



AGENDA

**City of Portsmouth
Housing Blue Ribbon Committee
Eileen Dondero Foley Council Chambers at City Hall*
December 5th 2024
5:30 p.m.**

- I. Roll Call (5 minutes)
- II. Discussion on RFP 09-25 Below Market Rate Housing Development at 35 Sherburne Road and Question Responses from Proposers (50 minutes)
- III. Public Comments (20 minutes)

Attachments

- a. Link to the City's web page dedicated to Sherburne Property:
<https://www.cityofportsmouth.com/planportsmouth/housing/sherburne-property>
- b. Link to City Council Meeting of December 2nd 2024 (Public Comment @ 8:15, RFP Response @ 3:07:15)
<https://www.cityofportsmouth.com/citycouncil/city-council-broadcast-videos>
- c. Question Responses from Proposers

**Members of the public also have the option to join this meeting over Zoom. Please register in advance for this Zoom meeting:*

Register in advance for this meeting:

https://us06web.zoom.us/webinar/register/WN_7NvVCyePSFGM7A097E4xTQ

After registering, you will receive a confirmation email containing information about joining the meeting.



ATTACHMENTS

City of Portsmouth Housing Blue Ribbon Committee

Thursday, December 2nd 2024

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<https://www.cityofportsmouth.com/citycouncil/city-council-broadcast-videos>
- c. 09-25 Below Market Rate Housing Development at 35 Sherburne Road Property - PHA Responses
- d. 09-25 Below Market Rate Housing Development at 35 Sherburne Road Property - POAH Responses



**Sherburne School Below Market Rate Housing Development
Response to City Council and Housing Committee Questions 11.27.2024**

1. In the past two years, have you encountered any major projects that did not come to fruition or are at significant risk of falling through?

Yes. In the summer of 2022, PHA completed the award-winning Ruth Lewin Griffin Place (Ruth's Place), a 64-unit workforce housing project and the largest affordable housing expansion in Portsmouth in nearly 50 years. The project faced significant challenges, including a lawsuit over Planning Board residency, which delayed construction by over a year, added \$1.5 million in costs, and required navigating COVID-era supply chain and labor shortages. Despite these hurdles, PHA secured additional funding, adjusted timelines, and completed the project.

A testament to PHA's experience and tenacity, PHA was recognized with the 2022 Visionary Leadership Award given by the Workforce Housing Coalition with the Greater Seacoast, the 2023 Merit Award of Excellence by Plan New Hampshire, the Chamber Collaborative of Greater Portsmouth Building a Better Community Award, and the US Green Building Council NH Chapter Building of the Year.

2. Over the past two years, have any municipalities or partners you've worked with faced substantial costs or expenditures for projects that were not completed or are unlikely to be completed?

No.

3. Since the RFP was issued, has any leadership staff on your team contacted any city councilors or senior city leadership staff regarding this project? (All)

Yes. PHA contacted City Councilors up until the time when the City Manager requested the PHA not do so. As one of the largest community-based non-profits and a major landlord, we are constantly in touch with City leadership and staff as part of our long-standing working relationship, which includes dozens of opportunities to speak with councilors

about the work of the PHA. The following detail is our recollection of interactions. We have not intentionally excluded anything but need to stop short of guaranteeing there are no more occasions where we ask about Sherburne School.

Mr. Ferrini saw Councilor Tabor at the Mayor's Alzheimer's event at Strawberry Banke and asked him how the Sherburne process was going. He said he preferred not to talk about it. We did not. I participated in general brief discussions about housing with some Councilors in Council Chambers after the Council Work Session on December 14, 2024.

Along with other PHA leadership, Mr. Ruedig saw Tabor, Kelly, Cook, and Moreau at Vintage and Vine at Strawberry Banke on 9/12, the City Manager in her booth at the farmers market on several occasions, and the Mayor at Ruth Griffin's service.

Mr. Welch called the Mayor, Assistant Mayor, Councilor Denton, Councilor Blaylock, and Councilor Moreau. Councilor Tabor was contacted with an invitation to attend a workshop hosted by PHA at Ruth's Place shortly prior to the Sherburne work session, which he did attend and when Sherburne was discussed. Other Councilors likely received this invitation as well. Mr. Welch spoke with City Manager Karen Conard at the event for Vice-President Harris, with Assistant Mayor Present. Mr. Welch also approached Councilor Lombardi when he saw him at the dump.

Ms. Pickett spoke with Councilor Bagley at a Chamber Collaborative event. Ms. Pickett also attended the City Arts Commission meeting and Councilor Cook sits on that committee.

5. If the school is kept, not the gym, then is it possible to create a neighborhood feel? How does that affect the affordability of the project? (How many units? With how many bedrooms? Rented at what percentage of the AMI?)

Yes. If the school is preserved, we will work to create a neighborhood feel in the master plan for the site. This plan will include not only housing, but also consider maximizing green space, recreational amenities, or potential for the inclusion of other community assets as determined by the community and Council. PHA is committed to a strong, professionally facilitated, community engagement process where we will listen carefully to the community in order to create an outstanding plan for the site and design of the buildings on it.

In our response to the RFP, we estimated eight, one-bedroom housing units in the school. However, there are many different scenarios that will be informed by the community engagement process and consultation with the design team that could create additional options, such as putting an addition onto the school building, replacing the gym space with

additional housing units, or others. Estimating the cost of these scenarios will be an important part of this design process.

Along with any new housing construction on the site, our plan is for the target renter to be a household making 60% of the Area Median Income but being able to accommodate renters up to 80% of the AMI.

6. If affordable housing and the preservation of the school building, excluding the gym, are the goals of this project, then what is the maximum number of affordable units? How many bedrooms and at what percentage of AMI? What is the estimated cost to build per unit?

There are many different scenarios that will be informed by the community engagement process and consultation with the design team that could create additional options such as putting an addition onto the school building, replacing the gym space with additional housing units, or others. In our response to the RFP, we estimated eight, one-bedroom housing units in the school. For cost estimates, see the proformas provided in our response to the RFP.

7. If the aesthetics and the preservation of the school building, excluding the gym, are the goals of this project, then what is the lowest number of affordable units? How many bedrooms and at what percentage of AMI? What is the estimated cost to build per unit?

The overall design of the project will be informed by the community engagement process and consultation with experts in architecture, landscape architecture, engineering, construction, and finance. Based upon our conceptual plans, we believe 6 to 8 units are feasible. Please see the development proformas offered in our response to the RFP for estimated costs.

8. Is there any additional information on the inverse relationship of affordability and aesthetics of this project that would be very helpful?

As evidenced by Ruth Lewin Griffin Place at 160 Court Street, the PHA believes that one does not have to sacrifice high quality design to achieve affordable housing. However, there are design elements and materials that can be cost prohibitive, making community engagement a critical component of our design process to help achieve our design goals at a cost that will not exclude it from winning an allocation of Low-Income Housing Tax Credits (LIHTC). High-cost proposals have significantly lower chances of winning an LIHTC award because of regulations governing the total development costs of a project.

The PHA aspires to make a strong design statement with energy efficiency and sustainability, and there are a variety of ways that building design can influence this. Our ability to achieve sustainability goals is evidenced by PHA's new Ruth Lewin Griffin Place apartments, which was named Building of the Year by the US Green Building Council's New Hampshire Chapter for being the highest scoring LEED (Leadership in Energy and Environmental Design) project in New Hampshire in 2022, while also accommodating rigorous design requirements in the Portsmouth Historic District.

9. Do your current neighbors enjoy living next to your properties?

Yes. The PHA takes pride in being responsible and considerate and always tries to be good neighbors, and scores of Portsmouth residents, including abutters to our properties, attest that this is so. This is evidenced by the fact that abutters have testified to that fact in public municipal meetings. The safety and security of our residents, staff, visitors, and neighbors has always been our top priority, and our commitment to this is consistently affirmed by those who live near our properties. PHA's top priority has always been the safety and security of our residents, staff, visitors, and neighbors. We take that priority seriously and neighbors will attest to that fact. Our properties are also located near public parks, where children play and families gather. We estimate that nearly half of PHA housing units are single family homes valued in excess of \$1 million, many significantly more so, and are located in dense single-family neighborhoods, and many of these neighbors will attest that they have excellent relations with residents in our properties.

