



Space Removal Initiative

Fall 2017



Executive Summary

Goal

- > Increase the utilization and condition of the University's facility portfolio as measured by density and net asset value by encouraging the further removal of existing facilities.
- > Target would be a further net reduction of 200,000 to 400,000 gross square feet.

Cost

\$15-20 million.

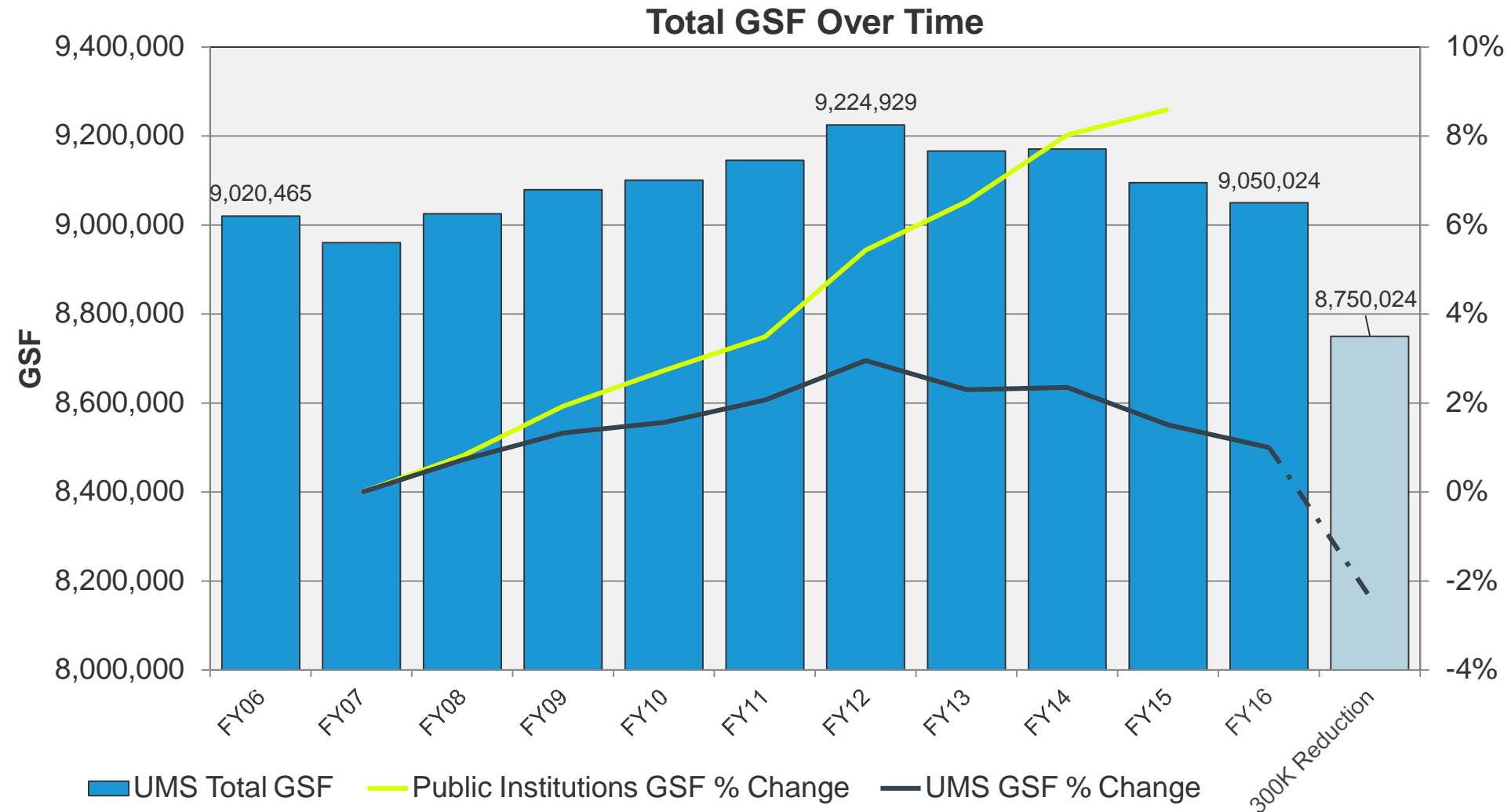
What will be removed/reduced

Campuses will be encouraged to review their poorer condition (i.e. lower NAV) and lower utilization facilities. Which facilities are to be removed will be determined by campus leadership subject to approval of the Treasurer, per Trustee policy. If a particular project's cost is more than \$500,000, the project also will be subject to direct consideration by the Trustees.

UMS GSF Changes Over Time

Trustee policy to constrain growth already making a difference

Projection is greater gains if demolition funding occurs



How could it be funded?

Current Recommendations*: A 10-year revenue bond repaid by the administrative savings

**other terms and options are available.*

10-year - \$10M Revenue Bond

estimated annual debt service
\$1.15M

15-year - \$10M Revenue Bond

estimated annual debt service
\$845,000

Interest rates will not be known until the bonds are issued and will depend on terms of issue and market conditions; however, current rates suggest approximately 3 to 4 percent.

How could it be funded?

Projects up to \$100,000

Systemwide Pool

\$10 Million Pool

- Funded by administrative review savings
- Pays 100% of approved project

Projects over \$100,000

Matching Funds

Matching funds

- Pool would match campus contributions 2:1 after the first \$100,000 of a project up to a maximum pool contribution of \$1M
- Campuses identify match from their own resources

Criteria

- Priority for funding would be based in part on net reduction in square footage of project and cost-effectiveness of the demolition
- Demolition projects which off-set new space construction or space increases, and which therefore constrain space but don't necessarily reduce it, could also be considered.

These criteria, if unsatisfactory, could be revisited if or as needed with the approval of the Treasurer.

Improves the overall quality of the facility portfolio

by reducing low NAV facilities from the infrastructure

Eliminates a backlog of deferred maintenance

or otherwise needed investment

Saves annual operating costs

At \$7 per square foot, as much as \$2.3 million in operating savings could be recognized for the campuses

(notwithstanding potential marginal off-sets of increased costs at the remaining facilities if they are more intensively used, and this figure will be less to the extent unoccupied, unheated space is involved)

What would the initiative accomplish?

