



## AGENDA

**City of Portsmouth  
Housing Blue Ribbon Committee  
School Board Conference Room\*  
January 16, 2025  
5:30 p.m. – 6:45pm**

- I. Roll Call
- II. Housing Opportunity Planning 2.0 Grant (HOP 2.0) Update
- III. Workforce Housing Trust Fund Update
- IV. Payment in Lieu
- V. City Owned Properties
- VI. Public Comment

*\*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\\_PE60bi9jRNeTaXISioxUCw](https://us06web.zoom.us/webinar/register/WN_PE60bi9jRNeTaXISioxUCw)

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



December 4, 2024

City of Portsmouth  
1 Junkins Avenue  
Portsmouth, NH 03801

c/o Peter Stith, Planning Manager [pmstith@cityofportsmouth.com](mailto:pmstith@cityofportsmouth.com)  
Peter Britz, Director of Planning and Sustainability, [plbritz@cityofportsmouth.com](mailto:plbritz@cityofportsmouth.com)

Dear Portsmouth,

The Steering Committee for the InvestNH Municipal Planning & Zoning Grant Program reviewed your submission for the Housing Opportunity Planning (HOP) Grant. The purpose of this grant is to assist those municipalities looking to increase housing opportunities through community engagement and regulatory change.

**I am pleased to inform you that the Steering Committee has approved your application and scope of work for \$65,321 as requested.**

In addition to the monetary award, participation in Housing Academy is a key benefit of this program and is designed to help build or further develop local capacity as it relates to housing matters. To that end, and if you have not already done so, we encourage all awardees to recruit volunteer community members to participate alongside designated staff. More information on Housing Academy can be found online at [nhhopgrants.org/housing-academy](https://nhhopgrants.org/housing-academy).

At your earliest convenience, please confirm your acknowledgment and acceptance of this award by responding to the email sent to you. We will also look for your fully executed Grant Agreement (attached separately) and confirmation of your primary and alternate point of contacts for this grant.

If you have not yet selected a consultant, please visit [NHOPgrants.org](https://NHOPgrants.org) to view our [List of Qualified Consultants](#). If you would like to work with a consultant who is not currently on this list, or if your community requires a competitive process, please contact us to discuss further.

Finally, in all public acknowledgments, we ask that you note this award as being received from the InvestNH Municipal Planning & Zoning Grant Program, funded by the NH Department of Business and Economic Affairs as part of the \$100 million InvestNH Initiative with ARPA State Fiscal Recovery funds. This award will be administered jointly by NH Housing, Plan NH, and UNH Cooperative Extension.

On behalf of the Steering Committee, congratulations!

A handwritten signature in blue ink, appearing to read "Tiffany McNamara".

Tiffany Tononi McNamara  
Steering Committee Chair  
Executive Director | Plan New Hampshire



## MEMORANDUM

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To:

City Council

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Copy:

Karen Conard, Peter Britz

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From:

Howard Snyder, Housing Navigator

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Date:

2024-12-10

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Subject:

Housing Opportunity Planning Grant 2.0 – Acceptance of Awarded Grant Funds

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### Purpose

This memorandum provides a summary of the Housing Opportunity Planning Grant 2.0 and the program scope of awarded funds.

### Background

InVestNH's Housing Opportunity Planning (HOP) Grant Program was established in 2022. The City of Portsmouth was awarded funds in the first HOP grant round to pursue analysis and development of potential regulatory changes relating to housing matters. Notable outcomes are the *Places to Live Study Circle Dialogue* effort and *Inclusionary Zoning Feasibility Analysis*.

Through a robust community engagement effort, the *Places to Live Study Circle Dialogue* effort provides the City with what its decision makers should consider so that there is an increase in a variety of housing options that further contribute to Portsmouth as the best place to live and work for all. The *Inclusionary Zoning Feasibility Analysis* report provides an overview of potential regulatory modifications to help the City achieve the aims described in both the *Places to Live Study Circle Dialogue* written report and presentation to City Council on February 22, 2024.

### HOP 2.0 Grant Program

Building upon the success of the first Housing Opportunity Planning Grant Program, InVestNH issued a second grant round in the Summer of 2024. As with the first grant program, this HOP 2.0 grant is based upon providing funds for municipalities looking to increase housing opportunities through local community engagement and regulatory modifications. The HOP 2.0 grant program is structured to have the municipality strategically develop and implement specific amendments to their regulations for the purpose of housing creation.

