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October 31, 2018



Mr. Dexter Legg, Chair
City of Portsmouth Planning Board
One Junkins Ave
Portsmouth, NH 03801

Re: Submittal for 2nd Preliminary Conceptual Consultation: Cate Street
Development/Redevelopment/ Workforce Housing

Dear Mr. Legg and Planning Board Members,

This office represents Torrington Properties, Inc. and Waterstone Properties Group, Inc., (“Torrington/Waterstone”) with respect to its plans to redevelop the property known as the Frank Jones Center. The project is called, “West End Yards”. The properties are located in the Gateway Corridor, Mixed Residential District. We did meet with you on May 17th for an initial Preliminary Conceptual Consultation under Section 2.4.2 of the Site Plan Review Regulations, but given the complexity of some of the features of our plan, we are requesting another Preliminary Conceptual Consultation at your November 15th meeting.

As you may recall, this plan involves four separate parcels of real estate identified as follows:

- A. Map 172, Lot 1
- B. Map 173, Lot 2
- C. Map 165, Lot 2
- D. Map 163, Lots 33 & 34

As mentioned at the May 17th meeting, the plan also includes a land swap with the City of Portsmouth to create a new public road to connect Cate Street with Borthwick Ave as shown in more detail on the land swap plan included herewith (Exhibit A). To create the “new” Cate Street, Torrington/Waterstone will engage in a land swap with the City of Portsmouth whereby approximately four acres will be conveyed to the City in exchange for approximately one acre from the City of Portsmouth. The land swap will require City Council approval.

We also anticipate once the road is constructed that the property will be subdivided into 4 parcels in accordance with the subdivision plan attached hereto (Exhibit B).

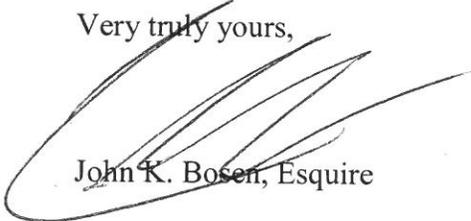
With regard to the workforce housing component of the plan, we hired RKG Associates, Inc., and Simchick Planning and Development to do a comprehensive review of the workforce housing component of the project. The results of their review are contained in the report attached hereto (Exhibit C). In summary though, under New Hampshire law and the city of Portsmouth Zoning Ordinance, workforce housing apartments are for renter households of three making up to 60% of the area median income. In Rockingham County, this would provide for a maximum affordable rent of \$1,340.00. This results in a net loss per unit for a private developer who is not able to utilize federal tax credits for the development of workforce housing.

Under Section 10.5B74.30, the Planning Board has authority to modify the standards when it comes to granting a conditional use permit provided the Planning Board finds such modification will promote design flexibility and overall project quality or that such modification is required for the development to provide a proposed workforce housing component. In this case, Torrington/Waterstone is proposing that its workforce housing meet the demands of the "missing middle" or those that earn between 80% to 100% of the area median income. This would result in rents much lower than what is being demanded in the downtown area and yet consistent with other recently approved workforce housing projects in the City of Portsmouth. As a result of the above restraints, we propose creating fifteen (15) workforce housing units which would increase the existing workforce housing stock by one percent (1%) which is significant for a single mixed use project.

Attached please find the latest version of our site plans (Exhibit D) that provide for 325 housing units with 350 parking spaces. In addition, there will be 22,000 square feet of retail/restaurant space and 22,000 square feet of office that will provide another 170 parking spaces.

We look forward to meeting with the Planning Board to discuss the project at your November 15, 2018 meeting. Please feel free to call to discuss any questions you may have about this project.

