



**PLANNING
DECISIONS**

Research & Planning

**Augusta Flatiron Building Reuse Options:
Market Overview**

For: The Flatiron Reuse Committee

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I. Summary

At earlier public meetings on the Flatiron building reuse, dozens of suggestions for possible uses were made. This study examines a wide range of these possible uses and estimates their potential revenue potential for the building's reuse. This study is one piece of the puzzle for creating a Flatiron reuse plan. Other pieces include the Committee's goals for reuse, the physical condition of the building, and available financing options. Below are the most promising reuses found in this study.

Table 1: Most Promising Areas of Market Demand for the Flatiron Reuse

Potential Use	Potential Demand	Potential Revenues	Comment	See page
Auditorium - performances	40+ shows first year; more thereafter	\$20,000/year	Requires upgrading to auditorium for backstage, lighting, elevator, etc.; some free classroom storage	3
Arts – room rentals– nonprofits	12 + classrooms	\$200/ per room/ per month	for storage, classes, dance, music lessons	7
Arts - room rentals – individual artists	30+ classrooms	\$175/ per room/ per month	for studios, music practice, private lessons, gallery space	8
Specialty Retail	10,000 sq ft	\$5-\$10/sf	supplement existing activities, such as coffee shop, bakery, art supplies, books	15
Medical offices	Up to entire building	\$15-\$20/sf	Doctor's offices, clinics, Maine General administrative office potential. Parking an issue.	18
UMA classrooms	4-8 rooms	cost of fitting up, utilities, plus \$3-\$5 sf	Architecture program (4 rooms) Possibly nursing program Possibly some music, arts classes	20
UMA student housing	100 students -- 100-200 sf per student	\$4,000 per student per year	Suite housing. University cannot guarantee revenues	20
Affordable rental housing	Up to 30 units	Up to \$750 rent/month	Could be for seniors or young singles and couples. Needs MSHA tax credits.	23
Affordable condominiums	Up to 30 units	Up to \$200,000/unit	Would require CDBG write-down of costs, MSHA mortgages	23

II. Purpose of study

The purpose of this study is to identify potential uses for the redeveloped Flatiron Building, and to estimate revenue flows from those uses.

The study is not intended to identify or recruit an individual user. Nor is it intended to recommend a use. These are decisions that must be made by the full Flatiron Committee, as this information is related to findings of the architect and engineer, and weighed against the redevelopment principles created earlier in the process. Those principles are:

1. *Make a positive statement about the City of Augusta*
2. *Honor the buildings heritage, historical character, and the Cony name*
3. *Improve the quality of life in the immediate neighborhood*
4. *Become a catalyst for economic development in Augusta*
5. *Become fiscally self sustaining, though not necessarily profitable*
6. *Promote the cultural life of the city*
7. *Do not worsen the traffic problems of the area*

Also, the issue has been raised in comments during this process of whether the City needs a new performing arts center, and if it does, whether this is a better site than the Colonial Theater. As this is purely a fact-finding study, this issue is not addressed here.

In earlier public meetings in this process, dozens of potential uses for the old Cony High School building were identified. For purposes of this analysis, the uses are divided into arts-related, commercial, housing, and educational.

III. Arts-Related Uses

Research on this section was conducted by individual interviews with arts organizations in the City, and through an on-line survey of artists. The interviews were conducted by Deb Fahy of the Harlow Art Gallery. The results are provided below:

A. Performance Uses for the Auditorium

Interviews with 16 potential users of the auditorium space evoked a generally enthusiastic response. "Absolutely yes," "we are growing and looking for space," "we need to find a home." Thirteen of the sixteen could imagine using the facility. Several - the Augusta Symphony, Gaslight Theater, the Kennebec Performing Arts Company, and Improvox (an a cappella ensemble) -- could imagine making it their home, and renting classroom space as part of the operation. The Kennebec Dance Center would be interested in doing all of their performances there, as well.

For the auditorium to play this role, however, several things were identified by our key informants as important. They include:

- excellent acoustics; if the acoustics are not good, then all bets are off for musical groups, who would be the heaviest users of the facility (see Table 1 below)
- a concert piano
- an expanded stage so there is access both from the back (at least 5 feet wide) and from the wings (not currently available)
- state-of-the-art lighting ("LEEKOS that hold GOBOS")
- waiting areas for performers (could be classrooms across the hall)
- storage space for musical instruments, backdrops and stage props (also classrooms)
- ability to serve refreshments
- access to the stage from a freight elevator (because the theater is on the third floor)
- a clear and fair scheduling system
- managed box office with a phone and web site
- good management and marketing.

Thirteen of the sixteen organizations responded that they could use and would pay for use of the auditorium. Based on their past experience, a total of 40 or so performances could arise from this core group. However, the revenues from the 40 shows would only be a little over \$20,000 (see Table 2 below).

This would be a start. David Greenham of Monmouth pointed out the importance of “growing the audience,” and as Augusta has not had experience with this kind of facility, it would need to have patience for the audiences to develop. Over time, respondents expected the numbers of performances to increase every year.

