

DOVER-FOXCROFT LODGING MARKET STUDY

October 1998

Prepared By:
Development Consulting Services
P.O. Box 884 Gardiner, Maine 04345

and

Jacqueline K. Hewett
109 Valley View Rd. Holden, Maine 04429

INTRODUCTION

In the spring of 1998, the Town of Dover-Foxcroft received a grant from the Maine Department of Economic and Community Development (DECD) to conduct a lodging feasibility study. The purpose of this study was to determine the potential for the development of a combination lodging/conference facility in the Town of Dover-Foxcroft. Through a Request For Proposal process, the town- selected Development Consulting Services (DCS) of Gardiner, Maine to conduct this study.

Over the last several months, DCS has worked with a committee of local citizens and representatives of the town of Dover-Foxcroft. In the initial stages of this study, research was conducted to determine the status of the current lodging inventory in Dover-Foxcroft and neighboring communities. DCS then examined statistical data to analyze both the historical and projected demand for lodging in the Dover-Foxcroft area. And finally, financial information was developed that estimates the costs of building, financing and operating a new lodging facility in the town of Dover-Foxcroft.

This final report consists of the following four parts:

- I. Executive Summary,
- II. Inventory of Existing Lodging Facilities and Current Demand
- III. Historical Lodging Sales Information
- IV. Development of a Lodging Facility
- V. Recommended Action Steps

DCS is pleased to submit this final report to the members of the Dover-Foxcroft Lodging Committee and the members of the Dover-Foxcroft community. We wish to thank those persons who assisted in the completion of this study and who provided valuable guidance to us.

I. EXECUTIVE SUMMARY

INVENTORY OF EXISTING LODGING FACILITIES AND LODGING DEMAND IN THE DOVER-FOXCROFT AREA

The initial component of the Dover-Foxcroft Lodging Feasibility Study consisted of an examination of the current lodging stock in Dover-Foxcroft and surrounding communities. To do this, DCS met with and interviewed the owners of eleven facilities located in the communities of Dover-Foxcroft, Dexter, Guilford, Milo, and Brownville. DCS' principal conclusions after these interviews are summarized below:

1. Existing lodging facilities in the Dover-Foxcroft area are quite limited in what they offer to their guests. Although these facilities are quaint and attractive, they do not offer the types of amenities that many travelers now expect when they are away from home. This is especially true of the business traveler, who requires services such as private telephones, computer hookups, easily available meals, and private baths. Most of the lodging facilities that were interviewed for this study simply do not offer this full range of amenities.
2. The demand on the current lodging stock is lowest in the winter and spring months and highest in the summer and fall. Many of the facilities cater to certain types of visitors (e.g. hunters in November) and therefore have very low occupancy rates at some times during the year (as little as 20%) and very high occupancy rates (up to 80% and more) during other times. Examined on a year-round basis, there is available space at existing facilities, with occupancy rates that are as low as 20-30% at certain times of the year.
3. The current capacity in the eleven facilities is 68 rooms that can accommodate 245 persons.
4. The eleven facilities that were examined include three motels, two inns, and six Bed and Breakfasts.
5. The per room cost for the existing facilities ranged from a low of \$30/night to a high of \$89/night, with room rates varying according to the number of persons staying in a room and the time of year.
6. Three of the facilities had restaurants on site, although the hours and seasons of operation are limited.
7. Conference and meeting room facilities are limited, as well. Among the eleven establishments interviewed, only the Dexter Motor Lodge had function room capabilities for more than 85 persons.

In order to further determine the demand on existing lodging facilities, DCS interviewed twelve of the largest organizational users of lodging space in the region. These users consisted of the area's major businesses and other large employers such as Mayo Regional Hospital and Dover-Foxcroft Academy. The need for lodging service among these twelve organizations varied from just a few nights of lodging annually to over 1,500 nights. In all, the room nights required on an annual basis totaled almost 2,250.

The use of lodging facilities by these businesses did not vary much during the year. For the most part, the statistics cited above do not include vendors, salespeople, or employees of firms and businesses that do business with these organizations.

Many of these organizations welcomed the potential for a new lodging facility in the community and felt that they would direct at least some of their employees to a new facility of high quality. Most of those interviewed indicated that they would be willing to pay between \$40-\$90 a night for quality accommodations.

In addition to the direct use of a new lodging facility by employees of the major organizations in the area, there was additional anecdotal evidence presented to indicate that salespeople, vendors, auditors, and others now often stay outside of the Dover-Foxcroft area (in Newport or Bangor, for example) because of a lack of amenities at the existing lodging facilities in the Dover-Foxcroft area. It is not possible to quantify this, but this type of sales leakage was often mentioned.

In addition to business demand, tourism is another area that creates demand for lodging space. At the current time, the majority of this tourist activity takes place in the summer months, with some concentration for special events at other times of the year, e.g. the Hiram Maxim Northeast Military Firearms Shoot and Exposition each July.

The need for conference room space and function room space was also mentioned as an area need. Some businesses now schedule business meetings in Bangor, while the options for facilities that can accommodate weddings and reunions and other celebrations are also very limited. When asked about the potential demand for a conference center type facility, there was a good deal of enthusiasm.

HISTORICAL LODGING SALES INFORMATION

In order to determine the types of revenues that are generated through lodging sales in the Dover-Foxcroft area, Development Consulting Services (DCS) examined the sales tax information available through the Maine Bureau of Revenue Services. This information is separated into regions of the state, known as Economic Summary Areas. (ESA). The Dover-Foxcroft ESA consist of thirty-six towns and townships, including Dover-Foxcroft, Milo, Guilford, Greenville, Dexter, Monson, and Brownville Junction.

DCS looked at the historical performance of lodging facilities in the Dover-Foxcroft ESA. Important observations from this historical information include the following:

1. From 1993-97, total lodging sales in the Dover-Foxcroft ESA increased by 58%. This annual average increase of 12.1 % represents the largest increase in any of Maine's Economic Summary areas during this period of time.
2. The total lodging sales increased from \$1,751,000 in 1993 to \$2,769,000 in 1997. The town of Greenville represented the great majority of these sales; 77% in 1993 and 81% in 1997.
3. The lodging markets adjacent to Dover-Foxcroft (in Bangor and Suburban Bangor) have also grown in the last several years, but not at the same rate as Dover-Foxcroft.
4. Growth in the Dover-Foxcroft and Bangor markets has continued through the first six months of 1998. In Dover-Foxcroft, the increase was 16.6% (when compared to the same period in 1997), in Bangor the increase was 16.4%, and in Suburban Bangor, 9.8%.
5. If the Dover-Foxcroft lodging market continues to grow at the rate that it has during the last five years, total lodging sales will exceed \$3.9 million in the year 2000, an increase of over \$1.1 million in sales since 1997. At an average room rate of \$50/night, an additional 22,000 room nights of lodging will be purchased.
6. Projected sales for the Bangor and Bangor Suburban markets are also based on a continuation of recent growth patterns. The Bangor market is projected to increase by almost \$7 million in sales between 1997 and the year 2000 (an increase of 140,000 room nights); the Suburban Bangor market should experience almost \$300,000 in sales (an increase of 6,000 room nights).

The key to the success of any current or proposed lodging facility in the Dover-Foxcroft area is dependent on the ability to capture a portion of the lodging dollars that are expected to be generated in future years. The projections that DCS is utilizing for this study quantify an increase of over \$8.3 million in additional lodging sales in the year 2000 (when compared to 1997) in Bangor, Suburban Bangor, and the Dover-Foxcroft area.

DEVELOPMENT COSTS FOR A HOTEL/CONFERENCE FACILITY

The development costs for a hotel/conference facility in Dover-Foxcroft are dependent on a number of factors. Construction quality, the price of land, and the cost of furniture and fixtures are just three variables that can impact construction costs significantly. Development Consulting Services has estimated the costs for two facilities; a twenty-five room lodging facility and a fifty room lodging facility. These preliminary estimates are based on information obtained from construction companies and industry sources.

The preliminary budget costs for a twenty-five room limited service hotel (i.e. without a restaurant), are estimated to be \$1,206,250. This is dependent on the following cost assumptions:

- \$50,000 for land
- \$35,000 per room for construction costs
- 6% architect's fee
- Furniture and fixtures at \$4,000/room
- \$40,000 franchise fee
- 5% construction contingency

The total preliminary budget costs for a fifty room limited service facility are estimated to be \$2,322,500. This estimate is based on the same, assumptions as those listed above.

Assuming the projected costs that have been identified above, and average expenses based on lodging industry standards, a 25-room hotel/conference facility would require an annual occupancy rate of slightly more than 50% to reach a breakeven point. A 50-room facility would require an occupancy rate of just less than 50%. These scenarios both estimate that conference room and functions revenues of \$30,000 would be generated by the 25-room facility, and \$50,000 for the fifty-room facility.

The number of annual room nights required for 50% occupancy for a 25-room facility at \$65/room would be 4,562. To reach 50% occupancy for a 50-room facility would require 9,123 room nights.