### Grant Award and Scope

The achievements of the first HOP grant-based effort led the Planning and Sustainability Department to submit a grant application for the HOP 2.0 program. The City of Portsmouth applied in September 2024 and was awarded \$65,321 in November 2024 to fund the project described in the City's grant application.



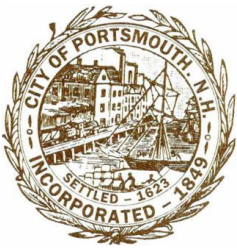
The City's application to InVestNH describes use of grant funds to support efforts to achieve specific amendments to the City's regulations to address current restrictions, conflicts relating to housing, and enhance opportunities in housing choices for the long-term. Additionally, the application described a community outreach and engagement initiative that will last for the duration of the program.

Teaming with the City for this initiative is the economic planning and real estate firm RKG and the public facilitation firm RHL Strategies. These consultants were critical to the City's success with the first HOP grant funded efforts.

Responsibilities of the City in terms of the HOP 2.0 grant are per the scope provided in the application and as approved by InvestNH. The tasks of this scope are outlined below in bulleted format:

- Task 1 - Project Initiation: Recount outputs and recommendations from previous housing study, analysis and engagement efforts such as the *Places to Live Study Circle Dialogue*, *Housing Market Study*, and *Zoning Feasibility Analysis*.
- Task 2 - Review of Existing Regulation and Policies: Formulate potential specific regulatory recommendations to accomplish the City's affordable and workforce housing production goals.
- Task 3 - Preliminary Formulation of Potential Amendments and Policy Changes: Planning consultant will craft specific recommendations on potential changes to existing codes and ordinances for the purpose of providing improvements to the market, financial, and physical conditions impacting the development of housing diversity (both price diversity and type diversity) in Portsmouth.
- Task 4 - Community Outreach and Engagement, Part I: Held in workshop format, the event will inform and receive feedback from members of the community on the preliminary strategies developed in Task 3 that pertain to potential zoning amendments and other similar regulatory changes.
- Task 5 - Refinement of Potential Amendments and Policy Changes: City staff and the planning consultant will refine the initial strategies based on the results of the public event held in Task 4. The planning consultant will integrate event outcomes with analysis alternatives to produce a series of 'preferred' solutions for the City's policy makers to consider.
- Task 6 - Community Outreach and Engagement, Part II: Presentation by the planning consultant as part of a joint working meeting with City policy makers to gain insights from policy makers to further refine and finalize the presented solutions.
- Task 7 - Initial Report: The planning consultant will prepare a draft report for City staff review. A coordination meeting will review and workshop the initial report to address concerns and resolve any changes/edits required to complete the project. The consultant will incorporate all changes and submit a revised report to the City.
- Task 8 - Community Outreach and Engagement, Part III: The planning consultant will finalize the summary report and present it to the City Council during a public meeting.





### MEMORANDUM

To  
Housing Committee

From  
Planning Staff

Date  
1-16-2025

Subject  
Staff Memo

### Agenda Item IV Payment in Lieu

#### Background

The recently adopted Gateway Neighborhood Overlay District (GNOD) provides for a payment in lieu of fee as an option for meeting the workforce housing requirements for the district. The City must establish a fee through the Fee Committee if a developer in the GNOD chooses to utilize the payment in lieu of option provided for in the ordinance. The report prepared by RKG Associates last year included recommendations for payment in lieu of fees for workforce housing units. The pages below from the report outline two formulas for payments in lieu. The report recommends (bottom paragraph page 39) using the construction cost valuation formula to determine the payment.

## POLICY CONSIDERATIONS

### How to calculate the partial unit payment?

As mentioned previously, the amount charged to a developer through a partial unit payment is typically calculated using two methods: [1] Value Gap Calculation or a [2] Construction Cost Calculation. These methods can be applied to ownership and rental housing.

**Value Gap Calculation:** The value gap is the difference between the value of a market rate unit and that of an income-controlled unit. The value of a rental unit is determined by the net operating income and the capitalization rate; for an ownership unit it is determined by the sales value of the unit. In the case of income-controlled units, the amount of rent or sale price is limited to the target income threshold of the inclusionary zoning policy. This results in lower revenue for a developer. This loss of revenue translates into a loss of value (hence, the value gap) and negatively impacts the overall financials of a developer because the cost of construction and land to build either an affordable or market rate unit are essentially the same.