10. Will there be a property manager on site once completed and occupied?

Yes. Another benefit of having a local partner is PHA's ability to provide high-quality property management is unmatched. Property Management will not only be on site, but it will also be augmented by PHA's 38 staff who work in one of four offices spread throughout the city. This staff consists of specialists in finance, operations, community engagement, tax credit compliance, applications and occupancy, property management, capital planning, maintenance, and others. Our resident services staff are dedicated to specific properties, while also having the ability to float between properties when specific skills, events, or relationships or other assets can be deployed.

Our ten full-time maintenance staff respond to thousands of work orders per year, turn over between 70 and 100 units per year, complete dozens of capital and non-routine projects, and provide all of our own custodial services. Our maintenance team responds to work requests 24 hours a day, 365 days a year, from five different maintenance shops throughout the city.

PHA also manages all of our waitlists locally, which is a valuable asset to managing the over 1,300 households currently on our list. When housing needs change due to family size, age, disabilities, or other reasons, the PHA also has the ability to transfer residents between sites to best meet their needs.

Along with all of our operational assets in the city, one should note and one of the four major goals of PHA's Strategic Plan is to **connect** with other area agencies and individuals that can serve our residents and make for a stronger PHA. The relationships we have been built over the prior decades are priceless in terms of the value they create for our residents, who make up over 4.5% of the population of Portsmouth. The additive benefits of these strong partnerships make us outstanding at serving our residents, and makes Portsmouth a stronger, more resilient community.

11. Will the tax credits earned from this project be reinvested in the City of Portsmouth?

Every action taken and every dollar earned or saved by PHA is directed towards sustaining, enhancing, and expanding affordable housing in Portsmouth, and Portsmouth only,

meaning none of our revenue dollars go toward anything outside the city. All current and future actions by PHA will be in the name of meeting the above objective. PHA is uniquely qualified to assess and best informed to efficiently meet the needs of the local stakeholders as PHA is focusing all of its resources and attention on providing Portsmouth citizens with safe and affordable housing, and we do this in a variety of ways, including:

1. Expanding our Resident Service Coordination team. PHA Houses over 4.5% of the population of the city, including hundreds of children and hundreds of senior citizens. The wellbeing of these residents is of direct benefit to the city of Portsmouth. PHA and our property budgets include resident services, and excess cash flows allow us to improve services for our residents.
2. Investing in our properties. Half of PHA's \$100 million property portfolio is over 50 years old, so investing in or redeveloping these assets improves the housing infrastructure in Portsmouth. PHA is the largest public housing authority per capita in New Hampshire, with 12 properties spread throughout the city, consisting of 680 rental units. Our ability to invest in these properties does have a meaningful impact on the quality of our buildings and neighborhoods.
3. Building capacity and expertise at the PHA. Continuing to develop and manage new housing with the complex regulatory requirements included in tax credit-funded housing requires specific skills that are scarce in the marketplace. Building the long-term capacity of the PHA by investing in training and being the employer of choice in the region helps to build the long-term capacity of the PHA. If the city's goal is to increase the supply of affordable housing, seizing opportunities to grow the PHA should not be missed.
4. Innovation. The PHA prides itself on innovation in affordable housing and we are a leader in the state in doing so. Revenues from new development activities have allowed us to create workforce training incentives, accelerate sustainability and energy efficiency projects, create a successful childcare center, start an after-school program in partnership with the School Department, and many other housing-related resident initiatives.
5. Market Research. PHA's 2022 and 2024 Market Studies have informed policy makers in the City and region. These studies have been used to assess new development activities, secure funding, and inform public dialogue including the 2024 Portsmouth Listens Places to Live study circles. Our Market Study showed that Portsmouth can absorb 1,500 new units by the end of this decade, it became the

source of information used by City Council when they set their goal to permit 500 new housing units in the next two years.

12. What are your plans for reinvesting in affordable [housing] in Portsmouth in the future?

PHAs fifteen-year, \$200 million plan to invest and reinvest in affordable housing in Portsmouth started with creating public support and policy frameworks necessary to build upon this work, including participating in the creation of the City Housing Policy in 2016, Portsmouth Listens study circle on housing in 2017 and 2024, informing City's 2025 Master Plan, commissioning Market Studies in 2022 and 2024 and other efforts to guide our goals. We have continued with our advocacy and policy work on the federal, state, and local level in order to assure Portsmouth continues to attract investments for our work.

Our first new development initiative was to take advantage of the opportunity to build on land PHA already owned on Court Street, and then build on that success. After the high-profile opening of Ruth Lewin Griffin Place in 2022, the PHA's strong reputation led to new opportunities working with the City and private landowners to develop new housing and earned a strong interest by the City to work with PHA on developing new housing on City owned land starting in 2022.

One way the City can support the PHA in executing on this plan is to turn to the PHA to capitalize on the rare opportunities to make a meaningful impact on the housing supply, and if the opportunity, funding sources, or regulatory constraints suggest that more affordable housing developers are needed to pursue multiple City owned properties in Portsmouth, the City should turn to PHA's expertise and experience to recruit and vet other developer partners to assure we are getting the best deal for Portsmouth, and coordinate these efforts.

13. What is your relationship with local nonprofits? Is there any potential to partner for a community center in the school building?

There are dozens of local non-profits that the PHA partners with to best serve our residents and make for a stronger PHA. In fact, PHA's strategic plan prioritizes the cultivation of strong partnerships and relationships as a core objective for the PHA. We would be pleased to collaborate with any of these partners on creating a community center or other uses that benefit the public in the Sherburne building.

Some examples of these partnerships include:

Collaborating with the **City of Portsmouth School Department** to create the MC3 after-school program, serving New Franklin school students, including those living in PHA properties.

Collaborating with the **Seacoast Community School** on the creation and continued operation of the successful Meadows Pre-School at Gosling Meadows.

Collaborating with **Great Bay Community College** on a new **Workforce Housing Education Incentive Program**, a collaborative initiative designed to support residents in their educational journeys. This program provides one-on-one support and a \$200/month rental reduction for residents at Ruth's Place who are enrolled in continuing education. This partnership, along with other local educational organizations, helps encourage lifelong learning and academic achievement. By working together, we are empowering residents to pursue education and improve their quality of life, fostering a stronger, more vibrant community.

Our relationship with **Crossroads House** led to the PHA acquiring a 12-unit rental property at **200 Greenleaf Avenue** from Crossroads. This mutually beneficial purchase allowed PHA to invest nearly \$100,000 in upgrades and quickly achieve 100% occupancy.

The most current example of this commitment to community partnerships is our work with the **Christ Church Property**. We received the property through a partnership with the **Episcopal Church** and worked to identify **HAVEN** as a sub-tenant to help them establish a permanent headquarters and transitional housing, meeting their specific needs. In addition, we collaborated with both the church and **Little Blessings Childcare Center** to ensure that their requirements were integrated into the property, allowing them to continue their valuable missions. This approach serves not only our future residents but also strengthens the operational success of all our partners.

A sample of other PHA partners include:

- The Chamber Collaborative of the Greater Seacoast
- Home For All
- Operation Blessing
- Good Work
- Granite United Way

- Portsmouth Rotary Club
- Portsmouth Elks Club
- New Frontiers Church
- City of Portsmouth
- Arts and Cultural Commission
- Portsmouth Music and Arts Center
- Gather
- I Got Bridged
- UNH Cooperative Extension
- YMCA
- Families First
- Southern NH Services
- Leadership Seacoast
- Seacoast Mental Health Center
- COAST

And many others.

14. If chosen, what happens if there is a change in federal [any source of funding] housing grant programs in the next year which eliminates anticipated funding sources for new housing proposals? How do you then approach building this project? In what scenario would you require CIP funding?