Any business or development project includes an element of risk. Markets that are growth markets may not always remain so. Business downturns occur (sometimes unexpectedly) that can impact particular industries. Projecting the future revenues for even an existing business can be an extremely risky undertaking.

In conducting this lodging feasibility study for the town of Dover-Foxcroft, Development Consulting Services (DCS) has utilized the best information available and conferred with a number of professionals

in the hotel and lodging industry in Maine and elsewhere. After our research and interviews, it is clear that the Dover-Foxcroft market has been expanding, and if it continues to grow in the next few years, will create a significant new demand for lodging. DCS has also found that the current lodging stock in the Dover-Foxcroft area is perceived by many as inadequate, not necessarily because of a lack of quality but because most of the lodging stock consist of rooms at inns and bed and breakfasts and does not include amenities required by many travelers. All these factors point to a favorable situation where both projected demand and latent demand for lodging rooms is present.

There is no assurance that building a lodging facility in Dover-Foxcroft would be an immediate or long-term success. Much will depend on the hotel operator, the owner/operator of an adjacent or adjoining restaurant, and the continuing strong performance of the area's lodging market. One conclusion of this study, however, is that if current rates of growth continue in the lodging market, this new demand will need to be met either by existing facilities or a combination of new and existing facilities.

There are a number of community benefits associated with a hotel development project, both tangible and intangible. Tangible benefits include the creation of new jobs for citizens of the community, as well as additional tax base through the generation of new property taxes. A hotel/conference facility could serve as a community anchor that might generate additional development, as well. Some intangible benefits of a hotel development would include sending a signal to community members that a group of investors have enough confidence in their community to be willing to make a major investment.

II. INVENTORY OF EXISTING LODGING FACILITIES AND CURRENT DEMAND

EXISTING LODGING FACILITIES IN THE DOVER-FOXCROFT AREA

There are currently eleven lodging facilities in the Dover-Foxcroft area. These establishments are located in Dexter (2), Guilford (3), Dover-Foxcroft (3), Milo (2) and Brownville (1). Three are motels, six are bed and breakfasts and two are inns. Collectively these eleven establishments provide 68 rooms that could accommodate 245 people per night if every bed in every room were utilized. Two of these facilities opened within the past year or so, while three additional establishments closed in the past two years. Several of the existing facilities have come under new ownership in the last year and one is currently for sale. Four are seasonal establishments. Three of these operate only during the spring, summer and fall seasons, while one operates only during hunting season.

Three of the current facilities have a restaurant on their premises; however one of these establishments only operates during the spring, summer and fall seasons. Eight serve breakfast as part of their room rate and six will serve dinner when requested by guests. Seven of the present establishments have some facilities for events, parties or meetings and while most can accommodate only 8 to 12 people comfortably, one can hold up to 85 and another has space for up to 300.

Over the course of this study all eleven lodging establishments were interviewed to obtain information on seasons of operation, number of rooms available, amenities offered and occupancy. Although the consultants did not obtain actual register records during these meetings, the owners of these facilities were willing to share with us their general recollections concerning occupancy rates at their respective establishments. The following data has been developed from this information.

The eleven establishments surveyed find that their busiest months are July, August and November. During these months most of the facilities must occasionally turn people away because they are full. However, over the past year, average monthly occupancy rates for this period varied from approximately 20% to 80% depending on the facility. The seasonal establishments are generally open from April 1

through November. The winter season for every year round facility is the slowest. From December first, often through May, business is generally very light.

The services and amenities offered by each of the existing facilities surveyed varied somewhat, but none of the establishments offered what most business and many tourism guests tend to expect. Probably the most significant service that was lacking in most of the establishments was a private phone in each guestroom. Only two of the eleven available establishments offered a private phone. This service has passed from being an amenity to a requirement, and many guests, both business and tourist alike, find it a significant inconvenience not to have ready access to a private phone. For business travelers, access to a phone line is also essential to provide the computer link they need to conduct their transactions.

The second amenity that is lacking in the region is access to a private bath. Eight of the eleven establishments in the region utilize a shared bath for some or all of their rooms. While the motels all provide this service they do not typically provide many of the other amenities, which taken collectively, produce the quality experience that many travelers seek.

Privacy is the third amenity that is difficult to find in the region. Six of the eleven establishments in the region are bed and breakfasts. While these facilities provide a quality experience, by their very nature, total privacy is not something a guest in this type of facility can reasonably expect.

In summary, while all the facilities in the region are generally clean and provide friendly service, none is equipped to provide the polish, professionalism and amenities that larger, more sophisticated lodging establishments provide.

SUMMARY OF EXISTING LODGING FACILITIES

MOTELS:

Dexter Motor Lodge

The Dexter Motor Lodge is the largest facility in the region with seventeen rental rooms. It is located on Rt. 17 in Dexter and is highly visible from the road. It is open year round. The facility has been in operation for many years and the rooms are in need of some renovation. The current owner just purchased the facility in April of 1997. Prior to this purchase, he was the manager of the Comfort Inn in Bangor.

The Dexter Motor Lodge provides basic motel services with private baths and phones in each room. It provides a TV (without cable service) and a desk in each room and a fax machine is available to guests in the motel office. The facility is handicapped accessible, allows pets and takes all major credit cards.

There is a restaurant on the motel's premises called Nick's North Country Restaurant that serves breakfast on weekends, Sunday brunch, lunch and dinner. It also has a lounge that serves drinks, has dancing and a large screen TV.

Year round occupancy at the motel is approximately 52% with July and November exhibiting the highest occupancy rates. Most guests (80%) are from out of state and generally stay at the motel for two or three nights. The majority of guests visit either for business or for some personal or family activity. However, hunters fill the establishment for much of November. Occasionally the Lodge is full. Generally this occurs during the months of July and November.

The motel's restaurant does a variety of events and can accommodate up to 300 people. Event business varied significantly over the past year with approximately two to three functions from January through April, twelve in May and four in June.

The owner of the Dexter Motor Lodge does not plan to expand in the near future but expressed an interest in building a new facility in the Dover-Foxcroft area if a demand were shown to exist.

The Dexter Motor Lodge charges \$37.00 per night for one person and \$45.00 for two.

Covered Bridge Motel

The Covered Bridge Motel is also a long established facility in the region. It is located on Rt. 15 in Guilford. It is situated just across the street from the historic covered bridge on the Piscataquis River, and has a nice view of this attraction. It is open all year. As with the Dexter Motor Lodge, this facility could use a bit of updating. The current owner seems aware of this however and redecorated two of the motel's 10 units last winter.

The facility provides comfortable accommodations with a private bath, a private phone for outgoing calls, a desk, air conditioning, and a TV in each room. No cable TV service is available. There is a soda machine on the premises and the adjacent restaurant will provide ice to motel guests. The facility is not handicapped accessible, but will allow pets and does take major credit cards.

The Covered Bridge Restaurant is directly adjacent to the motel and serves lunch and dinner throughout the year. It also serves breakfast from July through Oct. 15. The restaurant also does some events and can accommodate approximately 82 people if both rooms in the restaurant are utilized. This facility is utilized often and hosts approximately three functions per week for up to ten people from December through June. The facility is somewhat basic however, and although adequate for some events would not be appropriate for more formal or sophisticated functions.

Occupancy at the Covered Bridge Motel is highest during the months of July, August, September and October. November and February can also be good depending on the number of hunters and snowmobilers that come to the region. Most of the motel's guests are from out of state (90%) and most are here on business, are tourists or are visiting for personal reasons. The motel occasionally posts its no vacancy sign on Memorial Day, July 4th and Labor Day weekends.

The Covered Bridge Motel charges between \$30.00 and \$45.00 per night depending on the type of room rented and the number of people being accommodated.

Peaks Kenny Motor Lodge

The Peaks Kenny Motor Lodge is the newest lodging facility in the region. It was constructed during the summer of 1997 and opened for business in September of that year. The facility is located on Rt. 153 on the way to Peaks Kenny State Park and has 6 units for rent.

As a new facility, the Peaks Kenny looks somewhat raw from the outside but the rooms are very clean and nicely furnished with two double beds, a table with two chairs, cable TV and a nightstand. There is also a snack room for guest use, which is equipped with soda and snack machines. Every room has a private bath but there are no private phones in the rooms. The owner of the facility has wired one outgoing phone in the snack room for the use of guests. The proprietor has also made arrangements with several area restaurants to deliver food to motel-guests. He posts menus in each room. One room in the facility is handicapped accessible and they accept pets. They do not currently accept credit cards but stated they probably will in the future. They are currently opened year round but may close during the winter season if business doesn't improve during those months.

Occupancy at the Peaks Kenny has been slow since it opened but is picking up now that summer has begun. They opened last September and were very slow during both September and October. They were full the first week of November with hunters and partially full during the second and third weeks. December through February was very slow and March through May was only a little better. In June business seemed to be picking up. Most guests are from out of state (90%) and generally stay one or two nights and almost exclusively on the weekends. Most are visiting to hunt, snowmobile or attend a family function. No business travelers have used the facility to date.