Table 2: Potential users for the Auditorium

Organization	Annual shows	Attend	Possible fee	Potential Annual Revenue	Comment
Kennebec Dance	4 +	750	\$2,000	\$8,000	need wings, backstage, piano, orchestra pit, quality lighting, web site
Monmouth Theater	3	200	\$500	\$1,500	need good freight elevator
UMA Senior College	3	160	\$500	\$1,500	opera, musical, ballet need backstage good acoustics
Improvovox	2	200	\$720	\$1,400	concern- poor walking access to downtown
Gaslight Theater	4	100	\$120	\$1,200*	annual fee includes 2 storage rooms
Augusta Symphony	4	200	\$250-\$300	\$1,200	concert piano needed
Pineland Suzuki School	1	500	\$1,200	\$1,200	concert piano
Primary Skills Art Institute	6	250	\$200	\$1,200	multicultural
Kennebec Performing Arts	6	100	\$100-\$200	\$1,200	music
CODA Chorus	2	300	\$500	\$1,500	need good acoustics, piano
Maine Country Music Pioneer Show	1	1200	\$1,000	\$1,000	need parking
Port Veritas & Highball Jazz Trio	5	75	\$180	\$900	
Maine-ly Harmony	2	200	\$250	\$500	
TOTAL	43			\$21,700	

The combination of many improvements that would have to be made in the auditorium, along with the relatively low revenues in the early years, would indicate

that grants or private fundraising may be needed to finance the theater upgrade.

The advantage of such a facility for these groups is that it would be available year-round (the new Cony is limited for public use during the school year), would be larger than Jewett, and if it is done well, would have better acoustics and lighting.

These groups, particularly the Symphony, indicated a willingness to participate in a private fundraising campaign to help pay for such improvements.

The New Cony High School Experience

In considering possible use levels for a new auditorium, it is useful to consider the experience of the new Cony High School Auditorium in the past year. The auditorium seats 950, and is available to the public when such use does not conflict with school functions. Principal James Anastasio reports that it is a first rate facility – the acoustics and sound system are excellent, the lighting more than adequate.

Because the facility is not rented during the school day, and during school plays, bands and chorus concerts, the High School has turned down at least ten different groups in the first 8 months of operation (October, 2006 to May 2007). Users of the facility have included:

- The City of Augusta (twice)
- The Kennebec Performing Arts Company (twice) for Christmas, spring concerts
- The Kennebec Dance Company -- four recitals, 1 in December and 3 in the spring
- UMO's Maine Steiners for a fundraiser for the Cony music program
- Project Graduation for a fundraiser (comedy performances, hypnotists)
- The Maine Quilter Association for their annual meeting
- The National Guard (this summer) for a Freedom Salute
- The Department of Education (next October) for a conference

Some arts organizations complained in our survey about the lack of availability, the cost, and the lack of backstage space in the new facility. The rental rates for Cony are shown in Table 4. The non-profit rates are generally consistent with what existing arts organizations have said they can afford (see Table 1); the for-profit rate (\$750/day) is more than most respondents could afford.

Table 3: New Cony High School Auditorium Rental Rates and Policies

Organization type	Non-Profit	
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time				Profit		
	Afternoon	Evening	Weekend	Afternoon	Evening	Weekend
Auditorium	\$125	\$200	\$250	\$400	\$550	\$750
Gymnasium	\$20 hr	\$25 hr	\$60 hr	\$40 hr	\$60 hr	\$100 hr
Food Court	\$20 hr	\$25 hr	\$45 hr	\$40 hr	\$60 hr	\$100 hr
Classroom	\$15 hr	\$20 hr	\$40 hr	\$25 hr	\$40 hr	\$65 hr
Class daily rate	\$90	\$120	\$240	\$150	\$240	\$390

Additional policies governing Cony Auditorium Rentals

1. An additional fee may be charged for any session that **exceeds four hours**. (All Gymnasiums, High School Auditorium, and High School Food Court only)
 - 1a. Additionally, concurrent times will be billed at 80% of the rates noted. (All Gymnasiums, High School Auditorium, and High School Food Court only)
 2. School related organizations (PTA, AEA, MEA, St DOE, City Rec, Scouts, etc.) will be billed for services only. (Custodial, kitchen, etc)
 3. Additional and special services (police, fireman, etc.) if incurred, will be charged accordingly.
 4. A non-school organization, group, or person renting the use of a school building shall provide the school department with proof of liability insurance in the amount of \$500,000 with the City of Augusta Department of Public Schools as a named insured. The Superintendent of Schools (or his/her designee) may waive this requirement based on his/her judgment of liability risks.
 5. Use of facilities may not be allowed during regular school days.
 6. School owned equipment (i.e. head sets, microphones, special audio-visual equipment etc.) are not included in above rates, additional charges will be assessed.
- Proposed: Flat rate for custodial and/or cafeteria services of \$27 per hour, 2006-07 year, to raise \$1.00 per year thereafter.

B. Classrooms

There was also considerable interest in the use of classrooms for practices, for lessons, and for storage, among the organizations surveyed.

The Primary Skills Art Institute (a multicultural arts group currently based at Buker School) and the Pineland Suzuki School (a group providing lessons to 100 students in violin, fiddle, viola, and cello) had both needs and the ability to pay. Several organizations identified needs for storage (the Symphony, Gaslight, Rocky Bay Pipe Band) but did not have an ability to pay (for Gaslight, the storage would be part of the annual auditorium fee).

Of the organizations that responded, there was a potential for \$17,500 in annual fees for classroom usage.

