University of Maine Historic Buildings Assessment (P3)
INITIAL DOCUMENTATION / SPRING 2020
ACKNOWLEDGEMENTS

In October 2019, the University of Maine System engaged B&D to provide development advisory services related to the adaptive reuse of two historic buildings – Coburn Hall and Holmes Hall – at the University of Maine. As part of this initiative, B&D assessed the strategic importance of Coburn and Holmes and the long-term value of continued investment in these facilities. In addition, B&D advised UMaine on a range of possible financing and delivery structures that would be most advantageous in obtaining the University’s financial and strategic objectives.

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- Claire Strickland, Chief Business Officer
- Jake Ward, Vice President for Innovation and Economic Development
- Dr. Kimberly Whitehead, Chief of Staff to the President

The Brailsford & Dunlavey (“B&D”) Project Team comprised the following individuals:

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- Katie Karp, Vice President
- Meg Green, Associate
- Javaneh Jabbari, Senior Analyst
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EXISTING CONDITIONS

COBURN HALL

Coburn Hall was purpose-built in 1887-88 to house the University Library, Department of Agriculture and Natural History, and the University’s Natural History Museum. Coburn has been vacant since 2006 due to a lack of maintenance and the accumulation of several interior environmental and physical issues.

The immediate site is in good condition due to a complete exterior restoration in 2009, which reconstructed the foundation, improved site drainage issues, restored the slate roof, repaired and repointed the masonry, restored exterior trim, replaced windows, and repaired doors. The 2009 renovation did not address the deferred maintenance need of the building’s interior.

Figure 3: Coburn and Holmes Halls in the University of Maine's Historic District
A 2012 architectural study of Coburn Hall highlights several needed interior improvements before the building can reopen. First and foremost, the structure exhibits significant code and compliance deficiencies. The main entrance is not accessible and the building has no elevator. Circulation improvements must be made, including the addition of an elevator and multiple stair towers at both the north and south elevations. These additions would bring the building up to code while still retaining Coburn’s historic nature. Beyond structural and circulation improvements, renovations must be made to make the interior suitable for future tenants: finishes, equipment, electrical systems, and IT systems all require modernization. Though the basement was not addressed in the study, it represents a large amount of potentially valuable square footage flanked by ample windows and natural light, as it is approximately one half-story below grade.

HOLMES HALL

The smaller of the two buildings, Holmes Hall was built in 1888 with funds UMaine received from the Hatch Act earmarked for agricultural experiment stations at land-grant institutions. The original structure was expanded in 1899 – 1904 with the addition of two wings to the north and south. Originally used as laboratory, classroom, office, and support space for agricultural uses, Holmes Hall later became the home of the University’s Chemistry department until 1914. Holmes thereafter served as academic, office, and support spaces for a variety of departments. The most significant renovations to Holmes came in 1955, as a one-story with basement addition was constructed on the northern end of the building. The renovation further altered interior spaces to accommodate the growing needs of its occupants; today, few interior spaces remain as they were originally. Currently, Holmes is vacant and underutilized.

The immediate site is in fair condition. Holmes Hall remains an architecturally-sound building with a solid structure and envelope. However, the interior will need to be renovated and reconfigured to serve future

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4 Coburn Hall Conditions Assessment
uses, and several spaces have fallen into disrepair: walls are marked with cracked plaster, loose bricks, deteriorated doors and windows, and asbestos flooring. Holmes’ history as an instructional facility has carved many of the interior spaces into small offices and classrooms; as a result, the interior is inflexible to any renovation requiring large, open spaces. Load-bearing walls suggest the possibility of constructing several smaller rooms within the building. The foundation, masonry, and slate roofing are all in fair condition and display few signs of damage.

Any renovation to Holmes must focus significant investment into code safety and accessibility improvements. The building houses no elevator, no ramp, and depends on the original single open stair for internal circulation. One fire escape exists in the building. Accessibility improvements alone will prove to be a significant undertaking: while it is possible to add an internal elevator, connecting it to an accessible main entrance would require considerable construction. The most needed exterior investment will be in repairing and replacing windows and doors.

**HISTORIC TAX CREDIT OPPORTUNITY**

Each year, the Federal Government encourages the preservation of historic structures in the United States through a federal tax incentive program. The National Park Service, in coordination with the Internal Revenue Service and State Historic Preservation Offices, administers qualifying projects with these incentives equal to 20% or 10% of total project costs. The Maine Historic Preservation Commission distributes an additional 25% state tax credit to developers in the State of Maine whose projects also qualify for the larger 20% tax credit. To qualify for both the federal 20% credit and the 25% state credit, projects must be designated a “certified rehabilitation of a certified historic structure.” If development projects in the state of Maine meet the above guidelines outlined by Federal and State agencies, significant project cost reductions can substantially increase the financial benefit to developers.