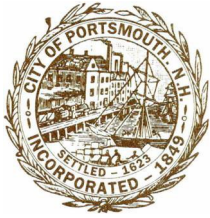
RENTAL	EXAMPLE	
$\frac{NOI_{MR} - NOI_{IC}}{CAP RATE}$	$\frac{\$25,000 - \$15,000}{5\%}$	= \$200,000

MR - Market Rate  
IC - Income-Controlled

**Construction Cost Calculation:** The construction cost approach focuses on the costs to build a housing unit. This includes land acquisition, land development and soft costs (e.g., design and engineering), approval process, and the hard construction costs for development. A table showing construction cost calculations is included at the end of this narrative.

RKG Associates recommends using the value gap calculation approach, as it reflects the 'fairest' assessment, from a financial feasibility perspective. 'Fair' means that the value difference from a market rate unit to an income-controlled unit is the financial benefit to the developer. The difference will be lower than the full construction cost approach. As such, using the construction cost approach will be financially punitive for a partial unit calculation.

OWNER	EXAMPLE	
$PRICE_{MR} - PRICE_{IC}$	$\$550,000 - \$275,000$	= \$275,000



## POLICY CONSIDERATIONS

### Do we allow a payment in lieu instead of a guaranteeing income-controlled units?

A payment in lieu would allow developers to pay the city for not providing income-controlled units in their projects. For instance, consider a developer proposes an 80-unit project and the city's IZ policy required a 10% set aside for income-controlled units resulting in 8 income-controlled units. If a payment in lieu were allowed under this scenario, the developer could pay the city an amount equal to those 8 income-controlled units. This payment would allow the developer to provide the required income-controlled units at market rate.

A payment in lieu policy can strengthen Portsmouth's ability to provide income-controlled housing. Under this policy, payments to the city can generate higher revenues for the city which can then be used to finance housing assistance programs. Such a policy can be useful depending on where a proposed project is located within the city. If proposed projects are in areas that lack convenient accessibility to key services (e.g., public transportation, grocery stores, etc.), they may not be a suitable housing location for income-restricted households (e.g., households that cannot afford a car). In this case, a payment in lieu can provide the city with flexibility, generating funds needed to finance other housing opportunities in areas that better serve the living needs of income-restricted households.

The downside of a payment in lieu policy is that income-controlled units are not guaranteed. At least in a timely manner. Payment in lieu allows developers to build all market-rate units within their projects at the exclusion of providing any income-controlled units. While the city generates revenues that can be eventually used to finance income-controlled housing units, the actual delivery can be at a slower pace given the time-intensive processes tied to new development.

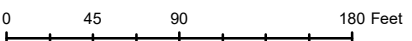
**Recommendation:** Whether or not the City allows payment in lieu should be determined by the goal of this IZ policy. It is RKG Associates recommendation to only allow payment in lieu payments at the City's discretion. One of the primary tenets of IZ policies is to create inclusion (in neighborhoods, streets, projects...), so allowing the payment in lieu does not meet that standard. However, there may be exigent circumstances where a payment to the City is more beneficial than delivered units (e.g., a poorly-served location). To this point, in those unique situations, it would be valuable for the City to have that option to negotiate with a developer.

In terms of how to set the payment rate, RKG recommends the construction cost valuation approach for payment in lieu. A payment in lieu of delivering a whole unit is a different situation than a partial unit. Partial unit calculations are more challenging financially for developers given how uneven a round up strategy impacts projects. This is why RKG recommends using the value gap approach for partial unit payments. In contrast, a new unit elsewhere will require the full cost to build.

### Recommendation:

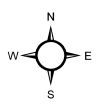
*Vote to recommend the City Council adopt a payment in lieu of fee using the construction cost calculation method: Purchase Price of a Market Rate Unit minus the Purchase Price of an Income Controlled Unit (as outlined in the RKG report).*