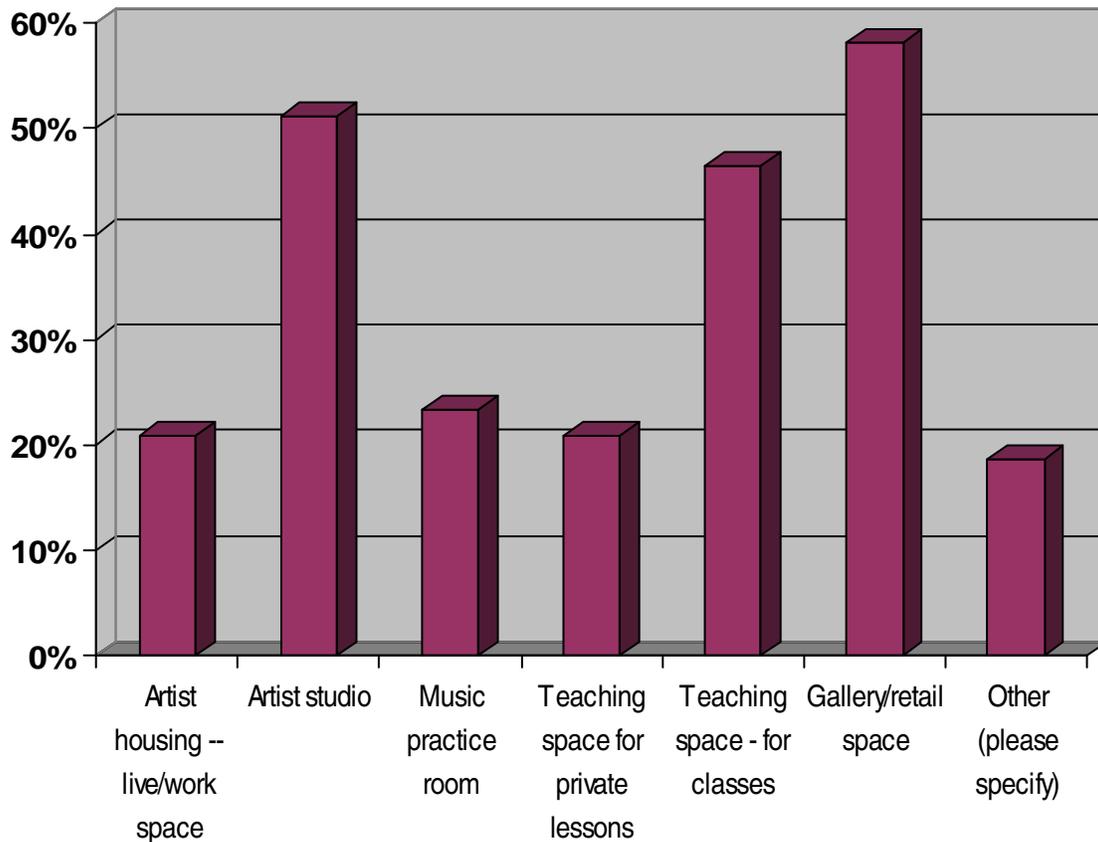
Table 4: Potential Classroom Use

Organization	Class rooms	shared	class size	Annual class days	Room Rent	Annual rent	Comment
Primary Skills	2	no	15	year round	\$300/mo	\$7,200	movement, instrument making
Improvovox	2	yes	12	16	\$100/mo	\$1,200	singing – acoustics must be good
Pineland Suzuki	10	yes	4-20	--	--	\$6,000	
Kennebec Performing Arts	3	yes	10-40	--	--	\$2,400	
Individual musicians	3	yes			\$5/hour	\$1,500	
Total						\$18,300	

The survey of individual artists indicated an even stronger potential market for classroom usage, but again, the revenues from this use would not be high.

Of the total of 43 artists who responded to the online survey (the email went out to about 400 -- a 10% response rate), there was strong interest in renting space for studios, galleries, and classes.

Figure 1: If classrooms in the Flatiron building were renovated and available, would you consider using any of the following?



Over half were interested in studio space, and nearly 60% were interested in using the space for retail purposes. Most respondents currently were working out of their home (70%), and sell their work through galleries or art fairs. Two out of three are currently looking for places to show or sell their work. The combination of dissatisfaction with existing arrangements, and enthusiasm about the Flatiron building, indicates that there may be high demand in this area.

Few of the artists, however, can pay much in the way of rent. Of the 33 interested in using classroom space for one of the above purposes, the average rental cited was \$168. Four out of five respondents said they wanted to pay less than \$250 (see Table 5).

Table 5: Individual artist interest in classrooms

Would Pay	Artist housing live/work space	Artist studio	Music practice room	Teaching space for private lessons	Teaching space - for classes	Gallery retail space	Other (please specify)	Open-Ended	TOTAL
	9	22	10	9	20	25	8	8	33
	20.9%	51.2%	23.31%	20.9%	46.5%	58.1%	18.6%	18.6%	76.7%
Avg	\$104	\$172	\$184	\$111	\$113	\$143	\$125	--	\$168
\$0-\$49	2	3	3	3	6	6	1		10
\$50-\$99	2	4	3	2	5	6	1		8
\$100-249	3	8	1	1	3	6	3		9
\$250-\$499		4		1	2	4			4
\$500-\$749								1	1
\$750-\$1000									0
\$1000+			1						1
n/a	2	1	2	2	4	3	3		

The summary picture from all of this is that there is a high demand for classrooms, but at low monthly fees for individual users. Sharing arrangements might provide the means to maximize the revenue potential from this source. But as with the auditorium, sharing arrangements require intensive management involvement, and this too is an expense.