The proprietor of the Peaks Kenny stated that he would consider expanding if demand increased but would probably do so in increments of 5 units. He is waiting to see how business goes this summer before making any decisions.

The Peaks Kenny Motor Lodge charges \$40.00 per night plus \$5.00 for every person over one staying in the unit.

INNS

The Trebor Inn

The Trebor Inn is located on Golda Court in the center of Guilford. It is a lovely old house with nice looking grounds but its view over Guilford is an industrial one, which detracts from the overall setting. The inn has 7 units and is open from April 1 through November 30th. The Inn has two rooms with private baths while the remaining five rooms utilize shared facilities. There are no private phones in the rooms and TV is provided in the downstairs television room. The Inn has a sitting room for guests. Breakfast is included in the room rate and dinner is available to guests at a separate rate. The facility is not handicapped accessible and does not allow Pets. It accepts most major credit cards.

The inn's yearly occupancy rate is approximately 60% and the majority of their guests (75%) are from out of state. The average stay for guests is between two and five nights. Most guests come to the region to hunt, fish or sightsee, but a few guests are business travelers and a few come to attend a wedding or some other family type event. Hunting season in November is the only month of the year that they must turn people away because they are full.

The Trebor Inn charges between \$40.00 and \$65.00 per night depending on the number of people staying in the room.

The owner of the Trebor Inn has recently put the Inn up for sale.

The Brewster Inn

The Brewster Inn is located on Zion's Hill Rd. in the center of Dexter. It has seven rooms and is open all year. This facility is a landmark building in a lovely setting. It was the home of former U.S. Senator Brewster and is on the National Register of Historic Places. The current owners just purchased the facility last year.

As a Bed and Breakfast, the Brewster Inn serves a free breakfast for all its guests. The Inn provides private baths and will serve lunch and dinner on request. It has one handicapped accessible room and accepts most major credit cards. It does not allow pets. All rooms at the Brewster Inn have a color TV. The Inn will provide both computer and fax services as needed. Unlike many other B&B's, the Brewster Inn accepts children and they always stay for free

The Inn's occupancy rate for the past year has varied significantly, with March and April at approximately 10% occupancy and July and August at around 70%. As with most facilities in the region the best months were from June through October while the slowest months were during the winter season from January through May. The Brewster Inn has two distinct differences from most facilities in the region. First, it has few hunters that stay at the Inn (only a 30% occupancy rate in November) and second, its December occupancy rate is one of the highest in the area at approximately 50%.

The majority of guests at the Inn are from out of state (60%) and they generally stay from two to three nights. Almost 40% of the guests are from Dexter Shoe, another 40% are people visiting family or friends in Dexter and the remaining 20% are tourists. Very few hunters, fishermen or snowmobilers patronize the Inn.

The Brewster Inn hosts some small retreats for businesses and other groups. It conducts these every few months. It would consider expanding its facilities but demand would have to warrant this investment.

The Brewster Inn charges \$49.00 for a room and does not charge higher rates in the summer for its guests.

BED AND BREAKFASTS

The Wildflowers B&B

The Wildflowers B&B is located on High Street in the center of Dover-Foxcroft and is open all year. It is a new facility, which opened in June of 1997. The facility is located in the front portion of the owner's home and is nicely furnished with antiques. The reception rooms however, are a bit small and formal for comfort. There is a phone available to guests on the owner's line and guests may use the owner's computer for email and other Internet services. There is cable TV available in the living room of the B&B. The three bedrooms share one bath.

Breakfast is served to guests as part of the room rate and the owner of the B&B will make box lunches in the summer and dinner with prior notice at an additional cost. Wildflowers is not handicapped accessible and does not accept children under 12 years old or pets. It does accept most major credit cards.

Occupancy rates at the Wildflowers during its first year have been low, but the owner expects them to increase as they become better known and because of the recent closing of the Foxcroft B&B. Last year, her best months were My, August and September and virtually all of her guests were from out of state. The average stay of guests was between one and two nights and the only time the B&B was full was over two weekends during the summer. Almost 80% of the Wildflower's guests were in Dover-Foxcroft on business, while 20% were tourists. These figures are most likely due to the owner's heavy marketing to business clients just after opening.

The Wildflowers B&B will do some small functions but the size of the public rooms at the facility restrict the number of people at these events to about six or eight. They have done a few business breakfasts and lunches.

The rate for a double room at the Wildflowers is between \$45.00 and \$50.00 depending on how many people stay in the room and between \$55.00 and \$60.00 for a queen size room.

Cahill B&B

The Cahill B&B is a part time facility located on East Main Street in Dover-Foxcroft. It has three rooms and will serve breakfast and dinner to guests. The only season of the year it is open is during hunting

season when the owner of the facility will take in guests as an outgrowth of his primary business, which is selling guns and other hunting supplies and accessories. In the past few years however, the owner has reduced the number of hunters he has accepted and now does it only occasionally.

Guilford B&B

The Guilford B&B is located on Elm Street in Guilford in a lovely old house surrounded by well-groomed grounds. It is open all year and has six rooms for rent. The facility is one of the nicest in the region and has four rooms with private baths and three TVs with cable connections in their common areas. They have croquet and badminton on the grounds and serve breakfast as part of their room rate. They also serve lunch and dinner with advance notice. They do not supply private phones in their rooms, they are not handicapped accessible and they do not accept pets. They do accept most major credit cards. The present owners have only recently purchased the property.

Occupancy rates at the Guilford B&B fall between 65% and 70% during the period from June through January and approximately 50% from February through May. The majority of their business is from out of state (90%) and almost 65% are business travelers visiting Guilford Industries. Most guests stay between two and three days and they are full on a regular basis during the summer months. The remaining business at the B&B is split almost evenly between tourists and people in the region visiting family or friends. They have no plans to expand at this time.

The Guilford B&B had one room where it can host small business type meetings. It also has a catering operation that serves meals in other settings. It does frequent business functions for Guilford of Maine.

The Guilford B&B charges \$50.00 per night for a room with a shared bath and \$65.00 per night for a room with a private bath.

Hitching Post B&B

The Hitching Post B&B is a nice looking, seasonal establishment located on High Street, a quiet street in the center of Milo. It has three rooms for rent and is open from May through October. The amenities it offers include one room with a private bath and one cable equipped television in the living room. It serves breakfast as part of the room rate and will offer dinner occasionally.

Occupancy at the B&B is highest in May, June and July with rates up to 50% and lowest in September when they are often empty. About half of their guests are from out of state and half are from within Maine. They serve a diverse business clientele with construction workers, Rite Aide site selectors, employees of the lumber industry and other businessmen and women making up almost 50% of their overall occupancy. The other half is made up primarily of tourists. The average stay for their guests is two to three days. The only time they are full is during July when Milo holds its high school reunion. This year they have been booked for July since last January because Milo is holding its 175th anniversary on July 17, 18 and 19. The facility is not handicapped accessible and does not accept any credit cards. It will accept pets and has no plans to expand.

The Hitching Post B&B has done some events for local businesses. The businesses occasionally rent their formal dining room for company meetings.

The room rate for a room with a shared bath is \$40.00 for up to two people and \$50.00 for a room with a private bath for up to four people.

Down Home B&B

The Down Home B&B is located on Elm Street several miles outside Milo village. It is located in the owner's home and utilizes the entire house. There are three rental rooms in the B&B and one and one half shared baths. The full bath is located on the first floor while the bedrooms are all located on the second floor. This facility stresses hospitality and a comfortable setting and hopes guests will feel like part of the family. It has a phone available for guest use and a television in the home's informal room. The upstairs rooms are small but the living room and dining room are comfortable. The garden of this establishment is large and well maintained and provides horseshoes and croquet. There are puzzles and games in the house for guest use. They have no plans to expand but may add a shower to their second bathroom upstairs. They have no handicapped accessible rooms and they do not accept credit cards or pets. They are open year round.

The Down Home serves breakfast as part of their room rate and dinner to hunters. When requested they will do box lunches. They serve iced tea or a hot beverage in the afternoon. The majority of their guests are from out of state (85-90%) and they generally stay about two nights.

Occupancy at the Down Home is highest in June, July and August and lightest in December. During the period from September through November business is light but steady. They noted that business over the past two years has been way down (almost 70%) -but that reservations so far this year are up. Their only possible explanation for this decline was the status of the Canadian dollar. The majority of their business is from people visiting the region for personal or family reasons (60%). The remainder of their guests are either tourists (20%), business people (10%) or people hunting or snowmobiling (5% each). They do not do function as pad of their business.

Rates at the Down Home are \$35.00 for a single room and \$50.00 for a double.

