

McIntyre Project – December 5, 2018
Follow-Up Questions for Proposers

Please provide responses to the following questions by 5:00 PM on Friday, December 15. Responses should be sent electronically to Nancy Colbert Puff (NColbertPuff@cityofportsmouth.com) and Nancy Carmer (nmcarmer@cityofportsmouth.com) at City of Portsmouth and Barry Abramson at Abramson & Associates, Inc. (ba@abramsonassoc.com). Responses should be in PDF format to the City and in PDF and Excel format to Abramson & Associates. In answering each, we ask you to demonstrate how your answer affects your program, project economics/financial feasibility, and financial proposal to the City and, for responses entailing major programmatic changes, provide a revised cash flow and development budget.

1. **Proposed Uses.** While still maintaining financial feasibility, are there uses (such as those geared toward cultural, arts, community, business innovation/office, as well as workforce housing, or other uses not currently found in the downtown) that could replace or supplement a portion of the standard investment grade real estate uses (i.e. retail, restaurant, hotel and/or market-rate residential uses in your proposal)?

Would you be willing to add or substitute such alternatives to enhance your project's consistency with the City's stated goals for the project? What would you consider to be appropriate square footage and location for such uses, parking implications, and the potential rents and expenses, development costs, financing/investment return requirements, impacts on program, relative value of such uses compared with standard real estate uses and the impact on your proposed lease payments to City?

To facilitate the City's ability to fairly evaluate proposers' responses on an apples to apples basis, in addition to any particular response you may offer to the above question, please respond to the above question relative to:

- a. 10,000 square feet of space for community use such as arts, cultural, or business innovation use assuming such space would be provided in finished, turn-key condition (assuming a quality level commensurate with first class meeting space) at no rent except shared operating expense. Specify the construction cost above shell you are assuming and what is and is not included in your definition of shell and finish.
 - b. Redevelopment of McIntyre Building for office
 - c. Redevelopment of McIntyre Building for office and/or other use with no other major new development on site and a significant public open space oriented to Bow Street
 - d. 10,000 square feet of office space (in the event McIntyre Building is not redeveloped for office)
 - e. 10% of the proposed housing units as affordable rental housing to families earning 80% of area median income (max. rent for studio is \$1,190; 1BR is \$1,275; 2BR is \$1,530; 3BR at \$1,768) at the same unit mix and size as market rate units.
2. **Scale, Open Space & Steeple View.** While still maintaining financial feasibility, are there enhancements to your proposed open space and building design (i.e. height, setbacks, and massing) along Bow Street that could be made to better meet the City's desired goal of preserving views of the steeple on the Saint John's church located on Chapel Street from Market Street and achieving a more appropriate scale on Bow Street relative to existing structures? In each case, how might the reduction of square footage and other refinements impact the design, program, project economics/financial feasibility, and proposed lease payments to City?

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3. **Historic Monument Program/Historic Rehabilitation Tax Credits.** You are planning on demolishing/partially demolishing a feature of the building that has been identified as a primary character-defining feature. Please explain your assumption that this aspect of your plan meets the Secretary of the Interior's "Standards for Rehabilitation." What would be the impact on your design, program, project economics/financial feasibility, and proposed lease payments if such major change(s) could not be made? Specifically, address changes and impacts if demolition of the one-story post office (or at least its façade) is not allowed.

4. **Environmental Remediation.** Understanding that due diligence is yet to be performed, please provide more information on your estimation or allowance for site-work, demolition, abatement, and environmental remediation.

Please provide as much detail as possible in terms of a break-out of these individual cost items and the assumptions underlying them as well as your proposed means of accounting for actual costs above or below that amount in light of the City's requirement that it not incur any costs or liabilities in redevelopment of the site and its desire not to overcompensate the developer for costs that are not ultimately realized.

5. **Roles in Development and Long Term Involvement.** What are the development entity' and its principals'/partners' intended roles and term of their involvement in development, ownership, and management beyond completion relative to the overall master-development and its individual components?

6. **Public Participation.** What are your thoughts for public participation and outreach to build support for a consensus-based final proposal? What techniques would be used, and who are the individuals who would be leading and participating in that effort?

7. **Market Analysis.** The RFP requested market analysis be provided to support assumptions made – in particular, our interest has been piqued by the proposers' differing perspectives on demand for and viability of office. Please provide detailed information relative to: existing supply in Portsmouth and the downtown market in terms of amount of space by class, character, provision of parking on- vs. off-site, nature/size of tenants, size of blocks of space, and, relative to the above characteristics, rents and terms (clearly specifying tenant vs. landlord responsibilities for costs and applicable area for calculation net rentable re: occupiable), typical tenant improvement allowances, and the competitive position, target/likely tenancy (nature, square footage), parking accommodation, rents and other terms, TI allowances, and other relevant variables for office space if it were to be in a renovated McIntyre Building or in new space elsewhere in the project. Assuming redevelopment of the McIntyre Building for office, what percentage of space would need to be pre-leased to secure debt and equity financing to proceed with the project and what would be the required level of investment return commensurate with that assumption?

8. **Minimum Lease Term.** What is the minimum lease term that would be required to finance the project?

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Questions Specific to Leggat McCall:

If the City does not want a hotel, would you continue to be interested in developing the project? What would be your preferred alternate use? If office, respond to 1.b and c. If other use, what would that be? What would you consider to be the program, parking implications, potential rents and expenses, development costs, financing/investment return requirements, and relative value of such use compared with standard real estate uses and the impact on your proposed lease payments to City?

Questions Specific to Redgate/Kane:

- a. If fee simple ownership of land cannot be accommodated, would you still propose the residential component to be sold as condominiums? If so, what would be the discount on unit price and impact on absorption and financing/investment return requirements, program, and relative value compared with your previously proposed condominiums and the impact on your proposed lease payments to City?
- b. If the residential component were to be switched from condominiums to rental for the above reason or due to City preference, what would be the program (type, mix, unit sizes, parking) and the potential rents and expenses, development costs, financing/investment return requirements and relative value compared with the condominiums and the impact on your proposed lease payments to City?

Questions Specific to Ocean Properties/Two International:

- a. If the City does not want a hotel, would you continue to be interested in developing the project? What would be your preferred alternate use? If office, respond to 1.b and c. If other use, what would that be? What would you consider to be the program, parking implications, potential rents and expenses, development costs, financing/investment return requirements, and relative value of such uses compared with standard real estate uses and the impact on your proposed lease payments to City?
- b. If the hotel were restricted to just the McIntyre Building, respond to the same questions as above relative to the alternative for the new construction component you have proposed for the hotel and the implications for the hotel just in the McIntyre Building.