A change in federal resources is virtually inevitable, but PHA is in a unique position to use its existing resource base to enable resiliency in the face of shifting federal priorities. As one of the nation's few Moving to Work PHA's, PHA has earned extraordinary flexibility in the use of its housing resources to enable new development of affordable workforce housing in the city.

To avoid any confusion by the public, we believe it's important to respectfully note that while city staff did state on page 1 of 2 in the Summary of Observations, that PHA concepts included that "financial contribution from the City would be needed if the school building were to be reused." and on page 2 of 2 that PHA's " Various options linked to City of Portsmouth financial contribution", this is not accurate. Given this was repeated during the City Council and Housing Committee Work Session, and then reinforced by staff at the November 21 Housing Committee meeting, we want to be sure the public has the most accurate information about City investments.

PHA did list in the proformas for two conceptual designs a line siting *CIP/HUD 108/TIF/Other* as options to fill funding gaps, but the PHA did not indicate that CIP funding would be needed or is "linked" to any options. While the City of Portsmouth Housing Policy does encourage using CIP funds to enable the development of affordable housing, the PHA has and does and will seek a variety of options for funding, including the 19 different funding sources listed in our RFP response, our conceptual plan does not require any City CIP funding.

In addition, we believe it's also important to mention so as to not cause any confusion by the public, that city staff stating POAH has the capacity to self-fund the project, did not include PHA's capacity to do the same, as evidenced by the fact that PHA did self-fund the development of Ruth Lewin Griffin Place.

We believe it is also important note in order to avoid any confusion with the public that staff stated in its Summary of Observations that POAH "appears to have a greater depth of funding sources", even while PHA listed a higher number of funding sources than did POAH. Additionally, all of POAH's funding sources are also available to the PHA, while HUD Annual Contributions Contracts, and PHA's 10-fold ability to contribute PBV's to the project are only available to the PHA.

A change in federal resources is inevitable, but the PHA is uniquely positioned to adapt, leveraging its existing resources to remain resilient amid shifting priorities. As one of the nation's few Moving to Work PHAs, we have earned significant flexibility in using our housing resources to develop affordable workforce housing in the city.

To clarify, while the Summary of Observations mentions that PHA's concepts include a "financial contribution from the City" and links PHA options to City funding, this is inaccurate. While our proformas listed potential funding sources (*CIP/HUD 108/TIF/Other*) to address any gaps, we did not intend to indicate that City CIP funds would be needed or directly linked to any options. Although the City's Housing Policy encourages the use of CIP funds, our conceptual plan does not require them.

In addition, we feel it is important to mention that while City staff noted that POAH has the capacity to self-fund the project, they did not recognize PHA's capacity, as demonstrated by our self-funding of Ruth Lewin Griffin Place.

Lastly, while staff noted POAH “appears to have a greater depth of funding sources,” the PHA listed the higher number of funding sources between the two developers. In addition to the sources we mentioned, all of POAH’s funding sources are available to the PHA, but only the PHA has access to HUD Annual Contributions Contracts and can contribute 10 times more Project-Based Vouchers (PBVs) to the project.

16. Finally, for PHA: Your proposal lists a specific preference allowed for artists under Section 42 of the IRS Code. Could you please explain this more?

The topic of specific preferences (e.g., for artisan housing) in LIHTC affordable housing is complex. As a general rule, the IRS Code Section 42 explicitly requires that a housing unit is only available for tax credits if it is available to “members of the general public”. In the Housing and Economic Recovery Act of 2008, Congress amended Section 42 to stipulate that an otherwise eligible property does not fail the general public use test “solely because of occupancy restrictions or preferences that favor tenants: (A) with “special needs,” (B) in a group specified under a federal or state program, or (C) “who are involved in artistic or literary activities.” There has been considerable discussion about broadening the interpretation of the statute to explicitly allow for specific preferences for veterans housing, and there have been numerous successful artist and veterans housing projects completed across the nation.

The establishment of special preferences in affordable housing developments continues to be a subject of policy debate at local, state, and national levels, and any establishment of specific preferences in the new development at Sherburne Road will be subject to negotiation with NH Housing.

PHA has been a pioneer in successfully negotiating such preferences in Portsmouth affordable housing developments, including the establishment of a preference for local employees in the successful workforce housing development.

17. The cost per unit appears to be \$383,000 in the "L" building. This is 15% lower than POAH's \$449,000 per unit. Please explain how PHA achieves this lower cost.

While we do not have sufficient information to ascertain the basis for POAH's higher cost, we are cautiously optimistic that our cost projections are both reasonable and sufficient to respond to community standards. Some of the "cost drivers" that might explain POAH's higher TDC/unit include the cost associated with a larger number of buildings, including a larger gross building area, more decentralized mechanical systems, a greater number of windows, siding etc.

While the final design will emerge from the community engagement process, PHA's conceptual plan offers the most cost effective balance between: 1) community goals for a neighborhood feel; 2) the inclusion of key resident amenities (e.g. elevators, community rooms, etc.); 3: energy efficiency, 4) maximizing green space, and 5) the need to respond to cost controls which are heavily considered in the State's allocation of tax credits and scarce resources.

Based upon recent experience in this market area (RLGP, 1035 Lafayette), with local contractors, we believe our estimate of TDC is reliable.

18. What are the competitive advantages of PHA for the Portsmouth community in this choice?

Foremost, the competitive advantage of the PHA to ensure short- and long-term success of this project is our capacity to preserve local control at each stage of the development process, from community-based design through management and preservation. The PHA is governed by an all-volunteer board of Portsmouth residents, who are appointed by the Mayor and approved by the Council. The importance of local control of this valuable public asset cannot be overstated. Through this practice the community of Portsmouth remains centered in the direction and rewards of the project.

Second, the financial and management resources generated through the development process will be retained and reused in our community. These resources are significant and very meaningful to the PHA, and therefore are meaningful to the City as well.

Third, we strongly believe our proposed development concept is the most likely to respond to NH Housing allocation criteria and be awarded the scarce resources necessary to complete the development. We believe that POAH's reliance upon a TDC/unit estimate at the top of NH Housing's cost control standard, while technically feasible, will result in a far less competitive project.

Fourth, no other developer can match PHA's advantage in winning these scarce tax credits because there is a preference in the allocation criteria to award credits to public housing

authorities. There are also points given in the allocation criteria for dedicating a certain number of Project Based Vouchers to the project.

Fifth, PHA's 38 local staff means that all activity relating to the property, from wait list management, to capital improvements, to resident services, to compliance to property management are all handled locally, ensuring the best quality of customer service, resident support, and strategic planning and many other factors remain local.

Sixth, The PHA has been selected to be a part of an elite group of housing authorities nationwide who have been named Moving to Work agencies. This designation allows funding flexibility which allows greater allocation of PHA financial resources to new development activities, and also allows the PHA to commit 100% of our voucher budget authority to new development activities in the city. This is a huge advantage over competitors.

For these reasons, the PHA can score as many as thirteen additional points in the allocation criteria that are not available to other developers. It should be noted that in the 2024 round of tax credit awards, the difference between a project that was funded and the top project that was not funded was 5 points.

QUESTIONS FROM HOUSING BLUE RIBBON COMMITTEE MEMBERS

22. Could there be an opportunity for any collaboration with the other finalist?

Collaboration with POAH or other entities is possible. However, the PHA feels strongly that it is best for this decision to rest with the Portsmouth based public housing authority who can ensure that Portsmouth gets the best value from any collaboration with POAH or others.

23. If the school is mothballed, when is the anticipated completion date?

Please forgive us for not making this suggestion clearer. Given there has been a variety of statements and discussions about the possibility of the school being used for purposes other than housing, along with the desired goal to pursue a housing project in the near term, we believe that the City and other stakeholders will need more time to accommodate

a thoughtful consideration of all these possibilities. Over the past two years, the PHA has spoken with a variety of organizations and individuals about potential interest in the property, as well as others who have offered suggestions. If during the community engagement process and consultation with the City if the school should be considered for an alternate use, perhaps as a community center, child-care center, music school, clinic, makerspace, art gallery, non-profit office space or other uses, construction estimates, building design, funding, risk, organizational capacity, and other factors will be needed before proceeding with a plan other than housing.