Carousel B&B

The Carousel Bed and Breakfast is located on the Back Brownville Road in a rather remote part of Brownville. The setting is lovely, with nice views from the facility's front deck and outside gazebo, but the facility's location makes it difficult to find and distant from most other attractions in the region. The Carousel has three rental rooms and is open from May through November but would stay open all year if there were enough business to support it. It has one room with a private bath and two rooms that share a bath. It has a portable phone for guest use and cable TV in each room. The B&B operates a gift shop across the street from the facility and has a swing set for children, in its yard. They have one handicapped accessible room and allow pets, children and accept most major credit cards. They have been in operation in this location for ten years.

The Carousel provides breakfast as part of its room rate and operates a restaurant that serves breakfast, lunch, dinner and Sunday brunch to the public. It hosts functions approximately once a month and can accommodate 20 people in its inside dining room and 30 in its outside-screened gazebo.

Occupancy at the Carousel is highest in August and November with July, September and October less full. Approximately 80% of their guests are from out of state and many come to the region to hike Gulf Hagas and its environs. Most guests only stay one night and they are full approximately fifteen times a year. This generally occurs in July, August and November. Approximately half of their guests come to the region for personal reasons, and half are tourists. They accommodate a very small number of business travelers, but are full of hunters during the first and second weeks of November. They also noted that business over the past two years has been slower than before.

The Carouse charges \$35.00 per night per couple for a room with a shared bath and \$40:00 per night for a room with a private bath.

Future Expansion in the Region

Leon Cousins, the past owner of the Blethen House, may build a ten-unit motel on Rt.15 just outside Dover-Foxcroft. The land has been cleared and has a nice view of the river. A current plan is to have five daily rental units and five monthly rental units. Construction of this facility has not started however, and it is unclear at this time if this facility will actually be built.

EXISTING LODGING DEMAND

Over the course of this study approximately twenty-five business, industry and government leaders were interviewed to discuss their businesses needs for lodging services. In addition, the Piscataquis County Court clerk, local clergy and other past and present government and community leaders were interviewed to identify other sources of lodging demand in the region.

Business Demand

Of the nineteen large industrial or manufacturing establishments in the Dover-Foxcroft area, twelve use lodging services on a regular basis. Their need for these services varies however from only once or twice a year to over 1500 nights each year. The total nights required on a yearly basis by all twelve businesses interviewed was between 2,11-7 nights and 2,234 nights.

Seasonal demand- for lodging by business establishments was not significant for these respondents, with only four of the twelve businesses stating that more guests arrived during the summer months than during the rest of the year. One additional business stated that their busy months were September and October and the remaining seven reserved rooms on a regular basis throughout the year.

Almost all of the respondents used some of the local lodging establishments for the guests they booked rooms for such as employees or customers, but eight of the twelve stated that they also used hotels in Bangor, Waterville or Newport on a regular basis. Of the businesses that used hotels out of the region, the most frequently mentioned reasons for using these facilities included the inadequate quality of rooms within the region, lack of amenities such as private baths and phones at these facilities, lack of privacy, no access to fine dining in the region, and the general convenience of Bangor to the airport and- other needed services.

Six of these twelve respondents used local establishments or Bangor facilities for business meetings. These facilities were used from once or twice a year to more than six times a year. For large, more formal events it was generally agreed that you had to leave the Dover-Foxcroft region to find a facility that could accommodate such an event. Several respondents stated that this type of facility is needed in the Dover-Foxcroft region.

Most of the businesses interviewed stated that support services for travelers in the region could be improved. This was especially true with regard to restaurants. Every respondent noted the need for a high quality restaurant in the region. Some stated that they were often reluctant to lodge people within the region when there was no where for them to find an adequate evening meal. It was also stated that the availability of late evening meals was also a problem within the area. Trying to find dinner after 7pm, especially during the winter, often required a lengthy drive. The absence of good quality luncheon establishments was also mentioned as a detriment to doing business in the region.

Of the businesses interviewed an acceptable rate to pay for a business accommodation was between \$49.00 and \$100.00 per night. Most were within the \$50.00 to \$80.00 range and one business stated that they were willing to pay whatever was needed for an acceptable accommodation.

Summary of Business Demand

Dexter Shoe

Dexter Shoe in Dexter utilizes lodging services in the Dover-Foxcroft area approximately 300 to 350 times a year. They generally use their company house, the Dexter Motor Lodge or the Brewster Inn, but occasionally use hotels in Bangor or Newport. They feel that the facilities in the region are generally inadequate for business travelers and maintain a company house for business guests because, in their opinion, there are not enough good quality rooms in the area. They stated that they would use a new facility in the Dover-Foxcroft area between two and three times a week. They would consider closing their company house if this facility were built. They typically pay about \$49.00 per night for lodging within the region and they occasionally use the Dexter Motor Lodge for-business meetings.

Fayscott Co.

The Fayscott Company in Dexter utilizes lodging approximately 6 times a year. They have used the Brewster Inn but typically use hotels in Bangor. Their choice of where to put people up generally depends on how long the person is staying in the Dexter area. If a guest is only going to be in town for one day they typically stay in Bangor for ease of flying in and out. If they are to be in town for more, than a day they will often stay in Dexter. They feel the local lodging establishments are adequate but lack the amenities that some people expect. They noted the need-for a good restaurant in the area and stated that if there were one closer to Dexter they would utilize it instead of going to Bangor. They also note the need for more good lunch establishments in the area. They are willing to pay between \$60.00 and \$90.00 per night for lodging, but cost is not as important as comfort and convenience for their guests.

Ox-Yoke Originals

Ox Yoke Originals in Milo uses lodging services approximately twelve times a year. These guests typically stay in Bangor but if they are going to be in town for more than one day they will utilize one of the local B&Bs. They do not anticipate that their need for lodging will change in the near future. Ox-Yoke felt that the local B&Bs were adequate for their guests, but stated that they probably would use a new-business quality facility if it were built in the Dover-Foxcroft area. They noted the need for a good restaurant in their area and stated that they generally took guests to Bangor for dinner. They do not utilize any off site meeting or convention facilities since their own in house facilities are adequate. They are willing to pay between \$60.00 and \$80.00 for a room locally and up to \$150.00 for a room in Bangor.

Dexter Regional Credit Union

The Dexter Regional Credit Union in Dexter uses lodging approximately 65 times a year. The majority of these nights are booked in September and October when accountants come to review their books. They use the Brewster Inn and hotels in Bangor, Waterville or Newport to accommodate their guests. They noted growth in their demand for lodging nights was possible but was dependent on their overall growth. They stated that in general, the quality of the lodging available locally was inadequate for business travelers, and that they would utilize a facility built to serve business guests. They noted that support services for business travelers were also inadequate and that a good restaurant, copy and fax services and computer hook-ups were needed. In the past they have used an area restaurant for business meetings where a meal was served. They are willing to pay between \$80.00 and \$90.00 per night for a business quality accommodation.

Hardwood Products

Hardwood Products in Guilford uses overnight accommodation in the Dover-Foxcroft area approximately 40 to 50 times a year. They use the Guilford B&B almost exclusively and find this

facility adequate for their needs. However, they find the absence of a good quality restaurant in the region a real drawback and often travel to Greenville or dinner.

They do not see their need for overnight accommodations changing in the near future, and they do not use hotel or motel type meeting rooms or other convention type facilities. They are not sure they would use a regional business quality hotel/motel often because they like to accommodate guests locally. They are willing to pay up to \$100.00 per night for a local room.

SAD 68

SAD 68 only uses lodging services about once or twice a year. They have used local B&Bs to accommodate their guests and have found these facilities adequate. They do not see their need for overnight accommodations changing over time. They do not utilize hotel/motel meeting rooms since they have adequate facilities of their own. However, they did note the need for a good quality restaurant in the region. They are willing to pay between \$50.00 and \$75.00 per night for a local accommodation.

Moosehead Manufacturing

Moosehead Manufacturing in Monson currently uses local accommodations approximately ten times a year but they foresee this need doubling or tripling in the near future. They generally require these services more in the summer months than in the winter. Their guests often stay in Bangor but if they do stay locally they put them up in the Greenville region because they believe it's more scenic, it has more and better restaurants and it's only 14 miles away. On occasion they will use the Dexter Motor Lodge or a local B&B. They stated that they felt that the local establishments were adequate and that people coming to the region didn't expect Marriotts. However, they did state that they probably would use a new business quality establishment if one were built in the area. Approximately once or twice a year they utilize one of the Bangor hotels to hold a business meeting with a meal and electronic type presentations. They are willing to spend \$60.00 to \$65.00 per night for an accommodation in the Dover-Foxcroft area, \$45.00 to \$50.00 in the Greenville area and \$100.00 in Bangor.

Mayo Regional Hospital

Mayo Regional Hospital in Dover-Foxcroft uses lodging services in the Dover-Foxcroft area approximately 85 times a year. They require these services more in the summer than in the winter because of the additional nursing and physical therapy staff they must employ during these months to serve a larger summer population. They anticipate this need growing in the immediate future because of a new computer installation they have planned for next year.