C. Comments from individual artists

The online survey was also a source of interesting comments from artists. A sampling of their ideas is provided below:

- *It would be good to start an outreach center for ex-convicts and/or displaced and impaired persons. Art, music, and poetry are good therapy and offer skills in communication with others*
- *I'd love to see more theatre in Augusta, and I'd love to see some audience building.*

- *Move the Maine State Commission on Art & Humanities to office space in building. Direct them to continue to do most of what they do, but to be more involved on a community level through out the state for arts projects (provide timely information to artist on events, happenings, where to go to find all manner of things) (a clearing house so to speak.) Need to become involved more with the arts in the trenches*
- *Bring the theater up to par and encourage its use for performing arts, music, professional and armature, lectures, seminars, etc., with or with out seating (practice or rehearsal space) (the floor could double as rehearsal dance space etc.)*
- *Create some kind of board of advisors to help guide what happens. Somehow create a minimum staff*
- *Create studio space --painting, ceramic, sculpture, traditional crafts, other*
- *Make studio space affordable to even the poorest starving artist*
- *May be one studio for an "artist in residence" for a one or two month period (competition or award)*
- *Coffee snack area, do it your self, no sales staff. A place to relax, have a refreshment and just talk*
- *Create an arts Library and information resource room -- not too elaborate, something that would grow*
- *Create a space for revolving monthly shows, an annual local show , an annual state wide show*
- *Make wall space for Permanent or semi-permanent exhibition of art*
- *Move the Dunton art from City Hall to the building. Also rotate some of the Augusta Historic society art (and any other) to wall space and change periodically (the same for sculpture).*
- *Teaching space for children, adult ed, special arts and craft, programs other.*
- *I wonder how many "potential" performance spaces in the greater Augusta region the area can support. Johnson Hall is on the verge of publicly announcing plans to create a 400 seat venue, the former Colonial Theater has been mentioned publicly in relation to its*

rehabilitation and then there are the performance halls at the high schools in Gardiner, Augusta, Winthrop etc. They would all be struggling, without the Cony endeavor, to fill their respective theaters with paying attendees. Just my thought but here it is for what its worth.

- *Performance and studio space would be wonderful. Augusta could join other cities that have reused great old buildings for art!! Is there space for parking?*
- *Have you ever seen the old Cony auditorium? I doubt there are 1,000 spaces for seating as you described. It is a lovely room with curved balconies - my advisee group cleaned it out one year for our Day of Caring activity. It will need loads and loads of work & megabucks to refurbish.*
- *I am on the Board of the Augusta Symphony Orchestra. We are definitely in need of a venue for our concerts. Since our orchestra numbers 55 volunteer musicians, we need an auditorium big enough for the orchestra and the audience. We also could use classroom space for group rehearsals, individual lessons, or office space. I think that Augusta desperately needs an arts complex for all of the art organizations in the area.*
- *First, I believe any use of the Flatiron building will have to be financially self-sufficient to be approved by the powers to be. That's why I lean toward a multi-use facility with several different organizations involved -- each responsible for its own finances and programs.*
- *I see performing arts -- music, dance, theater -- perhaps three different groups under that banner; visual arts - painting, sculpture, photography and an "academy of arts" providing training in the various disciplines for a fee.*
- *The "academy" component could be critical in gaining the support of the city and the voters for several reasons including the "emotional benefit" of a continuing role in education for this facility.*
- *I would see the groups having much autonomy within a common goal. And there would undoubtedly have to be an administrator to avoid chaos and bumping heads. In the case of the performing arts, where the stage facility would have to be shared by any (independent) groups, the scheduling and coordination would need to be in the hands of the administrator.*
- *I believe that if a single organization, representing just one artistic discipline, tries to run a solvent operation in the Flatiron building, they will be dragged down by building's expenses in short order.*

- *If the costs are shared (not necessarily equally) by five of six separate artistic groups, there will be the reasonable chance to match expenses to the revenues that the groups can attract through performances, shows, exhibits and classes. And there is certainly the opportunity to gain state and city financial contributions to help pay the bills for the facility itself.*

D. Small Arts Movie Theater

A survey of Southern Kennebec citizens conducted for the Johnson Hall in Gardiner several years ago found that movies ranked the highest as a potential draw for cultural activities.

Kevin Scribner of Planning Decisions conducted interviews with three small arts theater owners in an attempt to see the possibilities for arts movies at the Flatiron building auditorium. The three theaters were: the Red River Theatres in Concord, NH; The Movies on Exchange in Portland, ME; and the Railroad Square in Waterville, ME.

Red River Theatres – The Red River Theatres is a three screen theater in downtown Concord, NH which is currently under construction. It is going into a brand new multi-use building in the downtown, with an attached parking garage and business offices and other uses on the upper floors.

It is a non-profit operation with a board of directors and a paid executive director to oversee its operation. The start-up cost of the project, including the construction, purchases of movie capital and the first few months rent is \$1.8 million. This is being raised through donations as well as through private and public grants (some of these grant sources include the NH Main Street program, NH CDFA Tax Credits, the State Council on the Arts and donations from both Lincoln Financial and Stoneyfield Yogurt for the naming of two of the theaters).

While this theater is a non-profit organization, there is a need to generate significant cash flow in order to cover the approximately \$100,000 in rent and employee wages. It is estimated that 48% of all revenue from ticket sales will go back to the movie distributor. With this in mind, Red River has gotten a liquor license and plans to serve beer, wine, coffee and other concessions to viewers. It is estimated that this will generate \$2 per person, on average, in concession sales in comparison to \$1.50 per person with only soda, popcorn and other normal movie theater fare. In order for the Red River to stay open concessions are a must. It is also planned that the smaller third theater will be rented out and used as function space, not just as a movie theater, to bring in added revenue.