We should also note that if we choose to use Historic Tax Credits to fund the preservation of the school, it will be subject to National Park Service review, similar to the McIntyre building and the Portsmouth Senior Center, and twelve months should be added to the development timeline for the school building,

Please excuse any lack of clarity. Given the range of discussions regarding potential alternative uses for the school and the desire to pursue housing in the near term, we believe the City and stakeholders may need more time to thoughtfully consider all options. Over the past two years, the PHA has engaged with various organizations and individuals about their interest in the property and other suggestions.

If, through community engagement and City consultation, the school is considered for a different use—such as a community center, childcare facility, music school, clinic, makerspace, art gallery, nonprofit office, or others—careful consideration will be required. This includes assessing construction costs, building design, funding, risk, and organizational capacity before moving forward with any plan beyond housing.

Additionally, if we decide to use Historic Tax Credits for the school's preservation, the project will require review by the National Park Service, as with the McIntyre building and Portsmouth Senior Center. This would add approximately twelve months to the development timeline.

The proposed “mothballing” of the school is to accommodate the community will and the timeline will reflect that.

24. Schools and Families: How does your proposal specifically aim to attract families with children, both in terms of housing design and community amenities?

To attract families, we will focus on housing design and community amenities that cater to their specific needs. First, we prioritize a larger proportion of 2–3-bedroom units, which are more suitable for families. While rental income per square foot of space is greatest with one-bedroom units, the PHA is committed to providing these larger units, consistent with the needs outlined in our 2022 Market Study.

Family focused amenities include internet access, playgrounds, community gardens, and spaces, structured recreational elements and spaces that encourage social interaction and community bonding. These features are designed to promote neighborhood engagement and provide families with spaces where they can spend time together.

By attaching Project-Based Vouchers (PBVs) to these units, we can make housing more accessible to families with children. This strategy is designed to meet the specific needs of the residents that will occupy the workforce housing and tailored to promote balanced demographics. These include internet access in common areas, playgrounds, community gardens, and spaces like café seating on the rooftop deck, which encourage social interaction and community bonding. These features are designed to promote neighborhood engagement and provide families with spaces where they can relax and spend time together.

Additionally, our resident service coordinators play a key role in supporting families by connecting them with recreational opportunities, resources, and events that improve their quality of life. These coordinators will organize gatherings such as picnics, holiday celebrations, and both entertainment and informational presentations, fostering a sense of community among families and providing opportunities for them to connect with one another.

Overall, our approach combines strategic housing design with thoughtful community amenities and services, creating a welcoming and supportive environment for families with children.

To attract families, we focus on housing designs and community amenities tailored to their specific needs. We prioritize larger 2–3-bedroom units, as outlined in our 2022 Market Study, to ensure families have suitable living spaces. While one-bedroom units offer higher rental income per square foot, the PHA is committed to providing more family-friendly options that meet the growing demand.

Our family-oriented amenities include internet access, playgrounds, community gardens, and recreational spaces designed to encourage social interaction and foster community

bonds. These spaces aim to create a welcoming environment where families can spend time together and engage with their neighbors.

By attaching Project-Based Vouchers (PBVs) to these units, we can make housing more accessible to families with children, ensuring affordability while promoting balanced community demographics.

Additionally, our resident service coordinators play a key role in supporting families by connecting them to resources, recreational opportunities, and events like picnics, holiday celebrations, and informational presentations. This helps build a strong sense of community and provides families with opportunities to connect with one another.

25. Is there any information supplemental to your original proposal that you would like the City Council to consider?

The PHA is hugely grateful for the opportunity to join you in this vital project for the City and commend you for a thorough process. In addition to the answers to the questions above, we also want to note:

- It is best for the city of Portsmouth that a city-owned asset be put in the hands of a local public entity accountable to Portsmouth's people in perpetuity.
- There are already over 1,300 households on the PHA waiting list.
- Growing the PHA is the best strategy for meeting long-term housing goals.
- While recruiting an out-of-state developer may be a good strategy if Portsmouth did not have an outstanding, award-winning, accomplished developer, Portsmouth is home to such an organization, and a project at Sherburne School is well within the wheelhouse of the PHA.
- Contrary to City staff comments, consideration should be made to the fact that the PHA has not stated that our concepts require CIP funding, that other developers can self-fund the project while the PHA does not, or that POAH appears to have a greater depth of funding sources is inaccurate.
- The list of local Portsmouth residents who support the PHA is a powerful testament to our qualifications. Many of our peers and community members have spoken before the City Council and Housing Committee, voicing their strong support for the

PHA and their concerns about missing the opportunity to strengthen our capacity to continue serving the City. These supporters include housing executives from neighboring communities, former Portsmouth leaders, professionals from the NH Housing Authority, business leaders, and non-profit partners.

- Our strong relationship with the business community in Portsmouth is a meaningful advantage for the PHA. Evidence of this is that with the Ruth Lewin Griffin Place Workforce Housing Project, over 30 local businesses invested in state CDFA tax credits to support the project, a model that PHA will replicate at the Sherburne School development as well.



CITY COUNCIL QUESTIONS

Councilor Andrew Bagley

(For Both Firms)

1) In the past two years, have you encountered any major projects that did not come to fruition or are at significant risk of falling through?

No. However, all development projects contend with risk. POAH takes a conservative approach, building in risk mitigation strategies at every stage of development - including capital reserves and contingency budgets, internal insurance and risk management expertise, bonding and legal protections, and reliance on proven partners and contractors - which has helped us successfully manage the risks inherent in real estate development to deliver more than 130 completed projects over our 25-year history.

2) Over the past two years, have any municipalities or partners you've worked with faced substantial costs or expenditures for projects that were not completed or are unlikely to be completed?

No.

3) Since the RFP was issued has any leadership staff on your team contacted any city councilors or senior city leadership staff in regards to this project?

Yes.

4) If yes to any of the above questions please give a brief detail and description.

On November 14, 2024, Alyssa Murphy, principal of Placework and a key member of our team, sent an email to Councilor Cook. In her email, Alyssa spoke about her experience working with POAH and her belief that POAH would be a good partner for the City and even potentially for the Portsmouth Housing Authority if the opportunity to collaborate should arise. Alyssa's intention was simply to advocate for our team, which is not well known in Portsmouth and cannot mobilize public support like the Portsmouth Housing Authority. Although we frequently discussed how we could build awareness of our team, Alyssa was not acting at the request of POAH or any other team member - it was simply an earnest, independent attempt to build awareness of who we are. Until the Joint Work Session, we did not know that the City Council would be a deciding body - we understood that to be the role of the Proposal Review Committee. Although Alyssa did not feel that she was acting in violation of any rule, in hindsight we acknowledge that the email should not have been sent and we sincerely apologize.

Councilor Rich Blalock
(For Both Firms)

5) If the school is kept, not the gym, then is it possible to create a neighborhood feel? How does that affect the affordability of the project? (How many units? With how many bedrooms? Rented at what percentage of the AMI?)

The “Architectural and Site Design” and “Selection Criteria” guidance in the RFP clearly prioritized a neighborhood-scale development plan, so we made that a top priority for our proposal. “Scenario 1A” in our proposal shows a plan in which the school is preserved and converted to housing, the gym is removed and the gym’s footprint is converted to an outdoor community space, and the balance of the site is used for neighborhood-scale new construction and outdoor community spaces. The affordability levels, apartment sizes, bedroom counts, and number of apartments are flexible – Scenario 1A presents one option, but, as indicated in our responses below, many other options are possible. They all involve trade-offs among priorities, but there are many good options. We do not think that the preservation or removal of the gym will significantly affect our ability to create an economically diverse, family-friendly neighborhood.

6) If the affordable housing and the preservation of the school building, excluding the gym, are the goals of this project, then what is the maximum number of affordable units? How many bedrooms and at what percentage of AMI? What is the estimated cost to build per unit?