Their guests usually stay locally at one of the B&B establishments in town or at one of the local motels. For recruitment purposes they like the B&B because they give potential applicants a flavor of the area. In the past they have used the Foxcroft B&B, the Dover House, the Guilford B&B and the Wildflowers B&B. Two of these facilities have now closed however. They find these facilities adequate but noted that they do not perfectly serve their guest's needs because most rooms do not have private phones, private baths, or real privacy and it is difficult to accommodate individual needs such as an allergy to cats.

To accommodate these needs the hospital stated that they would utilize a new business quality lodging establishment if it were available for both rooms and for business functions. They noted that at present there is no where locally for them to hold board meetings, hospital events such as holiday parties or receptions. They felt that a facility that could accommodate these types of functions was badly needed in the region. They also stated that a high quality restaurant was needed.

Cost was not a limiting factor in the hospital's decisions regarding choice of lodging in the area. They stated that they would pay whatever was required to obtain an adequate accommodation, but that generally they considered the local accommodations very cost effective.

Pleasant River Lumber

Pleasant River Lumber in Dover-Foxcroft uses lodging services about 24 to 48 times a year. They use these services on a regular basis throughout the year and do not foresee this need increasing in the near future. They have used both the Covered Bridge Motel and the Peaks Kenny Motel but feel there is a need for a higher quality establishment in the area. If one were built they would use it both for lodging and for business meetings. They also noted the need for a good quality restaurant in the region. They are willing to pay between \$50.00 and \$80.00 per night for lodging.

Foxcroft Academy

Foxcroft Academy in Dover-Foxcroft requires lodging approximately 40 to 50 times a year. Most of their guests come throughout the year. However during alumnae weekend in August a large number come at once. They foresee their need for lodging growing in the coming years as the school expands its programs. At present, the school uses hotels in Bangor (approximately 10% of the time) and local B&Bs to house its guests. They do not feel that the local motels are adequate for their guests because the quality of their rooms is inadequate and because there is a general lack of amenities at these facilities.

The school stated that they would use a new business quality lodging establishment for both lodging and business functions if the quality were adequate. However, they also stated that they wanted to spread their business around. They currently use several locations around the state and within the region for business functions. They use these facilities about six times a year. They noted that there was a real need for better support services in the region, especially a good quality restaurant. At present they take business colleagues to Bangor for dinner.

They were willing to pay between \$60.00 and \$90.00 per night for an acceptable business quality accommodation.

Guilford of Maine

Guilford of Maine in Guilford used approximately 1,524 lodging nights in 1997 and 742 nights in the first six months of 1998. They require more rooms in June, July and August than any other time of the year. They do not foresee this number increasing in the near future. In 1997, the majority of these lodging nights were accommodated in the company's apartment (about 40%) however; the Guilford B&B (30%), the Greenville Inn (9%), the Dexter Motor Lodge (8%), and several more distant establishments were also used. Through the first six months of 1998, 46% of the company's guests stayed in the company apartment, 28% stayed at the Guilford B&B, 9% at the Greenville Inn, and 8% at the Dexter Motor Lodge. They found some of these facilities adequate and others not because of their lack of amenities and services. They stated that they would definitely use a local business quality lodging facility if it were build and that their business would probably account for between 400 and 500 rooms per year.

Over the past year Guilford of Maine used meeting rooms in Bangor five or six times. They used these facilities because there is nothing available within the region that can accommodate these events. They felt an establishment that could accommodate large business meetings was definitely needed in the area. They also stated that a good quality restaurant was needed.

They are willing to pay up to \$89.00 per night for an acceptable business quality accommodation.

Piscataquis County Courts

The Piscataquis County Court in Dover-Foxcroft uses approximately ten lodging nights per year. They do not anticipate this demand to change in the near future. Most guests stay in Bangor because they

require business quality accommodations and do not consider the lodging available in the Dover-Foxcroft area acceptable. They stated that they would use a local establishment if the facility offered the quality, privacy and amenities that business travelers expect.

Vendors, Salesmen and Suppliers

Most businesses and industries interviews mentioned vendors, suppliers or salespeople that call on them on a regular basis. Some of these people probably stay in the area from time to time but no record of these visits is available. Based on information from lodging owners, very few salespeople are patrons of their establishments. This is a good significant change from even ten years ago when salesmen made up a good portion of local motel and hotel clients. It is clear that these people still visit the region but they appear to do so less frequently, conducting most of their business through electronic means and staying in more distant locations such as Bangor or Waterville when they do visit the area.

Other Sources of Lodging Demand

Tourists

Tourists to the Dover-Foxcroft area clearly make up a large portion of the summer occupancy for most lodging establishments in the area. For most establishments between 20 and 50 percent of their yearly business is from tourists to the region. Between January and June of 1998 the Southern Piscataquis County Chamber of Commerce had approximately 75 requests for lodging information from tourists. With more marketing of this region, tourism travel to this region could significantly increase the demand for lodging in the area.

Events

Several regional events are held in the Dover-Foxcroft area. These events each create local demand for lodging. The largest event is probably the Hiram Maxim Northeast Military Firearms Shoot and Exposition held in July. This event attracts large numbers of people and often fills local lodging establishments for its duration. Other events that bring visitors to the region include the Ice Fishing Derby held in Milo in February, the Piscataquis Valley Fair held in August and the annual municipal anniversary celebrations and school reunions held each year.

Hunters

During the first and second weeks of November, most of the existing lodging establishments in the area are full or close to full with hunters. Hunting is a very popular pastime in the region and brings large numbers of out of state people into the region. Although several area lodges noted a reduction in the number of hunters in the region in the past several years, this trend seems to have reversed in the past year. It is expected that the number of hunters to the region will continue to grow.

Snowmobilers

Snowmobiling in the region is another pastime that brings people to the Dover-Foxcroft area. Although growing slowly, several motels and B&B's noted that during the winter months they have guests that come to snowmobile. With more marketing of this activity, this pastime could increase the region's lodging demand in the winter months.

Family Events

Family events such as weddings and funerals create another source of lodging demand in the region. In the event of a wedding or funeral, blocks of rooms are often booked in local establishments, sometimes filling the smaller facilities for a weekend or a day or two. No definitive data is available on the total room nights utilized by these types of events, but most lodging establishments interviewed mentioned this type of demand.

The need for a function hall that could accommodate local wedding receptions and other family type events such as family reunions was also mentioned by a number of people. There are very few function halls in the area, especially ones that can accommodate a large number of people. It was felt that if a facility of this type were built in the region it would be used for these types of events.

III HISTORICAL LODGING SALES INFORMATION

On a quarterly basis, the Maine Department of Revenue Services collects information that quantifies the retail sales in Maine's Economic Summary Areas. Dover-Foxcroft is one of the state's forty-three Economic Summary Areas (ESA). The Dover-Foxcroft ESA includes the towns of Dover-Foxcroft, Greenville, Dexter, Milo, Brownville Junction, Guilford, Monson, and a number of other smaller communities. In all, thirty-six towns and townships are included in the Dover-Foxcroft ESA. Dover-Foxcroft's population of 4,602 (the 1995 estimate of the Maine Department of Human Services) is approximately 17% of the entire ESA's population of 27,088.

Retail sales tax data collected by the Department of Revenue Services is divided into a number of categories, including restaurant and lodging facilities. Of the total retail sales of \$108,792,000 reported in 1997 in the Dover-Foxcroft ESA, the town of Dover-Foxcroft accounted for \$32,800,900 of these sales, or 30%. However, in the Restaurant and Lodging Sales category, the town of Dover-Foxcroft accounted for only 23.3% of all sales. In the last five years, as indicated in Table 3, taxable sales in the lodging category for the entire Dover-Foxcroft ESA has increased at a rate of 12.1 % annually. This actually represents the highest annual increase (during this time period) for any ESA in the state of Maine. It is also significant to note that during this same time period, there were much smaller increases recorded in the ESA's that border Dover-Foxcroft. The Bangor ESA saw an increase of only 0.4% annually, the Bangor Suburban ESA an increase of 5.8% annually, the Lincoln ESA a decrease of 6.9% annually, and the Millinocket ESA an increase of only 5.7% annually.

TABLE 1- RESTAURANT AND LODGING SALES/ DOVER FOXCROFT ESA 1993-97

YEAR	TOTAL SALES	INCREASE (DECREASE)
1993	\$10,470,000	NA
1994	11,224,000	7.2%
1995	12,142,000	8.2%
1996	12,143,000	-0-
1997	12,167,000	-0-

The total increase in restaurant and lodging sales between 1993 and 1997 was 16%, although sales were essentially flat between 1995 and 1997. (Although not included in Table 1, there was an increase of 8.6% in Restaurant/Lodging Sales in the Dover-Foxcroft ESA in the first six months of 1998, when compared to the first six months of 1997.)