The Movies on Exchange – The Movies on Exchange is a 1,700 square foot, one-screen theater located within the “Old Port” of Portland, ME. It is a privately owned for-profit theater which has been in operation for 31 years. As compared to the Red River Theatres it has normal concession fare which brings in about an estimated 10 to 15% of the theater’s revenue.

The Movies on Exchange is a one screen theater; it sometimes is unable to show more than one movie a week, depending on the arrangement with a movie’s distributors. The owner of the theater estimates that he deals with 25 different distributors within a given year. In dealing with the distributor different arrangements are put together: for some movies the theater will pay a flat rate to run the movie, for others the distributor gets a percentage of the tickets sold. Also, movies can be shown on their own throughout a week, while others alternate throughout the week with another movie. As the owner put it, you need to have someone running the theater who knows what they’re doing, can provide direction and is a people person who can negotiate with distributors and others on the phone.

Railroad Square Theaters – Railroad Square is a three screen movie theater located in Waterville, ME. They currently get a significant number of viewers from the Augusta area. The operators had no interest in operating a one-screen art movie theater in Augusta: they feel the cost of renovating and operating a one screen art house movie theater would exceed any reasonable expectation of revenue.

This sentiment was echoed by the other movie theater operators. It is very difficult to successfully operate a one screen art house theater. The owner of The Movies on Exchange stated he was unsure how much longer he would be able to operate at his current location, as the landlord was charging him much below market rate for rent and that could change at any time.

The Railroad Square approach seems the most cost-effective, i.e., having multiple screens so that multiple movies can be shown at the same time and bring in more people, without increasing the number of employees running the equipment and concession stand and ticket booth.

Unfortunately, it is not easy to create a multi-screen arrangement. It would not be enough in the Flatiron building to just put up partition walls. The walls would have to be soundproof, so as an audience would only hear the movie they were watching and not be disturbed by a movie next door. Such walls are expensive, and it is not clear whether it is even possible to engineer such walls into the current Flatiron auditorium.

The other option is to use the current theater as one of a variety of uses. The capital cost of new audio and projection equipment is at least \$5,000. Unless used equipment can be found, or a grant can be found, a lot of start-up capital would be tied up in a part-time activity. Also, it becomes more difficult to negotiate with distributors if the hours films are running is restricted.

It is possible that one of the larger rooms downstairs (the “music room”) might be used as a small movie theater. This avoids the problems of partitions in the auditorium, but the issues of capital cost and management remain.

In short, although there is a strong demand for arts movies in the Augusta area, the Flatiron building itself is not the ideal venue for addressing it.

IV. Commercial Uses

A variety of commercial uses have been investigated. They are summarized below.

A. Conference

The use of the Flatiron Building for conference space is not recommended by the City's expert on conferences, Dana Colwill, Director of the Augusta Civic Center. The reason is not that the Flatiron could not serve as a conference facility; rather, it is that if the Flatiron were to be used for conferences, it would take business away from the Augusta Civic Center. The result would be that instead of having one conference facility running in the black, as the City has now, the City would have two conference facilities running in the red. Here is an excerpt from the email Dana sent on the subject:

First of all, turning that building into a conference center will create competition with the Augusta Civic Center as several of the smaller conventions and meetings we currently host could, potentially, fit into the old Cony if it were to be renovated as such. Though we are very busy here, I don't believe Augusta can sustain another conference center of that size. Also, I believe the area hotels and lodges with meeting space will be very upset for the same reason.

We struggle each year to run this facility in the black and 95% of conference centers in the U.S. do NOT turn a profit so chances are the center would have to be subsidized to some extent. Because of this, I would not entertain managing a second conference center.

For this reason, the conference option was not pursued further.

B. Retail

Because the Flatiron Building will face (in the back) out towards the Hannaford parking lot, where thousands of cars will pass by every day, it would seem that the building would be a good candidate for retail reuse. However, this was not the view of the several commercial realtors and developers we spoke to. They pointed out the following limitations of the Flatiron building with regard to retail space:

- a retail store in the building could not achieve much visibility to traffic at the rotary (where the major drive-by traffic will be), because of the triangular shape and limitations on signs on the historic façade;

- the rotary itself does not provide easy on and off access for convenience type shopping (which is the predominant type of store on Bangor Street);
- the Hannaford's, and the new drug store across the street, are themselves convenience stores, and will further dilute the local convenience market;
- The Marketplace at Augusta and similar developments near to I-95 are attracting the higher end retail development, and soaking up more and more of the area's consumer dollars. Thus, Water Street and Bangor Street have several longstanding retail vacancies. The Flatiron neighborhood is not a place where a high-end retailer, the kind needed to pay a high enough rent level to renovate the building, is likely to come.



for sale on Water Street



for sale – Christian Science Reading Room

Most small retail space is bought and sold in the area, and not rented. Four buildings recently for sale or rent in the immediate neighborhood of the Flatiron provide a general picture of the retail rents in the area. On Water Street there have been two buildings for sale – the Lamey Wellehan shoe store and a typical 3-decker (retail on the first floor, three apartments above building -- see picture). Across from City Hall the Christian Science Reading Room is for sale. Across the bridge the Northern Mattress store has been for sale or lease.

Table 6: Retail Commercial Rents in the Area

	Lamey Wellehan	Water Street (also – 3 apts)	Christian Science	Northern Mattress
Sale price	\$155,000	\$179,900	79,500	\$2.2 million
Retail sq ft	1,760	1,160	1,392	41,937
Rent per sq ft equivalence	\$3.00 to \$4.00	\$4.00 to \$6.00 (depend on apt value)	\$7.00 to \$8.00	\$5.00 to \$6.00

The upshot is that retail rents in the area are very low. This is not to say that the Flatiron cannot be rented for retail use – it can. It is to say that the level of rent that a typical retail store can pay will be less than that needed to renovate the building.