If maximizing the number of apartments is prioritized over a neighborhood scale, we think that the mid-rise options proposed by the PHA and Avesta are good indications that the site can probably accommodate between 100 and 115 apartments, although that number will vary depending on apartment size and the number of bedrooms. Avesta’s projected total development cost of \$415,000 per unit (for the multi-phase 111-unit development) is consistent with our approximate mid-rise cost estimates.

7) If the aesthetics and the preservation of the school building, excluding the gym, are the goals of this project, then what is the lowest number of affordable units? How many bedrooms and at what percentage of AMI? What is the estimated cost to build per unit?

If the question is what the fewest number of apartments is to support a financially viable development, it is probably in the range of 30 to 40 apartments financed by a stand-alone 9% LIHTC award. Our guess is that the total development cost would be in the range of \$450,000 per unit, but that would have to be scrutinized before we could estimate a cost with confidence.

8) Is there any additional information on the inverse relationship of affordability and aesthetics of this project that would be very helpful?

In POAH's experience, there doesn't need to be a strict inverse relationship between affordability (in terms of rent levels or project cost) and aesthetics - many design choices supportive of attractive, locally appropriate buildings and sites carry no incremental cost, whereas imposing a standard "efficient" building type without careful evaluation of community needs and site dynamics can add costs in the end. That said, all things equal, some aesthetic choices can add cost - for example, increasing complexity of building envelopes or rooflines - but it is often possible to introduce visual interest while retaining fundamentally efficient building envelopes. Lastly, larger projects generally have lower per unit costs than smaller ones within the same construction typology (wood-frame, steel, etc.) because of economies of scale with construction and financing costs and a tendency to have a lower ratio of building envelope to interior space.

9) Do your current neighbors enjoy living next to your properties?

POAH owns more than 130 communities. We work hard to be responsible stewards of our properties, and while there will naturally be a range of opinions among our many neighbors, we believe that our properties are liked and valued in their communities. At our community Cocheco Park in Dover, our neighbors are the Dover Police Station and Post Office - so we don't have a good local testimonial. However, we would be happy to try to put you in contact with someone at the Dover Police Department who could give you an honest opinion about how we are as neighbors.

10) Will there be a property manager on site once completed and occupied?

Yes, we plan to have a full-time property manager at the property and we would evaluate whether to have a maintenance supervisor at the property full-time or only on certain days of the week. Our goal would be to hire Portsmouth residents for the manager and maintenance positions at Sherburne Road. POAH Communities' regional property supervisor, Robert Plante, is the President of the Granite State Managers Association and lives nearby in Rochester.

11) Will the tax credits earned from this project be reinvested in the City of Portsmouth?

The LIHTCs awarded to the development will be sold to an investor and the proceeds will be used to pay for a share of the cost to build the community (it is the "Federal 4% and 9% LIHTC Equity" in the development sources tables included in our proposal). So, yes - the tax credits will be invested directly in this development, which will create homes for residents, new neighborhood amenities, and new tax revenue.

12) What are your plans for reinvesting in affordable [housing] in Portsmouth in the future?

Our aspiration is to be a long-term partner for the City of Portsmouth in its efforts to increase housing opportunity for residents. This could be as a developer of other affordable housing in the City, as a development partner with the Portsmouth Housing Authority or other local non-profit housing organizations (e.g. Southeast New Hampshire Habitat for Humanity), or simply as an information source for City staff working on the issue of housing.

13) What is your relationship with local nonprofits? Is there any potential to partner for a community center in the school building?

We think there is potential to partner with a local non-profit organization to repurpose the gym into a community resource, as we suggested in “Scenario 1B” in our proposal. We have relationships with several non-profits, primarily through Placework, and we have had informal discussions with the Seacoast Community School and Portsmouth Music and Arts Center about the potential for partnering on a program for the gym space. Although responses from both organizations were positive, they were only indications of willingness to explore these concepts in more detail if the opportunity arises. We are eager to resume these discussions if selected.

Councilor Kate Cook
(For Both Firms)

14) If chosen, what happens if there is a change in federal [any source of funding] housing grant programs in the next year which eliminates anticipated funding sources for new housing proposals? How do you then approach building this project? In what scenario would you require CIP funding?

The uncertainty of federal, state and local funding is a reality that affordable housing developers live with consistently. We are careful to project funding sources and amounts that we believe will be reliably available. The LIHTC has strong bipartisan support and funding for energy-related programs such as GGRF and HEAR have substantially been distributed to states and subsidiaries, reducing the risk that these funds will be rescinded by the federal government under the incoming presidential administration. We were conservative in our assumptions about funding from Invest NH, NH CDFA, Federal Home Loan Bank and, most notably, from New Hampshire Housing’s capital grant/deferred loan program, which will be operating under a greatly reduced budget compared to 2023 and 2024 (years when its capital subsidy program was unusually rich with ARPA funding).

Despite our conservatism, there is always a possibility that a significant funding source may be reduced or eliminated, or a series of smaller changes in capital markets and funding programs may have unforeseen cumulative effects on development financing plans. POAH has succeeded at developing housing through periods of uncertainty - including the 2008 recession and the COVID pandemic - because we are conservative, we closely manage risk, and we have a strong balance sheet and access to substantial internal funding sources that enables us to fill financing gaps and keep developments moving forward when unexpected conditions arise. We have consistently demonstrated resourcefulness in challenging situations and an ability to build housing despite cost increases, interest rate changes, funding shortfalls, and all manner of obstacles. We hope our track record will give the City confidence that we will be able to navigate the uncertainty ahead, solve the issues that will inevitably arise, and deliver a great community for Portsmouth as promised.

(POAH)

15) For POAH on property management: Who do residents approach if they have a complaint about their property management staff? More specifically, if the on-site management is not handling their complaint/concern in a manner which they approve, how do they escalate the complaint/concern, and is there a local process for residents who struggle to submit written communications? To whom do they appeal decisions?

POAH Communities has a formal process for complaints, and step-by-step instructions for this process are given to all new residents at move-in. If a resident has a complaint about his or her experience or a specific management staff person, the resident should first notify the property manager. If the complaint is about the manager, or the resident is unsatisfied with the property manager's response, the resident can call the dedicated phone number or email the dedicated address for resident complaints and the POAH Communities regional supervisor will respond within one business day. In the case of Sherburne Road, this would be Robert Plante (Robert lives in Rochester). Most of POAH's New Hampshire residents already have Robert's email and phone number and typically contact him directly when issues arise. Regardless of how the issue is routed, Robert addresses the resident's concern and follows up with the resident after to make sure the issue is resolved. If the resident is still unsatisfied with Robert's response, the resident can call or email POAH Communities' compliance officer in our Boston office and she will respond within one business day. However, this is very rare - Robert is almost always able to resolve resident complaints.

(PHA)

16) Finally, for PHA: Your proposal lists a specific preference allowed for artists under Section 42 of the IRS Code. Could you please explain this more?

Councilor John Tabor

(PHA)

17) The cost per unit appears to be \$383,000 in the "L" building. This is 15% lower than POAH's \$449,000 per unit. Please explain how PHA achieves this lower cost.

POAH note: POAH's \$449,000 per unit cost includes a \$2 million "acquisition cost" for the school that should be excluded (see response to Question #21). The more suitable costs for comparison are \$425,000 per unit for POAH's proposal Scenario 1A apartment mix, or \$443,000 per unit for the alternative scenario described in the response to Question #24, which has an apartment mix consistent with the PHA's proposal.

18) What are the competitive advantages of PHA for the Portsmouth community in this choice?

PHA

Sum of Numb er	Column Labels				
Row Labels	1 BR	2BR	3BR	Grand Total	
30%	2	4	6	12	17%
50%	8	13	4	25	35%
60%	6	9	4	19	27%
80%	7	6	2	15	21%
Grand Total	23	32	16	71	

Sec 8 & PBV	13
50% or below	52%
Above 50%	48%
60% or below	79%

(POAH)

19) As the chart shows below, POAH's units are concentrated in the 60% of AMI range. Is a program with 10 units moved from 60% of AMI to 50% possible? Or if this is not germane, why not?