TABLE 2 - RESTAURANT AND LODGING SALES/TOWN OF DOVER FOXCROFT 1993-97

YEAR	TOTAL SALES	INCREASE (DECREASE)	% OF ESA SALES
1993		\$2,569,000	(2.4%) 24.5%
1994		3,008,000	17.1% 26.8%

1995	2,974,900	(1.1%) 24.5%
1996	3,086,500	3.8% 25.4%
1997	2,837,500	(8.1%) 23.3%

The total increase in restaurant and lodging -sales in the town of Dover-Foxcroft between 1993 and 1997 was only 10.5%, as shown in Table 2. If the sales figures for the town of Dover-Foxcroft are deducted from the total for the entire ESA, the increase in the rest of the Dover-Foxcroft ESA was 18%.

Please Note: Because of the small number of motels and restaurants in Dover-Foxcroft, the data in the previous table cannot be separated into Restaurant and Lodging sales.

TABLE 3- LODGING SALES/ DOVER FOXCROFT ESA 1990-97

YEAR	TOTAL SALES	INCREASE (DECREASE)
1990	\$1,893,000	NA
1991	1,976,000	4.4%
1992	1,848,000	(6.5%)
1993	1,751,000	(5.3%)
1994	2,074,000	18.5%
1995	2,474,000	19.3%
1996	2,448,000	(1%)
1997	2,769,000	13.1%

Total lodging sales increased by 46.3% from 1990-1997 but since 1993 have increased at an even greater rate of 58%. This increase between 1993 and 1997 has been at an annual rate of 12.1 %, the largest increase of any of the state's Economic Summary Areas. It is also significant to note that during this same time period (1993-1997), there were much smaller increases recorded in the ESA's that border Dover-Foxcroft, when compared to the Dover-Foxcroft Area. The Bangor ESA saw an increase of only 0.4% annually, Lincoln a decrease of 6.9% annually, the Millinocket ESA an increase of only 5.7% annually, and the Bangor Suburban ESA an increase of 5.8% annually. Additional details on the lodging markets in Bangor and Suburban Bangor are included later in this report.

HOTEL/MOTEL OCCUPANCY LEVELS

The Office of Tourism of the Maine Department of Economic and Community Development conducts a monthly occupancy survey of motels and hotels throughout the state. Although the survey relies on voluntary reporting by lodging facilities and may therefore not be completely accurate, it still provides some perspective on occupancy levels and can be compared to the information that was obtained through interviews with lodging owners in the Dover-Foxcroft area.

In the data collected by the Office of Tourism, Dover -Foxcroft's occupancy levels were lower than the state of Maine's levels throughout the periods of time for which data was available (August 1996-October 1997). The table below provides the statistics for a number of months during this period of time.

TABLE 4- STATE OF MAINE AND DOVER-FOXCROFT ESA OCCUPANCY LEVELS

	MAINE	DOVER-FOXCROFT
AUGUST '96	76%	57%

NOVEMBER '96	40%	28%
FEBRUARY '97	41%	40%
MAY '97	41%	25%
AUGUST '97	75%	56%
OCTOBER '97	54%	35%

Even though overall occupancy levels for Dover-Foxcroft area lodging facilities are less than statewide levels, one significant factor should be considered. Since many of the current lodging facilities are lacking amenities, there is a significant question as to whether the area's facilities are capturing the entire market for all types of visitors.

OTHER LODGING MARKETS

During its research into the Dover-Foxcroft Lodging Market, DCS also collected information that provides some additional insight into three of the lodging markets that are significant to Dover-Foxcroft. These three lodging markets are the Bangor market, the Suburban Bangor market and the town of Greenville's market.

THE GREENVILLE MARKET

Both quantitative and qualitative information indicate that the town of Greenville captures the greatest portion of lodging dollars in the Dover-Foxcroft Economic Summary Area (ESA), which includes Greenville. Statistics from the Maine Bureau of Revenue Services confirm this. As indicated before in this report, total lodging sales in the Dover-Foxcroft ESA grew from \$1.751 million in sales in 1993 to \$2.769 million in 1997, an increase of 57%. The table below compares the total lodging sales for the entire Dover-Foxcroft ESA to the sales solely in the town of Greenville for this time period.

TABLE 5- LODGING SALES/ DOVER-FOXCROFT ESA AND GREENVILLE 1993-1997

	Dover-Foxcroft ESA	Greenville	%
1993	\$1,751,000	\$1,353,400	77%
1994	2,074,000	1,610,500	78%
1995	2,474,000	1,914,800	77%
1996	2,448,000	1,956,800	80%
1997	2,769,000	2,256,500	81%

Clearly, the town of Greenville, with a year-round population of less than half that of Dover-Foxcroft, has captured an unusually high proportion of the lodging dollars in the economic area, and this share has been growing over the last two years. The reasons for this are apparent. Greenville is known more as a tourist destination, has a greater number of lodging facilities, and has some geographical attractions such as Squaw Mountain and Moosehead Lake that bring in visitors and others in need of lodging services. In addition, it is interesting to note that this predominance of Greenville in the ESA is year round, as the following quarterly statistics for 1997 indicate:

TABLE 6- 1997 LODGING SALES BY QUARTER/DOVER-FOXCROFT ESA AND GREENVILLE

	Dover-Foxcroft ESA	Greenville	%
1st Quarter	\$367,000	297,800	81%
2nd Quarter	502,000	410,400	82%
3rd Quarter	1,309,000	1,109,400	85%
4th Quarter	591,000-	438,900	74%
TOTALS	\$2,769,000	2,256,500	81%

In addition to demonstrating the strength of the town of Greenville's lodging market, the above statistics also show the amount of demand for lodging in the four quarters of the year. As expected, the greatest amount of demand for lodging facility space was during the third quarter of 1997, when 47% of the entire revenues for the year were generated. In the fourth quarter, 21% of the year's revenues were realized, followed by the second quarter with 18% and the first quarter with 13%. This breakdown is indicative of a market that relies a great deal on recreational travel.

THE BANGOR AND SUBURBAN BANGOR MARKET

The Bangor lodging market has undergone some significant changes during the 1990's. The two most noteworthy are the construction of new facilities in neighboring markets (in particular, Bar Harbor in the early 1990's) and the decline of the value of the Canadian dollar, leading to fewer visitors from Canada. The result of both of these conditions was an erosion in the Bangor lodging market in the early and mid-90's. The statistics below confirm this.

TABLE 7- BANGOR ESA LODGING SALES 1990-1997

YEAR	TOTAL SALES	INCREASE (DECREASE)
1990	\$21,122,000	NA
1991	24,239,000	14.8%
1992	22,962,000	(5.3%)
1993	20,493,000	(10.7%)
1994	17,830,000	(13%)
1995	18,535,000	(3.9%)
1996	18,059,000	(2.6%)
1997	20,842,000	15.4%

Total lodging dollars in the Bangor area between 1990 and 1997 actually declined by a total of \$280,000, or 1.3%, due once again to the devaluation of the Canadian dollar and the construction of lodging facilities in an adjacent market, specifically Bar Harbor. (it should be noted that the Bangor market as described above includes the Cities of Bangor, Brewer, and Old Town, as well as the towns of Orono, Stillwater, and Veazie.)

Two other indicators of lodging demand, for which there is information available for the City of Bangor, are the rates of occupancy and average prices for rooms, as measured by a survey of Bangor motels by Smith Travel Services. The table below demonstrates the softness in the Bangor market through most of the 1990's but also the rebound in that market over the last 18 months.

TABLE 8- BANGOR HOTELS/ PRICE AND OCCUPANCY LEVELS 1992-1997

YEAR	OCCUPANCY %	AVERAGE PRICE
1992	67%	\$50.90
1993	67%	49.24
1994	58%	48.16
1995	58%	48.11
1996	60.4%	48.57
1997	62.2%	49.59

The trend that began in 1996 when both occupancy levels and average prices began to increase has continued into the first six months of 1998. During this period of time, occupancy rates were 56.8% in Bangor (compared to 55.7% for the comparable period in 1997) and prices were \$48.76/room, compared to \$46.62/room in the first six months of 1997.

SUBURBAN BANGOR MARKET

The other neighboring market to the Dover-Foxcroft ESA is the Bangor Suburban market, which is located to the southeast of the Dover-Foxcroft ESA and is bordered by Newport and Corinna on the west and Orrington to the east. Unlike the Bangor market, the Bangor Suburban market experienced an increase in lodging sales from 1990-97, as the table below indicates.

TABLE 9- SUBURBAN BANGOR ESA LODGING SALES 1990-1997

YEAR	TOTAL SALES	INCREASE (DECREASE)
1990	\$1,271,000	NA
1991	1,559,000	23%
1992	1,407,000	(9.8%)
1993	1,280,000	(9.0%)
1994	1,415,000	10.6%
1995	1,428,000	0.9%
1996	1,487,000	4.1%
1997	1,600,000	7.6%

Between 1990 and 1997, the Bangor Suburban Economic Summary area experienced an increase of 25.9% in lodging sales, significantly better than the Bangor ESA with an actual decrease in lodging sales.