C. Antique mall

Antique stores reflect a wide range of merchandise and professionalism – from the weekend hobbyist renting a table under a tent along Route 1 in the summer, to the rare and fine arts dealers in major cities.

The antique business in Maine has historically been oriented towards tourists. Stores are located near lakes or ocean-side resorts, and are open in the summer and closed in the winter. Some of this is changing in the internet era, as more dealers can be open year-round and sell from warehouses or other non-accessible places. Still, most retail sales of antiques in Maine are in places where tourists frequent.

Because antique shopping is a hit and miss activity, antique stores do best when they are clustered next to other antique stores. Hallowell and Wiscasset are two communities where the presence of antique stores has encouraged others to rent nearby.

The antique “mall” is a retail structure that allows craftspeople and antique dealers with small inventories to locate next to each other, and create a cluster of sellers. Often they are located in old barns or old mills, where space is abundant and cheap.

In Sabattus an old barn/roller skating rink was turned into an antique mall two years ago. It is 5,000 square feet, and rents spaces to dealers that range from \$167 a month (115 sq.ft) to a little as \$20 a month (for an individual shelf).

In Fairfield an enterprising couple turned a chicken barn into a 20,000 square foot Antiques Mall, on five floors. Over 100 dealers rent space within.

In Wells Reed’s Antiques and Collectibles rents 6 and ½ foot cases and booths for costs ranging from \$85 to \$275 a month.

The advantage of this kind of use is that it does not require a high level of rehabilitation. Generally, the barn or mill is provided with basic electricity and plumbing and insulation and wall dividers, and is otherwise left unfinished.

The issue for this use in the Flatiron building is that this is not a place that is currently frequented by tourists or retirees (as Hallowell and Wiscasset are), and there are no similar antique or even specialty retail businesses in the immediate neighborhood. This would be an act of creating an entirely new market in a new location, which is the most difficult retail challenge to face.

D. Office

There are several office markets in the Augusta area. The middle ground is set by the state government in its leases. Generally, the state is renting for \$14.00 to \$14.50 per square foot (/sf) triple net^a. That is what the recent leases at the former SCI building in outer Augusta have gone for.

Unfortunately, State Government is not a likely tenant for the Flatiron Building. It is looking to rehabilitate the Stone Building on its East Campus (the former Augusta Mental Health Institute). The Stone Building has a potential of 260,000 square feet of new office space. The State is considering a long-term lease with a private developer for the renovation of the building, with the developer turning the building back over to the State at the end of the lease. State officials expect to pay in the \$19 - \$23 per square foot range when the renovations are done – as with the Flatiron Building, the renovations are expected to be expensive.

The lower end of the market is set by large and old spaces that are hard to fill. In Lewiston, for example, mill space goes for about \$3/sf. In Augusta, Asconia Sports Club is looking to rent space for \$3.95 per square foot.

At the upper end of the scale are offices that are customized for individual users. A realtor reported that the new building constructed for the Human Services Department in north Augusta has a \$17/sf rent, which includes janitorial service. In Winthrop, Maine General is paying for the costs of renovating old mill space in addition to a modest per square foot cost for ongoing expenses for medical offices. The high rate is justified for the hospital because it can fit out the building as it wishes, the building is in a convenient and attractive location, and the cost is comparable to new construction.

^a Office rents are generally given “per square foot,” which equals the annual rent divided by the square feet of the office. “Triple net” means that the tenant pays all utility, heating, and property tax expenses. “Gross” means that the landlord pays the extra costs. “Modified gross” means that the extra costs are split between tenant and landlord.

Table 7: Office rents (source: Sprague and Curtis)

<u>Location</u>	<u>Town/City</u>	<u>Square Feet</u>	<u>Price (sf)</u>	<u>Parking?</u>	<u>Other</u>
112 State	Augusta	?	\$12/sf	?	newly remodeled
283 State	Augusta	2 rooms	\$650/month	"lots"	
89 Hospital	Augusta	4 rooms	\$600/ month	yes	current tenants physicians
285 State	Augusta	5000 sq/ft	\$14 /sf	"lots"	multi-use building

Medical offices generally pay higher than average rents. The Flatiron building, by virtue of its location near to Maine General, is in a very active medical office neighborhood. One realtor reported that she had just leased out 2,000 square feet for medical offices at about \$15/sf (gross) in the neighborhood, and was about to list a new 440 square foot office for the same purpose at the same rate.

Maine General officials report that they have immediate needs for medical office space in the neighborhood. One of their major concerns would be parking. A 2,000 square foot doctor's office could generate 10 cars at a time, as patients move quickly in and out of the building.

The office market is generally strong in Augusta. CBRE/The Boulos Company reported in January, 2007, in its Greater Portland Area Office Market Survey, that for Augusta, "Given the low vacancy rates and lack of supply, we predict that the leasing market will strengthen considerably as the demand for high quality office properties from the government and medical community increases."

In summary, office rental is a strong potential market for the Flatiron Building, and medical offices are the use that has the most potential for generating the rent levels needed for building renovation.

V. Educational Uses

The University of Maine at Augusta has for many years explored the possibility of creating classroom and exhibition and dormitory and office space in the downtown of Augusta. Part of their motivation is self-interest – they have space shortages on campus for housing and classrooms and faculty offices, and arts students in particular would benefit from more public exposure to their work. But the other part of their motivation is to help Augusta downtown to become a more lively and dynamic place.