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5 Holmes Hall Conditions Assessment  
6 Holmes Hall Rehabilitation and Reuse  
7 Holmes Hall Rehabilitation and Reuse  
8 Maine Historic Preservation Commission, Historic Rehabilitation Tax Credit Rules
The historic rehabilitation of Coburn and Holmes Halls qualifies for both the 20% federal and 25% state tax credits, as both halls are listed on the National Register of Historic Places and their rehabilitation will be deemed “significant” by federal and state agencies. Depending upon the size of rehabilitation and future use of these halls, B&D believes that a potential private development partner could be awarded over $5 million in tax credits for the rehabilitation of Coburn and Holmes Halls. With these significant cost savings, these halls are viable for reinvestment. Redevelopment of these storied buildings allows UMS to usher in a new future for UMaine by preserving the past with the needs of the future. Investment in this project provides the University with a strategically-aligned and financially valuable opportunity for a public-private partnership.
ADAPTIVE REUSE & MARKET OVERVIEW

In order to identify the most appropriate concept for the adaptive reuse of Coburn and Holmes Halls, the Project Team evaluated each market segment based on their strategic alignment with UMaine’s mission, as well as their economic viability. Figure 8 below summarizes the results of this analysis.

Figure 9: Concept Viability Analysis

MULTIFAMILY HOUSING

Overview

The Project Team explored converting Coburn and Holmes Halls into a multi-family housing facility, providing both market-rate and affordable units for faculty, staff, and local residents. Although this concept is aligned with UMaine’s strategic vision, the Project Team did not find this option financially feasible.

Strategic Alignment

Providing multifamily housing is aligned with UMaine’s vision as an institution, as it provides a direct benefit to a number of UMaine and community stakeholders. By providing market-rate, affordable, or senior housing in proximity to UMaine resources, the University could strengthen ties to the local Orono and
Bangor community and support Maine’s growing retirement population. Additionally, UMaine would benefit from additional swing space for student housing during future campus housing renovations and could advance the institution’s competitive advantage in recruiting faculty or staff by offering them temporary housing accommodations. Units could also be designated as temporary housing for the University to welcome visiting scholars, researchers, or industry leaders to advance research and innovation efforts on campus.

**Market Overview & Financial Viability**

The Project Team evaluated the viability of both market-rate and affordable multifamily housing. While a market exists for student and faculty/staff housing, a successful multifamily development in Coburn and Holmes would be difficult. The size of the historic halls makes them challenging to fit enough residential units for the project to generate sufficient revenue to cover capital costs. The necessary code upgrades for habitable units are especially costly. Despite the opportunity to receive an additional 5% in historic tax credits as part of this development, B&D estimates annual cash flow in the first year would constitute a loss of approximately $200,000 for both affordable and market rate housing concepts.

**COMMERCIAL RETAIL**

**Overview**

The Project Team further explored the feasibility of converting space in Coburn and Holmes to accommodate commercial retail tenants and service the local market. Potential tenants include apparel & accessory shops, restaurants, service providers, tech outlets, and entertainment venues. The Project Team’s analysis determined that the commercial retail option did not sufficiently align with UMaine’s strategic criteria and was not financially feasible.

**Strategic Alignment**

Retail in Coburn and Holmes achieves UMaine’s strategic goal of advancing of the local economy by providing space for the UMaine community to engage with local businesses. Retail spaces could also offer convenient services to the campus community in a central campus location. However, retail would do little to support student success or research and innovation, and it would simultaneously create security challenges by increasing external foot traffic on campus. Investments in retail also fail to represent the University’s intellectual environment. For these reasons, retail is not strategically-aligned with the mission and vision of the University.

**Market Overview & Economic Viability**
The Project Team evaluated market and economic viability for retail tenants in Coburn and Holmes and tested the concept's feasibility in a variety of scenarios. Conversations with UMaine stakeholders indicated that a market may exist for on-campus service-providing retail outlets, such as technology providers, hair/nail salons, laundromats, and more. For these businesses to operate, sufficient demand must come from the student, faculty, and staff populations at UMaine and will likely compete with retail outlets in nearby Old Town and Orono. Total project costs are estimated to be higher for a retail space, as UMaine will need to build out interior spaces to tenant specifications. In addition, high turnover in the retail market and industry trends to Internet-based shopping create uncertainty around operating costs, tenant improvements, and revenue assumptions. Based on an average of $7 per square foot in rental revenue, this concept achieves a debt coverage ratio of 0.13 in the first year and a negative cash flow in excess of $400,000. For these reasons, B&D determined that retail was not an economically viable option.