THE LODGING MARKET DURING THE CURRENT YEAR (1998) AND PROJECTIONS TO THE YEAR 2000

The growth in the lodging markets in the Dover-Foxcroft, Bangor, and Bangor Suburban ESA's during 1997 has continued into the first two quarters of 1998, which represents the most current available

information. From January 1, 1998 through June 30, 1998, each of these three markets had an increase in lodging sales (when compared to the same six months of 1997) that was greater, in percentage terms, than the increase they each experienced in 1997. In the case of Dover-Foxcroft and Bangor, the increases were greater than the state's increase of 10.6% for the same six month period of time; for the Bangor Suburban ESA, the increase was just slightly less. The tables below quantify this.

TABLE 10- LODGING SALES/ BANGOR, BANGOR SUBURBAN, and DOVER-FOXCROFT ESA JANUARY- JUNE 1997 AND JANUARY- JUNE 1998

ESA	JAN-JUNE SALES/1997	JAN-JUNE SALES/1998	INCREASE
Bangor	\$8,006,000	\$9,577,000	16.4%
Bangor Suburban	539,000	594,000	9.8%
Dover-Foxcroft	771,000	924,000	16.6%

The lodging market in the Dover-Foxcroft ESA has continued to demonstrate strength in 1998, and has grown (so far in 1998) at a greater rate of increase than the average of the previous five years, which was 14.1%.

The increases in lodging sales (in dollars) in the Dover-Foxcroft ESA are shown in the table below on an annual basis for each of the last 5 years as well as projected through the end of the year 2000. In making projections beyond 1997, we have used the average rate of increase from 1993-1997, which was 12.1%. Following these statistics for Dover-Foxcroft are tables that present the same information for the Bangor and Suburban Bangor Economic Summary Areas.

TABLE 11 - DOVER-FOXCROFT ESA LODGING SALES INCREASES 1993-2000

Year	Sales	Increase From Previous Year	Total Increase Since 1993
1993	\$1,751,000	NA	NA
1994	2,074,000	\$323,000	\$323,000
1995	2,474,000	400,000	723,000
1996	2,448,000	(26,000)	697,000
1997	2,769,000	321,000	1,018,000
1998 (proj)	3,104,000	335,000	1,353,000
1999 (proj)	3,479,630	375,630	1,728,630
2000 (proj)	3,900,675	421,045	2,149,675

From 1993 through the end of 1997, lodging sales in the Dover-Foxcroft ESA grew by \$1,018,000, an annual rate of 12.1%. In projecting lodging sales through the end of the year 2000, this 12.1% annual growth rate has been used, resulting in total projected sales increases of over \$2,149,675 since 1993 and \$1,131,675 between the end of 1997 and the end of the year 2000.

TABLE 12- BANGOR ESA LODGING SALES INCREASES 1993-2000

YEAR	SALES	Increase From Previous Year	Total Increase Since 1993
------	-------	-----------------------------	---------------------------

1993	\$20,493,000	NA	NA
1994	17,830,000	(\$2,633,000)	(\$2,633,000)
1995	18,535,000	705,000	(1,928,000)
1996	18,059,000	(476,000)	(2,404,000)
1997	20,842,000	2,783,000	379,000
1998 (proj.)	22,926,200	2,084,200	2,463,200
1999 (proj.)	25,218,820	2,292,620	4,755,820
2000 (proj.)	27,740,702	2,521,882	7,277,702

Please Note: For purposes of projecting sales in the Bangor ESA, the figures for 1998 though 2000 have been based on an annual growth of 10%. This is greater than the average annual growth from 1993-97 of less than 1%, but less than the growth rate of 15.4% in 1997 and 16.4% for the first six months of 1998.

TABLE 13- SUBURBAN BANGOR ESA LODGING SALES 1993-2000

YEAR	SALES	Increase From Previous Year	Total Increase Since 1993
1993	\$1,280,000	NA	NA
1994	1,415,000	\$135,000	\$135,000
1995	1,428,000	13,000	148,000
1996	1,600,000	113,000	320,000
1998 (proj.)	1,692,800	92,800	412,800
1999 (proj.)	1,790,982	98,182	510,982
2000 (proj.)	1,894,859	103,877	614,859

In projecting lodging sales for the Suburban Bangor ESA through the end of the year 2000, an annual growth rate of 5.8% was used. This represents the average annual growth rate of lodging sales between 1993 and 1997 for this market

PROJECTING FUTURE LODGING DEMAND

In order to be successful, any new hotel or other lodging establishment will need to generate its business by anticipating the projected future demand for lodging rooms in its geographical area. Historically, two general market segments have generated the demand for lodging, the business traveler and the recreation traveler. However, within these two major categories are a number of sub-categories.

Business and commercial travelers that might use a hotel in Dover-Foxcroft would likely fit in any of three categories. The first type of traveler would be the individual who is traveling strictly for business purposes and who either is a traveling salesperson stopping in several cities or a corporate employee who is visiting the company's headquarters office. Peak demand for this type of traveler takes place between Monday through Thursday. The destination for travelers of this nature would be companies such as Guilford Industries and Dexter Shoe. Corporate groups are also a category of traveler within this industry segment. The purpose of their travel is to attend a company-sponsored meeting or training in a hotel or nearby location. A third category of business traveler would be a longer-term guest, e.g. an accountant or auditor who is working with a business, bank or credit union. One significant characteristic of commercial travel is that it tends to remain relatively constant throughout the year.

The recreational and leisure traveler includes many families and groups usually traveling by bus. Travel for this segment of the industry will peak during traditional tourist seasons. Lengths of stay vary

considerably, with stays as short as one night and as long as a week or more. Travelers of this nature may also be congregating for a specific event or occasion such as a wedding or school reunion. Unlike the business traveler whose travel is relatively constant throughout the year, the recreational or leisure traveler peaks in the summer and is also heavy during specific times of the year, such as hunting season in Maine.

When determining the lodging demand for a proposed facility, it is important to examine and to project what future demand might exist. New commercial development, new tourist attractions or recreational development, and population growth are all factors that will impact the types and numbers of travelers that might come to an area in the future. Another concept is that of supply-induced, or latent, demand. This demand concept represents the new room demand that could emerge simply because a new facility opens. In the case of Dover-Foxcroft, this is significant, primarily because the type of facility that is being discussed by the community will be a facility that does not duplicate the existing facilities in the area, but instead will add a new type of facility to the existing lodging stock.

CONCLUSION

Based only on interviews with the existing owners of lodging facilities in the Dover-Foxcroft area, it would be difficult to conclude that the lodging market in the area is growing. As part One of this report has indicated, within existing facilities there is room capacity that is not yet being utilized, especially during the winter and spring months. On the other hand, based on statistics available from the Maine Bureau of Revenue Services, it is apparent that the overall lodging market in the Dover-Foxcroft area has been growing at a healthy rate. Over the last 4 1/2 years, there has been an increase of better than 12% annually in lodging sales, the highest rate of increase of any of Maine's economic areas. When these statistics are examined more closely, what is clear is that the great majority of this increase has taken place in one community, the town of Greenville, which overall accounts for more than 80% of the total lodging dollars in the entire economic area.

In examining the projected lodging market in Dover-Foxcroft, we have also examined the lodging markets in neighboring areas. Anecdotal evidence indicates that some visitors to Dover-Foxcroft do not stay at the motels, inns, and Bed and Breakfasts in the community, but instead travel to Newport or Bangor, because of a wider variety of accommodations. Therefore, any new facility in Dover-Foxcroft, which offers more amenities than the area's current facilities, should be able to capture some of these customers that now stay in Bangor or Newport.

The available data demonstrates a projected demand for lodging services that can support growth in existing facilities and/or the construction of a new facility. The Dover-Foxcroft Area alone is projected to generate new demand for lodging services worth \$1,131,675 between the end of 1997 and the end of the year 2000. The Bangor market is projected to generate an additional \$6,898,702 in lodging sales during this same period and the Suburban Bangor market, an additional \$294,859. Capturing a fair share of these projected sales is key to being able to support any new establishment. The final section of this report will examine the development costs for a new lodging facility in Dover-Foxcroft, and also project the types of income and operating expenses that such a facility might

IV DEVELOPMENT OF A LODGING FACILITY

The development costs for a hotel facility are dependent upon a number of different factors. The price of land and its readiness for development, the cost of furniture and fixtures, and the quality of construction are just some factors that can impact development costs. The preliminary construction budgets for a 50-room and 25-room hotel that have been outlined below are based on a number of costs which need to be viewed in their proper context. These costs represent estimates based on conversations with individuals in the construction and hospitality industries, as well as research using industry publications and other

information. For each of the estimates, there are a number of variables that, when changed, change these estimates. For example, land improvements can vary greatly from site to site, depending on topography and other factors, and can add significantly to the construction cost of a project. Another variable might be the availability of competition in the construction industry in an area, which will significantly change the construction cost budget for a project. Yet another variable would be the inclusion of a swimming pool and exercise room in the project. This type of amenity would add between \$75,000-100,000 to the construction costs for a hotel project, and has not been included in the accompanying project estimates.