Conversations with administrators at the University of Maine at Augusta identified the following possible uses of the Flatiron Building:

- Classrooms and offices for the architecture program. UMA's architecture program is outgrowing its space. The program could use four classrooms in the Flatiron for classes, student model-building, and faculty offices. In essence, the entire program would be moved downtown. Other possibilities for programs to rent in the Flatiron include music or art classrooms, or the nursing program (which would benefit from Maine General nearby).

The University does not have a lot of money to spend on classrooms. Currently UMA pays \$4/sf gross to rent 18,000 square feet in the back of the Civic Center. If they came to the Flatiron, they would be able to pay for fitting up the rooms, and the carrying costs (utilities and taxes) thereafter, but not a lot more.

- Residences for students in arts and music programs. UMA's jazz and art programs are growing in reputation, and are known outside the state. Unfortunately, the lack of dormitory space on the campus, and the lack of up-to-date apartments nearby, is a discouragement to students enrolling from out of state. University administrators feel that there would be sufficient demand for 100 students to rent during the school year. The cost per student might be \$2,000 per semester, \$4,000 per year. The administrators picture something like the new dorms at the University of Southern Maine in Portland, which are 2 and 4-bedroom suites – with private bedrooms, central space, kitchenette, 1 to 2 bathrooms, a washer/dryer, cable and wireless access.

One issue here is that the University is not in a position to guarantee a "floor" to the developer if, in a given semester, only 50 students show up. Also, it is possible (though not likely) that the arts program might be scaled back or dropped in future

years, in which case a developer would have a configuration of suites that would prove difficult to rent up on the general market.

The solution here may be to look at more of an “efficiency” configuration that could be used for students, but could also be used for renting to singles on the general market in the event that they are not filled (note that 1-person households comprised 38% of all households in Augusta in 2000, and the percentage is growing).

If the discussions get serious with the University, they would be willing to survey their students (and potential applicants) to see their interest in such housing, and preferences for how it might be done.

There are other possible educational uses outside of the University. The Augusta Adult Education program, for example, has 2,500 students, and is spread out between Cony High, the Vocational Center, Buker School, and City Hall. Their program would benefit from a consolidation, and the Flatiron offers that possibility. In addition, the Kennebec Valley Community College System currently rents space at Buker, but have sounded out others about a possible move.

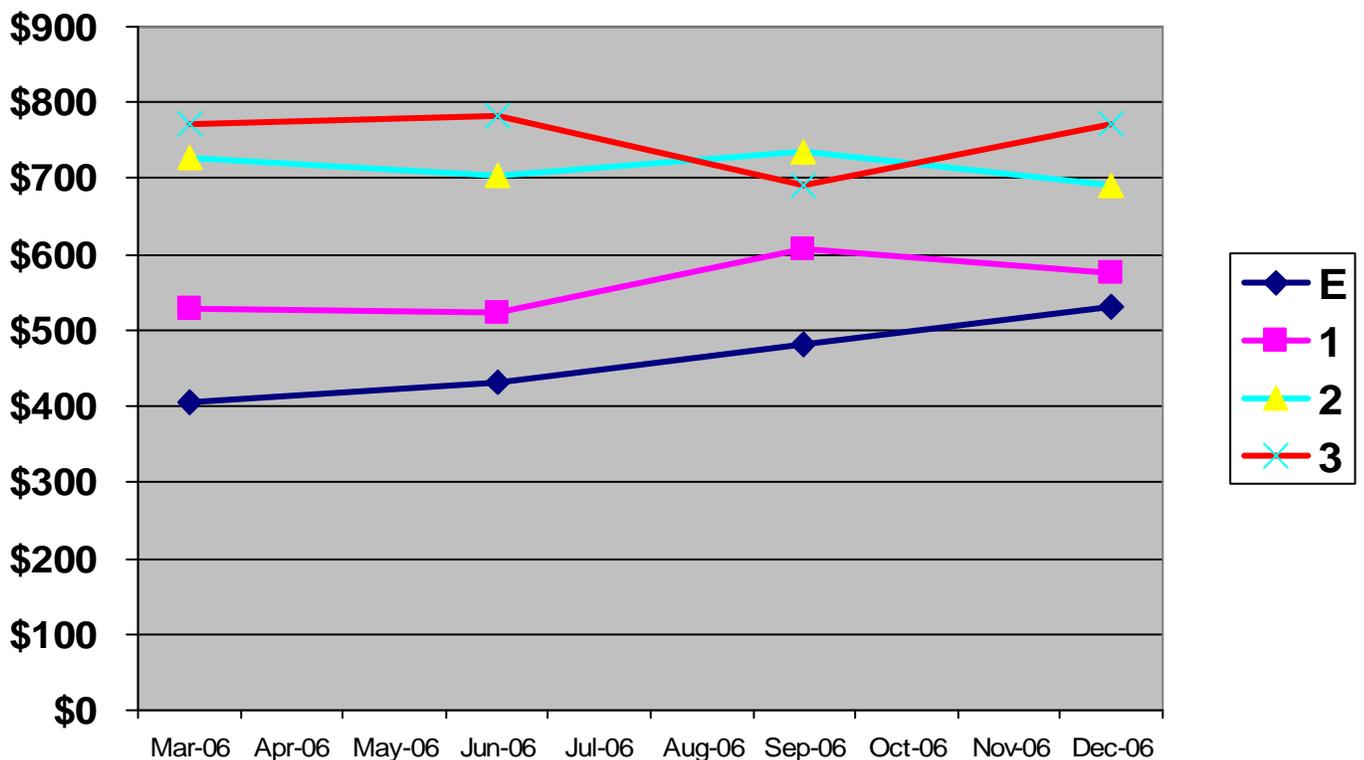
One use that is not practical is to use the Flatiron for the expansion of Lithgow Library. The floors of the old Cony are not strong enough to hold bookshelves without expensive supports. The separation of Lithgow Library from the Flatiron would require more staffing than the proposed expansion of Lithgow to the site next door, because staff assignments could not be “doubled up” as they could be at one site.

