p> <ul style="list-style-type: none"> Local Option Sales Tax. Identify and organize residents from island towns who are interested in local option sales tax, create an advocacy group, and work with the Chambers of Commerce to seek support for state efforts. Coordinate with state reps. Research additional tax related strategies for funding housing development – e.g. transfer tax and other progressive tax mechanisms around second, third, fourth home ownership that could feed a housing trust fund. Research and outline the idea of a Housing Trust Fund. This fund could be used to help address the cost of new public infrastructure involved in additional development and take the financial burden off would-be developers. Explore options for local TIF districts that could create funding for year-round housing and municipal infrastructure improvements. 	<i>Short-Term (1-3 years)</i>	<i>State Representatives, Non-Profits, Municipalities, Local Business Community, Residents/Volunteers</i>	
Continue collaboration between non-profit leadership to develop coordinated funding efforts around housing development.	<i>Ongoing</i>	<i>Non-Profits, Consultant</i>	<i>Underway</i>

ACTION AREA 2

ISLAND-WIDE COORDINATION & COLLABORATION

PURPOSE

Increase communication between town policy makers, non-profits, and the business community for idea sharing, data and information gathering.

ACTION IDEAS, SUGGESTED TIME FRAMES & RESPONSIBILITIES

ACTION	WHEN	WHO	STATUS
Continue coordination of MDI Housing Solutions Summit initiatives and planning for next summit.	<i>Ongoing</i>	<i>Consultant, Non-Profits</i>	
Structure and facilitate professional peer working groups to develop additional solutions, such as <ul style="list-style-type: none"> • Builders Working Group • Financiers Working Group • Realtor’s Working Group • Non-profit Working Group 	<i>Short-Term (1-3 years)</i>	<i>Non-Profits, Business Community, Consultant</i>	
Work with island-wide and regional groups like the League of Towns to make sure housing is on the agenda and to discuss how towns can learn from each other, coordinate, and be proactive.	<i>Immediate</i>	<i>Municipalities</i>	<i>Underway</i>
Schedule two meetings in the next year that bring together representatives from town comprehensive plans to compare notes on housing goals, objectives, and strategies; review State of Maine mandated policies.	<i>Immediate</i>	<i>Consultant, Municipalities</i>	<i>Underway</i>
Work with planning and code experts and staff to analyze zoning and housing policies. Compile and communicate zoning and policy strategy tools for incentivizing new housing types.	<i>Short-Term (1-3 years)</i>	<i>Consultant, Municipalities</i>	
Facilitate periodic code workshops to help coordinate improvements to ordinances.	<i>Short-Term (1-3 years)</i>	<i>Consultant, Municipalities</i>	
Create a buildable land inventory and development suitability study using Geographic Information Systems (GIS).	<i>Short-Term (1-3 years)</i>	<i>Consultant, Municipalities</i>	
Develop an island-wide needs assessment to quantify the housing needs for the island as a whole.	<i>Medium-Term (3 - 5 years)</i>	<i>Consultant</i>	

ACTION AREA 3

EDUCATION AND COMMUNICATION

PURPOSE

Create a common understanding of housing needs, market dynamics, terms, and impacts on the economy.

ACTION IDEAS, SUGGESTED TIME FRAMES & RESPONSIBILITIES

ACTION	WHEN	WHO	STATUS
Establish a working group to identify communication and educational needs and to coordinate initiatives to address those needs, such as marketing of existing housing solutions and success stories.	<i>Immediate</i>	<i>Non-Profits, Resident Volunteers</i>	
Develop “Cultural Strategies” <ul style="list-style-type: none"> • Prepare profiles of individuals/families in the community to share their housing stories (e.g. Bar Harbor Savings and Loan loan programs) • Engage local artist to tell this story in creative and engaging ways that provide historical perspective • Create social gatherings to share housing stories, gather information, and garner support for projects, programs, etc. (e.g. YIMBY parties, Happy Hours for professional forums) 	<i>Short-Term (1-3 years)</i>	<i>Resident Volunteers, Non-Profits, Business Community</i>	<i>Underway</i>
Increase communication about public input opportunities for housing and economic development projects (comp plans, etc.). Press releases, social media, etc.	<i>Immediate</i>	<i>Non-Profits, Municipalities</i>	
Create public forums to discuss housing needs, challenges and solutions for different professional groups (e.g. Builders Forum, Realtors Forum, Financiers Forum): <ul style="list-style-type: none"> • Housing Forum at Criterion • Housing Forum at Northeast Harbor Library 	<i>Short-Term (1-3 years)</i>	<i>Non-Profits, Consultant, Business Community, Resident Volunteers</i>	<i>Underway</i>
Create a collaborative site for information-sharing about housing needs, action items, and the Summit.	<i>Short-Term (1-3 years)</i>	<i>Consultant, Non-Profits</i>	<i>Underway</i>



**For more information and to stay involved, contact
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