It is possible and we would be happy to explore this scenario. The trade-off associated with moving 10 apartments from 60% AMI to 50% AMI is that the development would not be able to support as large of a 1st mortgage because the development's rent potential would be less. We estimate that changing 10 apartments from 60% AMI to 50% AMI would reduce our underwritten first mortgage by about \$400,000, which we would need to make up elsewhere. Possible sources include adding project-based Section 8 vouchers to some of the 50% AMI apartments or slightly increasing the number of 80% of AMI apartments, although most likely we would seek additional funding from New Hampshire Housing or another of the development's subordinate lenders. We are confident that the development's funders would be open to increased funding in exchange for deepening affordability.

20) What are the competitive advantages of POAH for the Portsmouth community in this choice?

Staff capacity. We understand the importance of this development and the imperative given the work that needs to be done before the New Hampshire Housing application due date next year. We have no competing pipeline in New Hampshire or funding requests at New Hampshire Housing, and we have a deep and experienced team of development project managers and the staff bandwidth to begin moving immediately. Our development team is supported by our in-house Performance & Building Design and Construction Management teams, which bring significant expertise in sustainable design, budgeting and cost management.

Financial capacity. POAH has substantial sources of flexible, low-cost funding that benefit our developments: we self-fund predevelopment and robust community engagement, we reduce construction interest costs with internal financing, we get the best terms and pricing from lenders and tax credit investors, and - most importantly - we keep developments moving forward when funding gaps arise.

Sustainable building expertise. POAH is a leader in sustainable building and one of the most experienced builders of Passive House communities in the affordable housing field. There is a learning curve with building to a highly sustainable/Passive House standard. We know how to do it, we know how to educate general contractors to perform, and we know how to access the funding programs to finance highly sustainable development.

POAH

Sum of Number Column Labels

Row Labels	1 BR	2 BR	3 BR	Grand Total	
60%	18	20	3	41	50%
80%	10	12	1	23	28%
30-50%	7	7	4	18	22%
Grand Total	35	39	8	82	

Sec 8 & PBV	18
50% or below	22%
Above 50%	78%
60% or below	72%

QUESTIONS FROM HOUSING BLUE RIBBON COMMITTEE MEMBERS

(POAH)

21) Land lease with city plus a contingency to lease the school separately for tax credit reasons. What does this mean from a funding perspective, what is your expectation of the difference between a land lease and building lease? What are the implications with respect to funding?

If a building is purchased and re-used in a LIHTC development, the purchase price of the building is included in the development costs that generate 4% LIHTCs. (The cost of land cannot be included.) For example, if a developer purchased the Sherburne site from the City for \$5 million and an appraiser determined that the school structure's share was \$2 million, the \$2 million acquisition cost of the school could be included in the development budget and would generate approximately \$720,000 of LIHTC equity (using round numbers and a price per credit of \$1.00 for simplicity).

In the case of the Sherburne Road development, the City intends to convey the land and school building through a long-term ground lease rather than a sale, and for a nominal cost rather than its market value. This is because the City wants to retain long-term control of the property and any non-nominal acquisition or ground lease price would create new funding needs for the development. (In the example above, even though the acquisition generates \$720,000 of LIHTC equity, this only offsets a fraction of the \$5 million acquisition price and the acquisition is still a net financial cost to the development.)

However, because we would like to re-use the school for housing and because the school has some inherent value, we suggest a structure that would enable us to generate LIHTCs on the school's value without creating an actual cost to the development (or to the City).

The first issue to resolve is the lease structure. Luckily, a 99-year ground lease is considered a sale for tax purposes, so the lease is essentially the same as a sale for us. The second issue is the cost. We could structure a lease of the land and building with an up-front lease payment to the City equal to the appraised value of the land and school. Using the example, the up-front lease payment would be \$2 million for the school building and \$3 million for the land, or \$5 million total. The third issue is how to avoid creating an actual cost to the development. If the City simultaneously gives the development a "seller financing" loan equal to the \$5 million up-front lease payment, the City creates an offsetting funding source for the cost and no money is actually

exchanged. The City leases the land and building to the development for a \$5 million up-front lease payment, gives the development a loan for \$5 million (the City pays itself - no cash is exchanged), and the development gets to include the appraised \$2 million value of the school building in the development budget and generate \$720,000 of LIHTC equity without having to incur a cost.

22) Could there be an opportunity for any collaboration with the other finalist?

We would welcome collaboration with the Portsmouth Housing Authority.

(PHA)

23) If the school is mothballed, when is the anticipated completion date?

(For Both Firms)

24) Schools and Families: How does your proposal specifically aim to attract families with children, both in terms of housing design and community amenities?

We hope to bring families to the new neighborhood at Sherburne Road by creating housing that is attractive to families. Our 2-bedroom apartments are in neighborhood-scale 3-story buildings and our 3-bedroom townhouse apartments mimic single-family housing with front porches and yards. Our experience as an owner and operator of many types of apartment communities is that families - particularly in suburban locations - tend to prefer the quality of life in a garden-style community versus an elevator building.

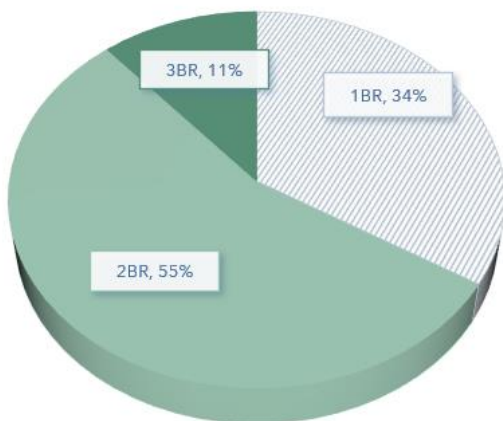
We propose to anchor the neighborhood with several family-focused community amenities, such as a playground, splash pad and community garden. We hope to support the families living at Sherburne Road with POAH's award-winning Community Impact resident services focused on financial literacy, household budgeting and career development, and we will explore the possibility of preserving the school gym for conversion into a recreation area for residents or potentially a childcare center.

In the Joint Working Session on November 14th, we heard an emphasis on the importance of family-friendly housing - specifically 3-bedroom apartments - and some voiced a desire for POAH's development plan to provide a greater proportion of larger apartments for families.

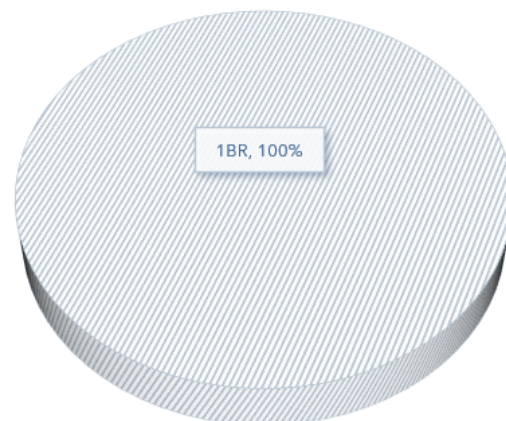
We appreciate this feedback, and before offering some ideas we would like to explain our proposed apartment mix in greater detail. We understood the importance of larger

apartments for families, which was conveyed in the RFP, in the *Places to Live* study, and the *2022 Housing Market Study*. However, we also recognized that the Sherburne School building is particularly suitable for senior housing, which is another housing need frequently mentioned in the *Places to Live* and the *Housing Market Study*. Consequently, we conceptualized the 11 apartments in the re-used Sherburne School as senior housing and the 71 apartments in the new construction buildings as family housing. The composition of apartments is different for each of these potential resident communities. The senior housing in the school is 100% 1-bedroom apartments because the existing layout of the school is conducive to 1-bedroom apartments and small apartments are often most suitable for senior households. The composition of the 71 family-focused apartments is 34% 1-bedroom, 55% 2-bedroom, and 11% 3-bedroom. This ratio is consistent with the Massachusetts state housing finance agency's preferred mix for family housing and is the apartment mix we often target for our new developments. It prioritizes larger apartments while recognizing the need for smaller apartments and the financial challenges of building a community with a substantial proportion of 3-bedroom apartments.