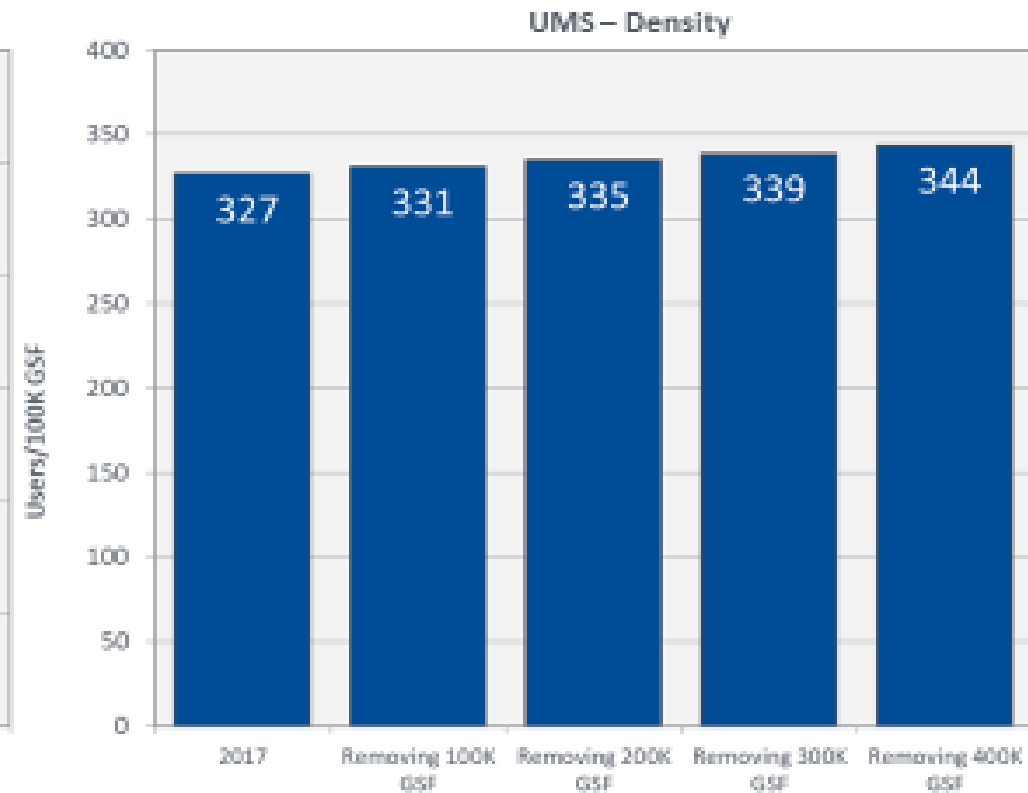
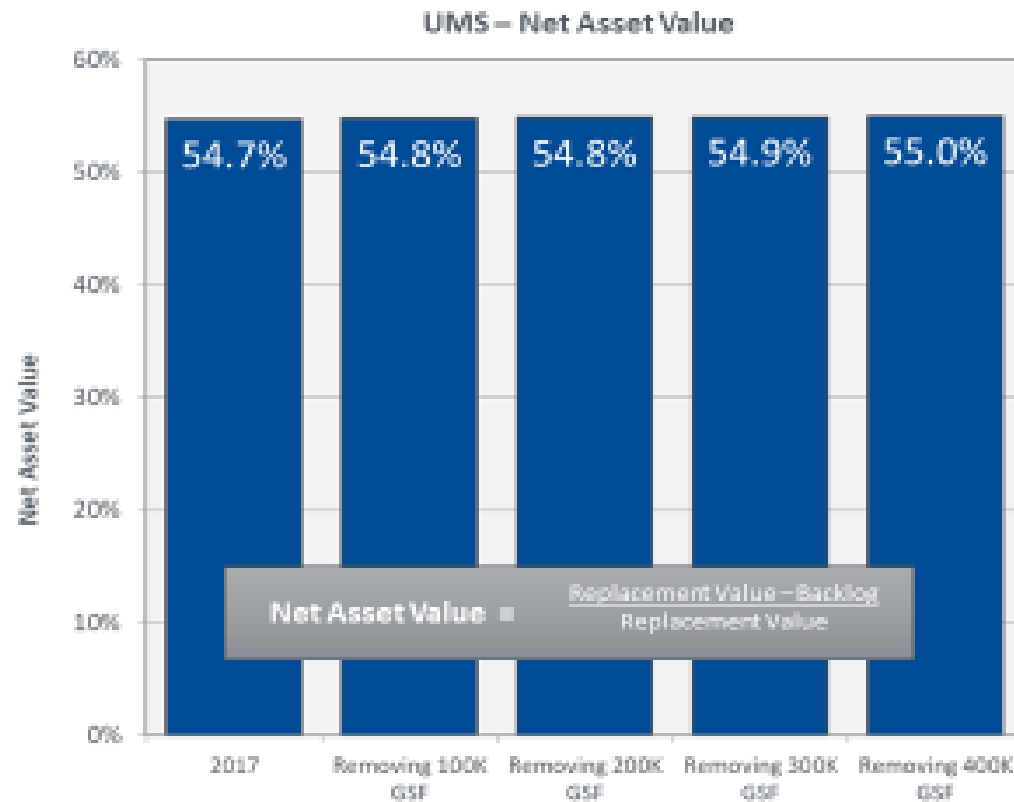
What are the challenges?

The space reductions must be net reductions

and must be above and beyond any space reductions as off-sets to desired new construction or increases in square footage. This can be a substantial challenge to achieve.