The estimates below should be considered as preliminary,, and will need refinement from construction, design, and development experts. Exceptions can probably be found for all of the estimates that would cause a change in the total cost figure. According to a representative of Quality Inns, for example, a Comfort Inn was built in St. Albans, Vermont in 1997 (a town of approximately 7,000, which is 25 miles north of Burlington) that cost \$1.6 million for a 63-room hotel that included a swimming pool and exercise room. This per room cost of \$25,400 is considerably less than the estimate of \$35,000/room, which was provided by a Maine construction company that is experienced in hotel construction. A representative of the Best Western Chain indicated that the construction price range for recently built Best Western hotels was between \$28,000-43,000 per room, which includes furniture and fixtures.

Another variable that should be noted is the franchise fee, which is only present if the hotel is affiliated with a national chain. The fee of \$40,000 represents the franchise fee for a Comfort Inn. Best Western's franchise fee (or entrance fee as it is called), is \$28,000 for a 50-room hotel and \$25,500 for a 25-room hotel.

PRELIMINARY CONSTRUCTION BUDGET/ 50 ROOM HOTEL

ITEM	COST
1. Land- Two Acres of Land @ \$25,000/acre	\$50,000
2. Land Preparation and Construction Cost \$35,000 per room	1,750,000
3. Architect's Fee @ 6% of cost	105,000
4. Construction Interest- 9% Interest at average of \$1,000,000	90,000
6. Furniture and Fixtures \$4,000/room	200,000
6. Construction Contingency/ 5% of construction cost	87,500
7. Franchise Fee	40,000
TOTAL	\$2,322,500

PRELIMINARY CONSTRUCTION BUDGET/ 25 ROOM HOTEL

ITEM	COST
1. Land- Two Acres of Land @ \$25,000/acre,	\$50,000
2. Land Preparation and Construction Cost \$35,000 per room	875,000
3. Architect's Fee @ 6% of cost	52,500
4. Construction Interest- 9% Interest at average of \$500, 000	45,000
5. Furniture and Fixtures \$4,000/room	100,000
6. Construction Contingency/ 5% of construction cost	43,750
7. Franchise Fee	40,000
TOTAL BUDGET	\$1,206,250

PROFORM A/50 ROOM LIMITED SERVICE HOTEL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR
5					
REVENUES					
Maximum Room Revenues 1,186,000	\$1,186,000	1,186,000	1,186,000	1,186,000	
X Occupancy Rate	.50	.55	.55	.60	.60
=Actual Room Revenues 711,600	593,000	652,300	652,300	711,600	
Other Income	50,000	55,000	60,000	65,000	65,000
TOTAL REVENUES 776,600	\$ 643,000	707,300	712,300	776,600	
EXPENSES					
Rooms Expenses 185,016	154,180	169,598	169,598	185,016	
Utilities	32,150	35,365	35,615	38,830	38,830
Administrative	52,083	57,291	57,696	62,905	62,905
Marketing	26,363	28,999	29,204	31,841	31,841
Insurance	10,000	10,000	11,000	11,000	12,100
Maintenance	27,006	29,707	29,917	32,617	32,617
Management Fees	15,432	16,975	17,095	18,638	18,638
Property Taxes	44,000	44,000	46,200	46,200	48,510
Reserves	10,931	12,024	12,109	13,202	13,202
Debt Service 200,046	200,046	200,046	200,046	200,046	
Franchise Fee	58,513	64,364	64,819	70,671	70,671
TOTAL EXPENSES 714,376	\$630,704	668,369	673,299	710,966	
REVENUES-EXPENSES= CASHFLOW	\$ 12,296	38,931	39,001	65,634	62,224
Depreciation (non-cash charge)	\$75,000	75,000	75,000	75,000	75,000

PROFORM A/25 ROOM LIMITED SERVICE HOTEL

	YEAR 1	YEAR 2	YEAR 3	YEAR 4
YEAR 5				
REVENUES				
Maximum Room Revenues 593,125	\$593,125	593,125	593,125	593,125

X Occupancy Rate		.50	.55	.55	.60
.60					
= Actual Room Revenues		296,563	326,219	326,219	355,875
355,875					
Other Income		30,000	35,000	40,000	45,000
45,000					
TOTAL REVENUES		\$ 326,563	3610219	366j219	400j875
400,875					
EXPENSES					
Rooms Expenses	\$	77,106	84,817	84,817	92,528
92,528					
Utilities		16,328	18,061	18,311	20,044
20,044					
Administrative		39,188	43,346	43,946	48,105
48,105					
Marketing		13,389	14,810	15,015	16,436
16,436					
Insurance		5,000	5,000	5,500	5,500
6,050					
Maintenance		13,716	15,171	15,381	16,837
16,837					
Management Fees		7,838	8,669	8,789	9,621
9,621					
Property Taxes		22,000	22,000	23,100	23,100
24,255					
Reserves		5,552	6,141	6,226	6,815
6,815					
Debt Service		103,899	1039899	103,899	103,899
103,899					
Franchise Fee		29,717	32,871	33,326	36,480
36,480					
TOTAL EXPENSES\$		333,733	354,785	358,310	379j365
381,070					
REVENUES-EXPENSES=					
CASHFLOW	\$	(7,170)	6,434	79909	21,510
19,815					
Depreciation (non-cash charge)		\$42,000	42,000	42,000	2,000
42,000					

ASSUMPTIONS

1. Maximum room revenues are based on a 50-room hotel that would charge an average of \$65/room and be open year round.
2. Other income includes income from renting space for functions, such as business meetings, receptions, or weddings.
3. Rooms expenses have been calculated at a rate of 26% of room revenues. This is an industry average based on a national survey of hotels of less than 75 rooms.
4. Utilities are based on an estimate of 5% of total revenues.
5. Administrative costs have been estimated to be 8.1 % of total revenues for the 50-room hotel and 12% of revenues for the 25-room hotel. This would take into account the increased efficiencies resulting from a larger project.
6. Marketing costs have been projected at 4.1% of revenues.
7. Management fees have been projected to be 2.4% of revenues.
8. Property taxes have been based on the town's current mil rate with an inflation factor of 5% for year three and an additional 5% for year 5.
9. Reserves have been computed at 1.7% of revenues and would be used to establish a replacement reserve for furnishings, linens, and other types of assets.
10. Annual Debt Service has been based on two different financing scenarios. For the 50-room hotel, development costs were estimated at \$2,322,500. Project financing would consist of equity of 25%, or \$580,625, and debt financing of \$1,741,875 at a rate of interest of 10%, amortized over 20 years. For the 25-room hotel, construction costs were estimated to be \$1,206,250. Project financing would consist of an equity contribution of \$301,562, and debt financing of \$904,688 at a rate of interest of 10%, amortized over 20 years.
11. The franchise fee has been based on 9.1% of gross revenues. This is the fee charged by Comfort Inns. This is higher than some franchise fees, and lower than others.
12. Depreciation has been calculated on a straight-line basis for both buildings and furniture and fixtures

V RECOMMENDED ACTION STEPS

1. Expand the membership of the Town's Lodging Committee to include a number of other participants. We would suggest that those participants include the organizations and institutions that are most likely to utilize space in a new lodging/conference facility. This includes the two largest business users of lodging space, Dexter Shoe and Guilford Industries, as well as Mayo Regional Hospital, and Dover-Foxcroft Academy. In interviews with these organizations, all expressed an interest in this project. We recommend these people be brought into any future discussions regarding the potential for a hotel conference development.
2. Reach out to representatives of the lodging industry and seek their input for the next phase of this project. A number of chain hotels are actively investigating new sites in Maine. Two who were most useful for this study are Best Western and Quality Hotels. These two chains are both aggressively pursuing development opportunities ties in Maine.
3. Identify contractors who can provide more detailed cost information about a hotel conference facility development. The most experienced motel construction company in Maine is Allied-Cook Construction in Portland. We would recommend the town of Dover-Foxcroft establish contact with that company.
4. The town of Dover-Foxcroft can be proactive in using the town's resources to assist in financing any potential development. The town should investigate the use of Tax Increment Financing (TIF), a mechanism that can assist in a project's development by using future property tax dollars to finance part of a project's development costs. This would have the effect of reducing the development costs for a project.
5. The town of Dover-Foxcroft, through the Piscataquis Chamber of Commerce, needs to accelerate its efforts to attract tourists to the area. Educating visitors to Maine about the Dover-Foxcroft area is a first step to attracting more tourist dollars.

A listing of useful contacts:

1. Chris Thomas
Choice Hotels International
Tyler Farms Road
West Newbury, Vermont 05085 Tel. (802) 429-2994
2. Jack Barry, Regional Director
Best Western International, Inc.
38 Pond Street
Franklin, Mass. 02038 Tel. (508) 520-1640
3. Daniel Willett, Advisory Services
Allied-Cook Construction
P.O. Box 1396
Portland, Maine 04104 Tel. (207) 772-2888