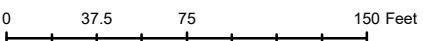
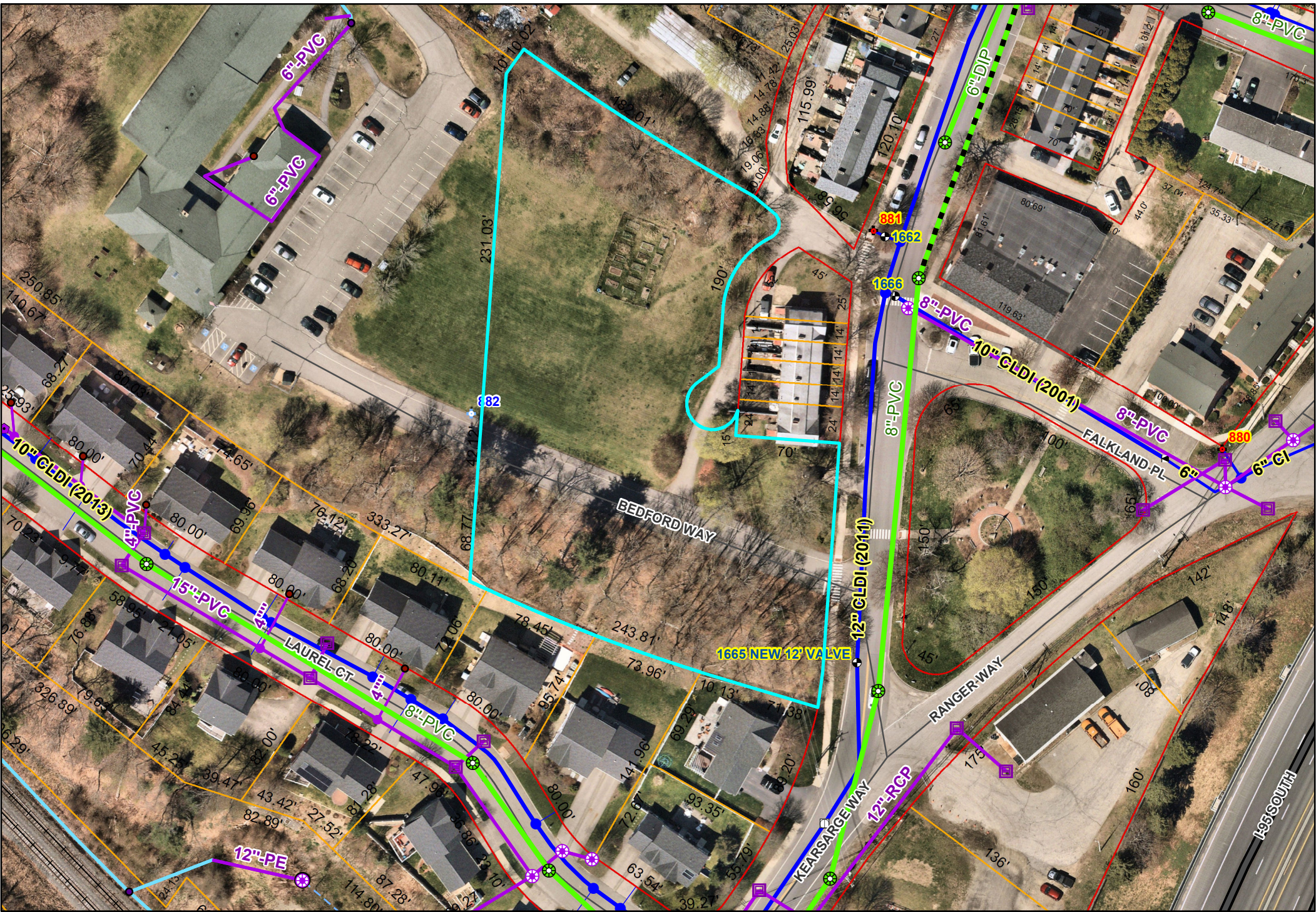