FAMILY HOUSING - NEW CONSTRUCTION



SENIOR HOUSING - SCHOOL



The family-focused component of the development is majority 2- and 3-bedrooms but with a mix that offers options for smaller households and is mindful of cost, whereas the senior-focused component of the development takes advantage of a building that is naturally suited to conversion senior housing.

However, as we've emphasized, these ideas are just a starting point for establishing goals and priorities with the City and the neighborhood. If there is a desire for a greater proportion of 2- and 3-bedroom apartments, we will adapt our plans. There will be trade-offs among all scenarios, and our objective will be to achieve the best balance between the number and size of apartments versus the cost and available space, all of

which have important effects on development viability.

To test one possible option and some of the associated trade-offs, we adapted our “Scenario 1A” site plan from our proposal to include more 3-bedroom apartments and a greater overall proportion of 2- and 3-bedroom apartments. We targeted a mix of 35% 1-bedrooms, 40% 2-bedrooms, and 25% 3-bedrooms, which is consistent with the Portsmouth Housing Authority’s final mix over two phases.

Trade-Off #1: How Space is Used

The first trade-off decision is about how to use the available space on the site. In our proposal site plans, we tried to deliver great community open spaces and sufficient parking for the site’s suburban location. Increasing the proportion of larger apartments means that we can either maintain the open space and parking by reducing the total number of apartments (the building footprints stay the same and because we are creating larger apartments, we can fit fewer total apartments within those footprints), or we can maintain the number of apartments by growing the building footprints and reducing open space and/or parking. (An alternative is to build taller buildings. It’s an option we would absolutely consider – mid-rise elevator buildings offer a greater housing-to-land yield and are slightly less expensive to build – but at this initial stage we felt that the RFP clearly prioritized lower-scale buildings and that we had to do our best to respect this community preference; please see our response to Question #25 for more discussion on this topic.)

Regarding this first trade-off, the answer was easy. We believe that the development needs to be at least 80 apartments, so we would need to grow building footprints and reduce outdoor space rather than reduce unit count. Not only is density clearly a priority of the City and Housing Committee, it is important for maximizing state funding: a development financed by a “twin” 4% and 9% LIHTC structure should be at least 80 units to be competitive. New Hampshire Housing requires that 4% LIHTC developments contain at least 55 apartments, and 9% LIHTC developments with fewer than 30 apartments become less competitive for a full allocation of credits. Consequently, we aim for 85 apartments (55 apartments for the 4% LIHTC component and 30 apartments for the 9% LIHTC component) and believe that 80 apartments is a minimum for the state funding we have proposed.

Fortunately, we think the site can accommodate larger footprints without serious reductions to open space or parking. We tested this by modestly lengthening and widening our garden style “stacked flats” buildings and converting 1- and 2-bedroom apartments to 3-bedroom apartments. We think this will add approximately 6,500 SF of new interior space, reducing outdoor space by the same amount. We can achieve most

of this by slightly reducing the green spaces between the buildings in the lower section of the site with no effect on parking.

The adapted site plan and a new apartment mix table are presented below and are also attached.

	80% AMI Units	60% AMI Units	30-50% AMI Units	Total Units	% Total
1BR	10	10	7	27	33%
2BR	11	18	7	36	43%
3BR	1	15	4	20	24%
Total Units	22	43	18	83	100%
% Total	27%	52%	22%		

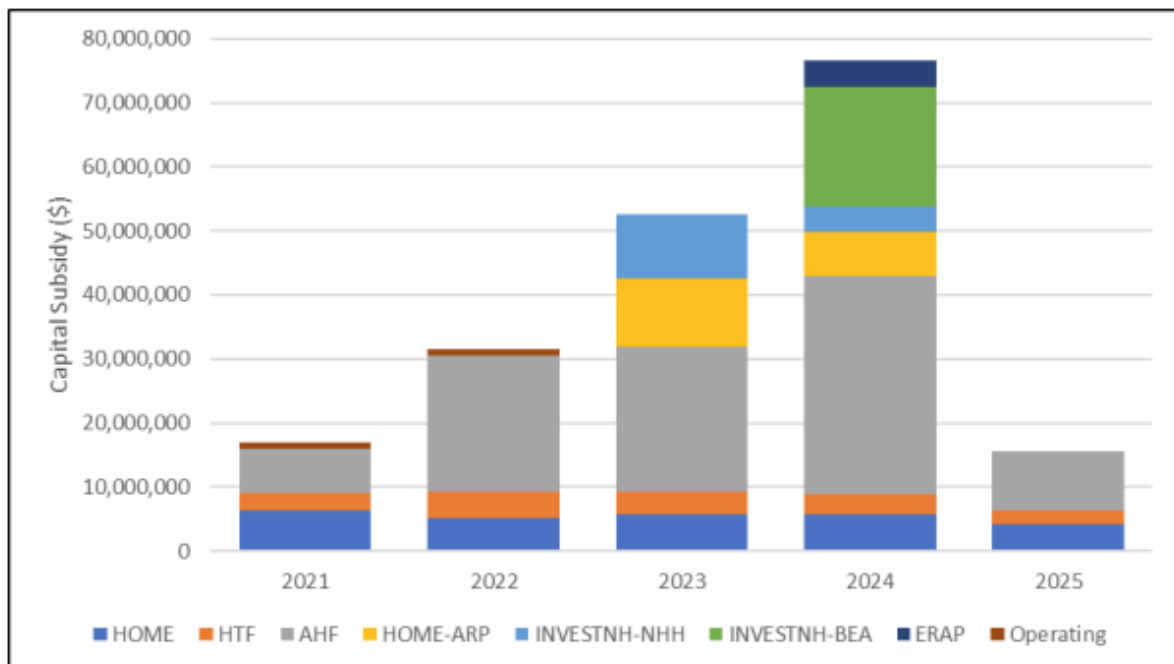


Trade-Off #2: Financial Viability

The second trade-off is about financial viability. Larger apartments cost more to build: not only are they simply larger, 3-bedroom apartments will contain the added cost of an additional half or full bathroom. But because state funding sources are often fixed on a per unit or per development basis and do not scale up with cost, developments with a larger proportion of family-sized apartments can be more challenging to finance. They cost more per unit, but funding sources don't increase proportionally.

We estimate that the cost to build the additional square footage to accommodate larger apartments would add approximately \$2.0 million to our development budget. Thirty to 40% of this additional cost could be funded by increased LIHTCs; the remainder would likely have to be funded by an increase in New Hampshire Housing capital subsidy. Our "Scenario 1A" proposal budget assumed \$2.5 million (\$30,500 per unit) of capital subsidy from New Hampshire Housing, which is consistent with New Hampshire Housing's 2023-2024 average per unit funding award (\$33,000 per unit) for developments using a "twin" LIHTC structure. It is less than the average gross dollar award of \$4.3 million, but we wanted to be conservative since New Hampshire Housing anticipates a reduction in available capital subsidy relative to recent years. An excerpt from New Hampshire Housing's FY2025 Program Plan below illustrates how 2025 and beyond may look compared to 2023 and 2024.

Exhibit 1 – State and Federal Capital Subsidy, 2021-2025



An additional \$1.3 would bring our total New Hampshire Housing capital subsidy request to \$3.8 million (\$46,000 per unit). This is more than the recent per unit average award for “twin” LIHTC developments, and while it is still below the average 2023-2024 gross dollar award and therefore not an unreasonable assumption, we would need to further evaluate this assumption in the context of New Hampshire Housing’s more austere capital subsidy budget. However, one of POAH’s strengths is our ability to assemble funding and we think it is possible that there are other funding sources that could help cover some of the incremental cost of larger apartments, so we feel that this plan is potentially viable and worth further consideration.