STORAGE

Overview

The Project Team explored the viability of converting Coburn and Holmes into a rental storage facility available to both University and community stakeholders. Due to the current floor plans and conditions of the buildings, converting interior spaces into small, climate-controlled storage units would be financially prudent. Load-bearing walls in Coburn and Holmes require square footage to be carved into rooms of less than approximately 500 SF, which lends well to small storage units. A market exists for these buildings, considering the magnitude of storage demand that a population of 10,000+ students creates, although any on-campus storage facility would compete with significant storage availability in the local market. Although this concept is somewhat feasible economically, it has a poor strategic alignment with UMaine. Therefore, B&D determined this concept not to be viable.

Strategic Alignment

There is benefit to the UMaine community in providing a climate-controlled rental storage facility on campus, as units could be made available to students, faculty, and staff, as well as the regional Maine community. However, converting these two historic buildings into storage facilities undermines their cultural significance to the University and would not directly contribute to student success or support regional economic development to the degree that alternate concepts would. Reinstating the historic grandeur of these buildings must be a focus for any developer, and crowding these halls with storage units will detract from the defining characteristics of Coburn and Holmes. Additionally, this concept does little to advance UMaine’s commitment to research and innovation on campus. For these reasons, a conversion to storage would not be strategically-aligned with the mission and vision of the University.

Market Overview & Economic Viability
The Project Team found that a reasonable market exists for climate-controlled storage rental on the University’s campus. Out-of-state and international students, in particular, would create demand for summer/winter break storage facilities, and visiting faculty and staff would benefit from the units as well. Many colleges and universities provide some storage for students during breaks in the academic calendar; Coburn and Holmes would naturally assume this responsibility for UMaine, as this storage facility provides the competitive market advantage of being located on campus. The facility could capture some demand from the local market, though several large-scale storage facilities exist in the Orono-Bangor region. Some of these facilities are owned by national chains and charge increasingly low monthly rental rates for units; thus, to be competitive, UMaine would gain far less monthly revenue than alternate proposed concepts. While the project team estimates that a storage facility would lose approximately $10,000 in its first year, resulting in a 0.95 initial debt coverage ratio for the project, the project will break even in its third year. Therefore B&D marked this concept as somewhat economically feasible.

OFFICE

Overview

Converting Coburn and Holmes Halls into commercial office space would be strategically-aligned and economically-viable for the University of Maine. If the University proceeds with this concept, the halls could provide spaces for startup and incubator offices, shared workspaces for students and private-sector firms to collaborate on initiatives, and meeting space for both University and community stakeholders, relative to market demand.

Coburn and Holmes are physically fit to be converted into Office space due to their interior features and renovation requirements. Load-bearing walls in Holmes require interior spaces to be divided into small units suitable for office suites, and former classroom/administrative space in Coburn can be converted into modernized offices. Between the two buildings, renovations allow 26,267 assignable square feet (ASF) available to convert into flexible office spaces to suit potential occupants. The combined size of these facilities allows UMaine to convert space into several office suites dependent upon the needs of future tenants. As these buildings are located proximate to UMaine’s campus, off-campus entities will find accessibility to the University’s research operations advantageous.

Strategic Alignment

The Project Team determined that converting Coburn and Holmes into office space would be the most strategically-aligned concept for the University of Maine, as it best achieves each of the four strategic criteria outlined in the ‘Strategic Criteria’ section of this document (See Figure 8: Concept Viability Analysis).
providing collaborative office space on campus in a historic setting and delivering modernized offices to the
local market, UMaine will have a direct hand in advancing the economic development of the Bangor-Orono
region. Revenue from office tenants will allow UMaine to invest more into its own innovative development
initiatives on campus, furthering its goal as a preeminent research institution. Further, providing
collaborative office space on campus will increase opportunities for students to engage with private-sector
firms and create lifelong career connections.

**Market Overview**

B&D analyzed the local Orono-Bangor office market, including over 3.2 million square feet of space, and
interviewed local business leaders familiar with commercial activity to gain a greater understanding of the
office space market in the surrounding area. Although the project team focused research on the immediate
Orono market proximate to UMaine, several properties in Bangor were also analyzed to better understand
market-wide regional activity.