1 inch = 100 feet

# 25 Granite Street

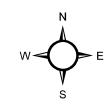




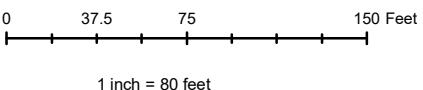
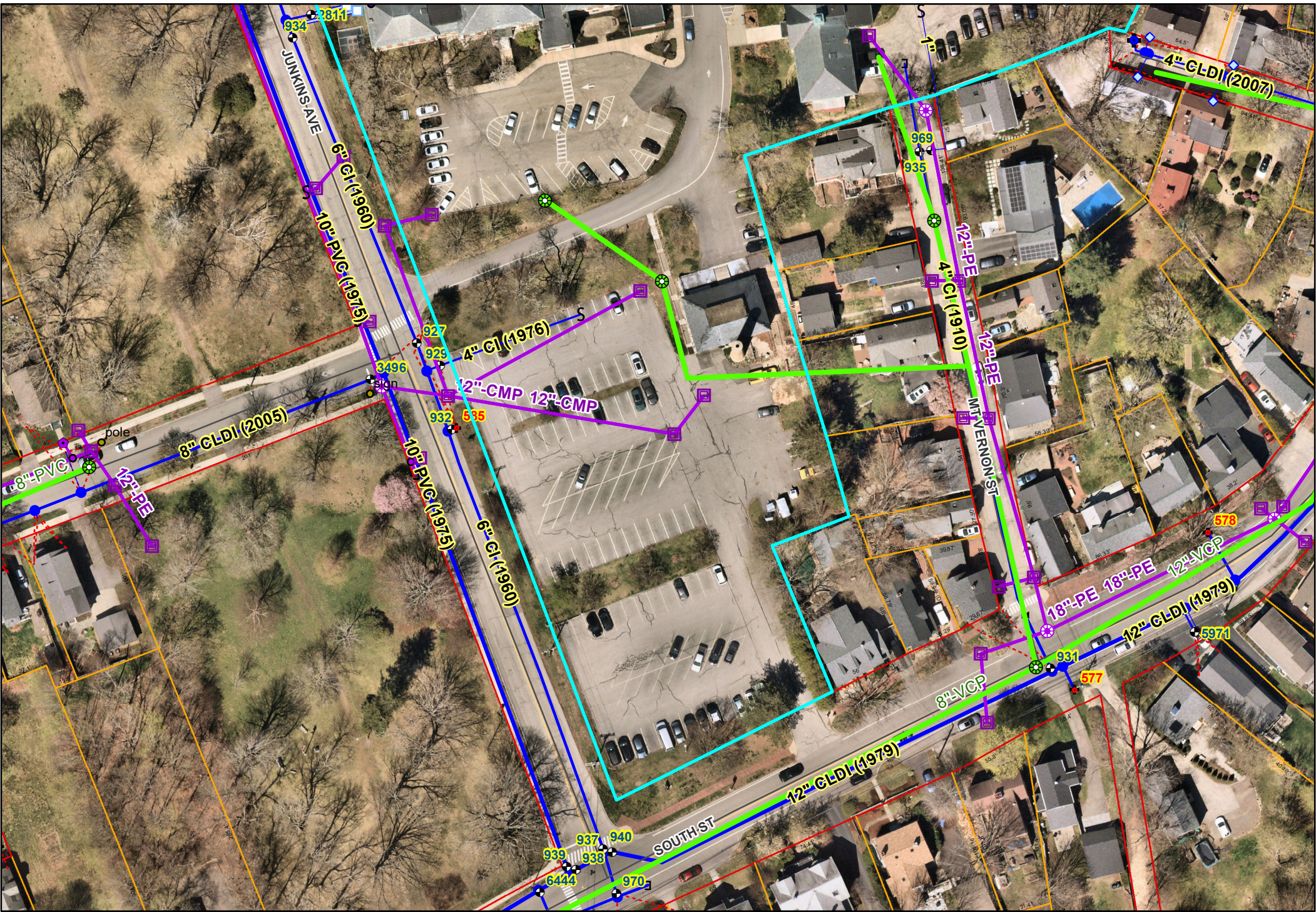


1 inch = 80 feet

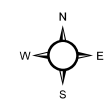
# Falkland Way







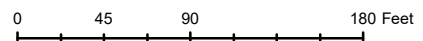
# Lower City Hall Lot



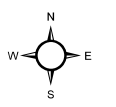




# 134 Preble Way



1 inch = 100 feet





**From:** [City of Portsmouth](#)  
**To:** [Assistant Mayor](#); [Councilor John Tabor](#); [Howard A. Snyder](#); [Peter M. Stith](#)  
**Subject:** Webform submission from: Housing Blue Ribbon Committee > Body Blocks  
**Date:** Wednesday, December 11, 2024 9:10:16 AM

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Submitted on Wed, 12/11/2024 - 09:10

Submitted by: Anonymous

Submitted values are:

**Name**

Robin H Schnell

**Email**

[r.hary.schnell@gmail.com](mailto:r.hary.schnell@gmail.com)

**Subject**

Rezoning for co-housing

**Message**

Dear People, Please re-zone Portsmouth to allow McNabb to build co-housing in the Newberry building. We need more low income, not high income housing. Co-living already exists under the radar. While you're at it, allow more boarding houses where common areas are shared, the co-living we already have that is working beautifully on Middle Street.

**bcc-email**

[councilor.tabor@cityofportsmouth.com](mailto:councilor.tabor@cityofportsmouth.com),[assistmayor@cityofportsmouth.com](mailto:assistmayor@cityofportsmouth.com),[hasnyder@cityofportsmouth.com](mailto:hasnyder@cityofportsmouth.com),[pmstith@cityofportsmouth.com](mailto:pmstith@cityofportsmouth.com)