Schedules of sources & uses showing the adapted Scenario 1A plan versus the proposal Scenario 1A plan are presented on the next page (note: our adapted Scenario 1A plan increased by one apartment to 83 total apartments versus our proposal Scenario 1A plan with 82 apartments).

Proposal Scenario 1A (82 Units)

Sources of Funds	Total	Per Unit
New Hampshire Housing - TE Bonds & Taxable Loan	10,199,362	124,382
New Hampshire Housing - Deferred Loan	2,500,000	30,488
InvestNH - Capital Grant	500,000	6,098
FHLBB - AHP	500,000	6,098
NH CDFA - Tax Credits	450,000	5,488
City of Portsmouth - Lessor Note	2,000,000	24,390
Equity - Federal 9% and 4% LIHTC: \$0.89 per credit	16,398,519	199,982
Equity - ITC & 45L: \$0.89 per credit	654,150	7,977
Equity - Federal HTC: \$0.80 per credit	592,727	7,228
DOE - Energy Grants	1,148,000	14,000
Deferred Developer Fee	1,902,974	23,207
Total Sources of Funds	36,845,733	449,338

Uses of Funds	Total	Per Unit
Acquisition	2,000,000	24,390
Construction	25,608,000	312,293
Soft Costs	4,829,461	58,896
Reserves	879,897	10,730
Paid Developer Fee	1,625,400	19,822
Deferred Developer Fee	1,902,974	23,207
Total Development Cost	36,845,733	449,338
Total Development Cost excl. Acquisition	34,845,733	424,948

Adapted Scenario 1A (83 Units) - More 3BR Apartments

Sources of Funds	Total	Per Unit
New Hampshire Housing - TE Bonds & Taxable Loan	10,323,706	124,382
New Hampshire Housing - Deferred Loan	3,800,000	45,783
InvestNH - Capital Grant	500,000	6,024
FHLBB - AHP	500,000	6,024
NH CDFA - Tax Credits	450,000	5,422
City of Portsmouth - Lessor Note	2,000,000	24,096
Equity - Federal 9% and 4% LIHTC: \$0.89 per credit	16,899,563	203,609
Equity - ITC & 45L: \$0.89 per credit	658,600	7,935
Equity - Federal HTC: \$0.80 per credit	592,727	7,141
DOE - Energy Grants	1,162,000	14,000
Deferred Developer Fee	1,902,974	22,927
Total Sources of Funds	38,789,571	467,344

Uses of Funds	Total	Per Unit
Acquisition	2,000,000	24,096
Construction	27,366,900	329,722
Soft Costs	4,986,316	60,076
Reserves	891,780	10,744
Paid Developer Fee	1,641,600	19,778
Deferred Developer Fee	1,902,974	22,927
Total Development Cost	38,789,571	467,344
Total Development Cost excl. Acquisition	36,789,571	443,248

This is only one potential scenario, but it illustrates that increasing the proportion of 2- and 3-bedroom apartments is possible and that while the decision must include trade-offs, a solution exists. We're confident that we can design a community that appropriately addresses the City's family housing needs, provides excellent open space and community amenities, and remains financially viable. We're excited to begin better understanding priorities in discussion with the City and the neighborhood and developing scenarios for public feedback.

25) Is there any information supplemental to your original proposal that you would like the City Council to consider?

During the Joint Working Session on November 14th and the Housing Blue Ribbon Committee's meeting on November 21st, we heard several members raise concerns about the financial feasibility and cost of construction associated with the garden-style apartments we proposed. We would like to respond to those concerns.

We proposed a garden-style, neighborhood-scale community because the RFP clearly stated a preference for a development that is "compatible with the character of the neighborhood" and features "multiple small scale buildings rather than a large, single structure." This is the first public input that we received, so to speak, so we made it our goal to propose a financially feasible concept that was as consistent as possible with this priority. Unless we determined that there were significant feasibility issues with a lower-scale development, we felt that to propose a larger-scale building would contradict the clear preference of the RFP and would seem to disregard the initial input we had been given. We are committed to listening and responding to guidance, and this was our first opportunity to do so.

We believe that a neighborhood-scale development is financially feasible. We are realistic about our financial assumptions: we stayed within New Hampshire Housing's cost caps, we adhered to the minimum unit criterion for a "twin" 4% & 9% LIHTC award, and we were conservative about New Hampshire Housing capital subsidy given its future funding outlook. We are also realistic about costs. While our proposed total development cost (TDC) of approximately \$450,000 per unit may appear high, our budgeted \$2 million acquisition cost for the school building should be excluded since this is not a cash expense - it is a "paper transaction" intended only to generate more LIHTCs (see our response to Question #21). Once this cost is removed, our TDC per unit is approximately \$425,000, which is slightly less than the TDC per unit for Penrose's garden-style community (\$448,000 per unit) and slightly more than the TDC per unit for Avesta's mid-rise buildings (\$413,000 per unit). We caution that at this early stage, cost estimates are very conceptual and should not be interpreted as having a high degree of

certainty, but we are confident that our costs are realistic.

POAH has built hundreds of apartments in both garden-style and mid-rise buildings and in our experience the premium to build efficient, well-designed garden-style apartments is about 10% to 15% for the construction hard costs, which translates to 10% or less for total development costs (because many soft costs, reserves, overhead and fees do not change depending on construction type). We confirmed this with several experienced general contractors including North Branch Construction, Dellbrook JKS, and Penobscot General Contractors (who is currently building a highly comparable garden-style community in Portland Maine for POAH). If the City and community prioritize lower cost over smaller scale buildings, we would be happy to consider a community based on larger, mid-rise building types. For reference, we estimate that if we built our Scenario 1A apartment mix as a mid-rise elevator building, we would have a total development cost of approximately \$400,000 per unit; we estimate that a mid-rise building with an apartment mix with more 3-bedrooms consistent with the PHA's proposal (as described above in our response to Question #24) would have a total development cost of approximately \$417,000 per unit.

We don't only think about hard costs and total development costs, though. We also think about intangible things such as community resistance, delays and distrust if people feel their preferences are not being acknowledged. These create real costs that can be hard to quantify at the beginning of a project but significant in the long run. So, although a garden-style community will likely cost more to build, because we believe it is financially feasible we did not feel that the cost premium was sufficient to outweigh what we perceived to be a strong preference in the RFP for a neighborhood-scale community. Our proposal design is our first attempt to respond to the guidance we were given; we hope it shows that we're listening, and we are open and excited to adapt our plans to new priorities and alternative strategies as different perspectives emerge.



Supplement to Question #24

Scenario 1A - adapted for more 3BR apartments

Supplement to Question 24

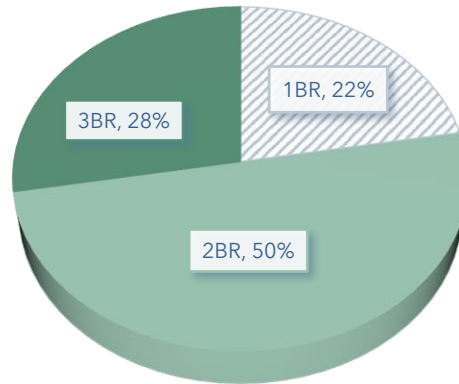
Scenario 1A - adapted for more 3-bedroom apartments

	Size (Sq Ft)	Market Rent	80% AMI Middle Income Units	Rent	60% AMI Units	Rent	30-50% AMI Sec 8 PBV Units	Rent	Total Units	% Total
1BR	600	\$2,500	10	\$1,753	10	\$1,344	7	\$1,603	27	33%
2BR	850	\$3,000	11	\$2,102	18	\$1,612	7	\$1,933	36	43%
3BR	1,220	\$3,500	1	\$2,428	15	\$1,862	4	\$2,475	20	24%
Total Units & GPR			22	\$516,920	43	\$844,699	18	\$415,824	83	100%
% Total			27%		52%		22%			

SENIOR HOUSING - SCHOOL (11 UNITS)



FAMILY HOUSING - NEW CONSTRUCTION (72 UNITS)



TOTAL SITE (83 UNITS)