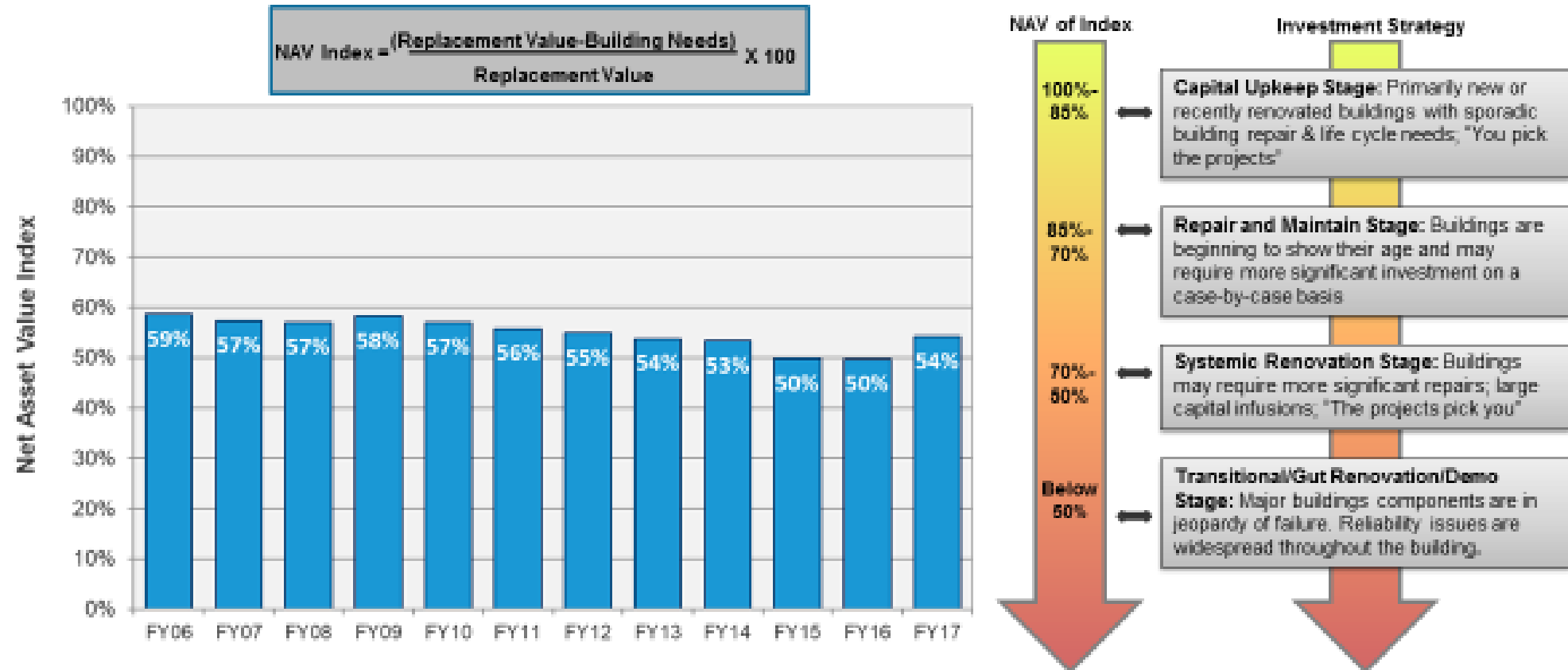
Can the impact be estimated and measured?

Removing GSF from the UMaine System Inventory



UMM Case Study

Net Asset Value Over Time



Timeline

When could it be done?

If the bond were floated and campus matching funds available

Work could be expected to occur largely between July 1, 2018 and June 30, 2021

July 1, 2018

2019

2020

June 30, 2021

Under what oversight?

- Ultimate initiative oversight could be assigned to the Treasurer with the support of the Chief Facilities Management and General Services Officer and the University's standing Capital Advisory Committee, which was created pursuant to the Trustee approved unified budget recommendations.
- The Capital Planning and Project Management work unit would administer the funds and the projects.