The average vacancy rate in the Orono-Bangor region is 6.9%, which is over 3% higher than the prior
period and double 2019’s Q2 vacancy. The local market also suffers from a negative absorption rate (-103,000),
indicating that 103,000 more square feet was made available than was leased in the previous 12 months.
While the lower market has a generally lower vacancy rate than the national average, this large
fluctuation in recent months is most likely due to the recent addition of 160,000 SF of Class-A office space
for the Bangor Savings Bank in 2019, creating a large influx of vacated square footage previously occupied
by the Bank.

**Potential Tenants & Demand**

Due to relatively low current demand for newly-constructed office space in Orono-Bangor, the Project Team
believes that the most suitable tenants for Coburn and Holmes Halls will be sourced through partnerships
with the University of Maine. A prime campus location, accessibility to cutting-edge research, and proximity
to future talent makes these halls an attractive space for many potential partner organizations. To be
competitive in the local market, where the majority of office facilities include sizable parking lots, UMaine
must consider the provision of convenient parking to potential future tenants in Coburn and Holmes. To
meet demand for parking from future tenants, UMaine could reserve spaces within two existing campus
lots in proximate to Coburn and Holmes.

The Project Team explored the viability of welcoming existing partners of UMaine into office space in
Coburn and Holmes by comparing measures of total office space demand against ability to pay. The
Advanced Structures and Composites Center (ASCC) – a UMaine material sciences, manufacturing, and
engineering research center – is a viable tenant for these facilities. In a recent expansion plan, the ASCC
outlined a need for an additional 5,600 ASF of office space on the University of Maine’s Campus to serve the growing functions of the organization. In addition, the College of Natural Sciences, Forestry, and Agriculture has commissioned a planning group to explore the construction of a new building to create classrooms, labs, office, and meeting spaces for faculty, staff, and students in the life sciences. This building would replace facilities in Murray Hall, which would be taken offline. B&D believes that both the ASCC and the College of Natural Sciences, Forestry, and Agriculture would be suitable tenants for Coburn and Holmes Halls upon their renovation considering the significant cost savings to both departments due to the unique historic tax credits. If these organizations were to forego Coburn and Holmes and build out new office space elsewhere on campus, they would incur substantially higher overall project costs. When applying a 5% discount rate, B&D estimated that the cost to UMaine departments of renting space in Coburn and Holmes would take approximately 80 years to match the total project cost of building new space elsewhere on campus. Additionally, government organizations that have existing partnerships with UMaine can utilize grants toward subsidized office space on campus; these grants combined with historic tax credits make office space in Coburn and Holmes an attractive investment.

The Project Team also explored the viability of several private sector entities forming partnerships with the University to commence future operations on campus. In speaking with several business leaders in the state of Maine, B&D has identified potential demand from firms in banking, software technology, and energy industries. Several Maine-based companies display potential demand as well, including LL Bean, Tyler Technologies, Jackson Labs, and Unum. By providing office space on campus, UMaine holds the ability to form mutually-beneficial partnerships to foster internships, research opportunities, and special projects for students.

**Economic Viability**

The Project Team considers the conversion of Coburn and Holmes into office space to be economically viable and advantageous to the University. With the many advantages that offices on UMaine’s campus would provide, including research and talent accessibility, B&D assumed a $20 / SF rental revenue basis to charge future tenants. While this rent is approximately 25% higher than local market rents, the Project Team assumed UMaine would provide full-service leases to cover all operating costs for tenants, given they are currently already spending an estimated $100,000 annually to heat the two vacant facilities. To remain competitive to other office spaces in Orono-Bangor, UMaine must provide adequate parking spaces adjacent to offices in Coburn and Holmes. Given these assumptions, the project team estimates the project to break even in the first year while achieving a debt coverage ratio of 1.00. If parking is included in plans, assuming full-service leases for likely tenants, B&D believes that the University will gain a positive cash flow within the first two years of operation making this option financially feasible.

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9 Bangor-Orono Offices, CoStar Realty Information, Inc.
HOSPITALITY

Overview

Each year, UMaine attracts a large number of visitors to the Orono and Bangor area through various events and conferences. Currently, the University does not have any affiliated hotel properties on campus, and the majority of Orono hospitality demand is accommodated in either two economy-class hotels in Orono or other hotels in nearby Bangor. B&D believes there is an opportunity to convert Coburn and Holmes into a boutique hotel on campus. Both of these halls have historic and architectural features, which make them suitable for a boutique hotel conversion. Based on an initial evaluation of these two facilities, the Project Team believes there is an opportunity to develop approximately 65 rooms within both Coburn and Holmes Halls. Furthermore, this concept will include meeting spaces and a small café which will benefit UMaine students, faculty, and staff.