The educational sector is like the arts. It contributes life and vitality to downtown, it provides foot traffic to stores during the day, and customers for restaurants at night. But it is not a sector that can bear the market costs of improving or maintaining the building, and would need either subsidies or complementary uses that paid higher rents.

VI. Housing Uses

Rent levels in Augusta have risen in the past year, particularly efficiency units (from about \$400 to \$500 + per month – see Figure 2 below). This is a two-edged sword – it makes it harder to low-income renters to pay the monthly bill, but from a development point of view higher rents make it easier to economically afford to create new apartments.

Figure 2: Rents by Quarter by bedroom size, Augusta, 2006



Source: Maine State Housing Authority

There are several possible housing uses for the Flatiron building, and they are considered individually below.

Affordable rental housing

In the absence of subsidies, private market-rate rental housing is not financially feasible for this project. There are not enough units possible (20 to 25 are the likely range), and rents in the market cannot support thousand dollar plus monthly rental rates.

A low income tax credit project, which receives federal tax credits and low-interest Maine State Housing Authority financing, would be possible Just down the street from the Flatiron a new low income tax credit project is renting up. The downtown project is called "90 Water Street," and consists of 14 one-bedroom and 10 two-bedroom units. Rents are subsidized by the low income housing tax credit program. The rental rates for the apartments are \$550/month for a one-bedroom and \$610 for a two-bedroom. Tenant incomes are limited to 60% of the area median income, which translates to (depending on household size) \$23,000 to \$32,000 per year. The rents include heat and hot water. There are three accessible units, an elevator, a rooftop terrace with views to the Kennebec River, a free fitness center, a coin laundry on site, hardwood floors and carpeted bedrooms. The apartments are only just now becoming available, so there is no rent-up experience at this point. The rental agent has received a lot of requests/contacts from people who are over the income limit. She did not feel there would be a problem for them filling up the apartments when they were all available. In her opinion, there would be enough demand to support additional apartments of a similar type at the Flatiron Building.

Condominiums

There is also the possibility of small condominiums at the Flatiron Building. One developer we spoke to felt that this was the most promising use, because of the access to downtown, the views of the River, etc. Certainly, realtors throughout the region say that there is a large pent-up demand for condominiums in the Augusta area. The median condominium price in Augusta in 2006 was \$122,900, according to the Maine State Housing Authority. This is a little deceptive, because there are very few new condominiums on the market – most are conversions of apartment buildings constructed in the 60s and 70s. Still, condominiums in Augusta would need to come in at a much lower price than those prevalent in southern and coastal Maine in order to be marketable. As the median single family home sale price in Augusta was \$127,300 in 2006 (and only \$139,000 in Kennebec County), there is a limit within which people can be expected to sell their home and translate it into an in-town condominium. A condominium price of \$175,000 would allow most people in the area to sell their prior homes and move in – but would require a per square foot rehabilitation cost in the \$100 range. A \$250,000 level would allow a \$150/sf rehabilitation cost, but would also create

cash flow problems because the sales would be slower.

Artist/live work space

The developer Peter Bass in Portland (www.randomorbit.com) has specialized in converting old and unusual buildings into artists' lofts and work spaces.

Currently he is renovating the Sacred Heart School into 8 artist work/live condominiums. Each artist will live in a classroom, and have access to an individual



studio space in a daylight basement – for a total of 1,000 square feet per person. The City gave the property to the developer, and is providing “soft second” mortgages to condominium buyers to keep the units affordable to households with incomes below 80% of the area median

(which is around \$40,000 in the Augusta area). While prices have not been finalized, it appears that the units will sell for around \$180,000, with the buyer actually paying only on \$140,000. This would translate into a cost of about \$180/square foot, or \$1.4 million.

Previous projects have included Park Street Lofts in Saco (34 units in an old mill building – 1200 to 2000 square feet – prices started at \$135,000) and East Bayside lofts in Portland (8 live-work lofts). Bass’s next project is a 27-unit “small condominium” (475-775 sq. ft) development called DH 85.

The advantage of the Bass approach is that it is possible to get more units into an old building like the Flatiron, and also that by leaving the units relatively unfinished, prices can be kept down.

The issue with this approach is market demand. The survey of 43 area artists for this study indicated that only 9 had an interest in a work/live situation, and of these, none said that they could pay more than \$250/month for rent.

Summary considerations for housing

There are several issues with housing at the Flatiron site. The main one is scale. Because of the high fixed costs of design and legal fees and possibly grant applications, there needs to be at least 20 to 25 units of apartment or condominium housing to reach financial feasibility. This would probably require that the entire building be turned over to housing use, with no theater for the arts.

A second issue is the setting. The building is set between the rotary and a grocery store. Safe and convenient pedestrian access to the other side of the rotary would be necessary. Of course, this is a need for any reuse of the building, it's just that its absence would particularly affect the market for housing.