Strategic Alignment

The hotel concept is strategically aligned with UMaine’s vision. A University-owned boutique hotel will strengthen UMaine’s brand and provide upscale lodging accommodations for the UMaine community. This concept will also contribute to the economic well-being of the region by providing jobs and attracting tourists to stay in Orono. Additionally, UMaine students, faculty, and staff can utilize the meeting spaces and any potential food venues in this hotel.

Market Overview and Demand

The hotel market in Orono is limited to two economy-class lodging properties, Black Bear Inn and University Inn. These two properties provide the town of Orono with 116 hotel rooms; the rest of the hospitality demand in this area is accommodated mostly in Bangor or through Airbnb, Inc. rental properties. Various University and community stakeholders demonstrated a need for an upscale hotel development in Orono, which solidifies a boutique hotel development as a strong concept.

The Project Team advanced the analysis by collecting data from 22 hotel properties in the Bangor and Orono area. The hotel market data was obtained from Smith Travel Research (STR), which provides detailed statistical information for a specified hotel market. Over the past eight years, the average daily rate (“ADR”) in the market has increased 3% annually, with an average of $112 in 2019. While the Bangor/Orono marketplace has a modest average daily rate compared to the national market, its overall outlook can be described as stable and improving.
In relation to occupancy, the overall market fluctuates throughout the year. As Maine attracts many tourists for summer recreation activities, the average hotel occupancy in the area increases to as high as 84% in the summer months (as compared to a national average occupancy rate of 66%). In contrast, in the months of January to April, November and December the average occupancy rates are significantly lower.

To support a potential boutique hotel investment on campus, UMaine benefits from additional customers drawn to campus by UMaine’s events and conferences. B&D held multiple interviews with UMaine key stakeholders and explored UMaine’s University events calendar to identify the major events that would solicit out-of-towners to UMaine and consequently generate room night demand on campus. Based on in-depth interviews with University stakeholders, the Project Team created high-level assumptions to forecast the number of room night stays each of the above events would generate. Other smaller University events
that may generate hotel demand, including those held by UMaine partners, were not included in this analysis. The largest events that would generate on-campus hotel night demand are outlined below:

- **Athletic events**: UMaine hosts approximately 80 athletic events annually, from September to March, which may require some visiting teams to stay close to campus for at least one night.

- **Art performances, concerts and Broadway musicals**: The Collins Center for the Arts hosts approximately 120 events annually, approximately 35 of which are major concerts and Broadway musicals. These events may require the attending artists and crew to stay in Bangor or Orono for a few nights.

- **University commencement and Families and Friends weekend**: It is likely a University hotel would be fully occupied during these two large-scale events, which take place in May and early September.

- **Conferences and workshops**: UMaine hosts approximately ten conferences, six career fairs and more than 50 one-day workshops and seminars throughout the year. Consequently, attendees and guest speakers would seek lodging accommodation in Orono or Bangor through the year.

- **Open house events**: Fall, spring and summer open house events, along with program-specific open house events bring prospective students and their families to campus creating demand for hotel nights.

- **Campus tour**: Additionally, each year multiple students and their families visit UMaine and take campus tours in March and April.

![Figure 12: Estimated number of UMaine’s major events per month](image_url)

As shown in the above chart, University-related events mostly take place during academic months. This suggests that in low-demand hospitality months in the Orono-Bangor market, the University would generate sufficient room night demand to strengthen overall demand for a hotel development at UMaine. On the other hand, the increase in demand in the Orono-Bangor market in June and July would support the hotel when the University campus is quieter. It is important to note that this analysis is not intended to quantify
demand for a University hotel but to demonstrate the University-generated demand as it relates to demand from the general market.

Figure 13: Hotel market occupancy in 2019 and University-affiliated demand projections

Economic Viability

The Project Team believes converting Coburn and Holmes halls to a boutique hotel is financially feasible. Further, as described in the previous section, the University will generate its own demand alongside that of the general market. Therefore, the Project Team believes assumptions for ADR and occupancy could be higher than the average market: B&D assumed an ADR of $133 at 60% occupancy to generate the financial assessment. The financial model held $20,000 per room for operating costs for approximately 65 rooms. Based on these preliminary assumptions, a hotel will result in a positive cash flow in the first year estimated at $30,000 and achieve a coverage ratio of 1.05. B&D believes a hotel development will generate enough revenue to cover the development costs and annual operating expenses, making it a financially feasible investment.