Very truly yours,

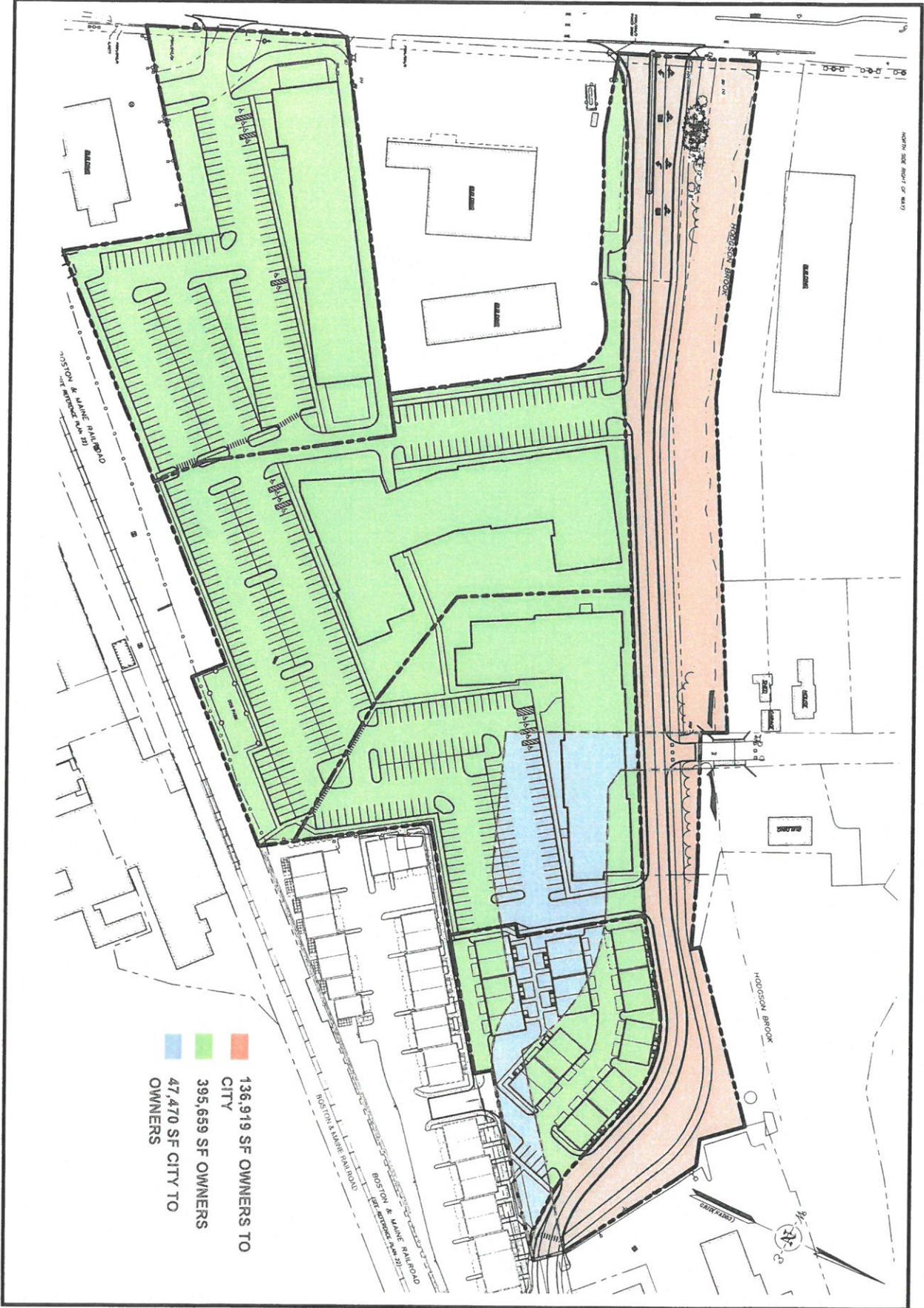


John K. Bosen, Esquire

cc: Waterstone Property Group, Inc.
Torrington Properties, Inc.
Gregg Mikolaities, P.E.
Prellwitz Chilinski Associates

BOSEN & ASSOCIATES, P.L.L.C.

ATTORNEYS AT LAW



■ 47,470 SF CITY TO OWNERS
■ 395,659 SF OWNERS
■ 136,919 SF OWNERS TO CITY

LS-100

PROJ. No. 20180317A10
 DATE: 10/26/2018

**TORRINGTON PROPERTIES
 WATERSTONE PROPERTIES GROUP
 LAND SWAP EXHIBIT**

 WEST END YARDS

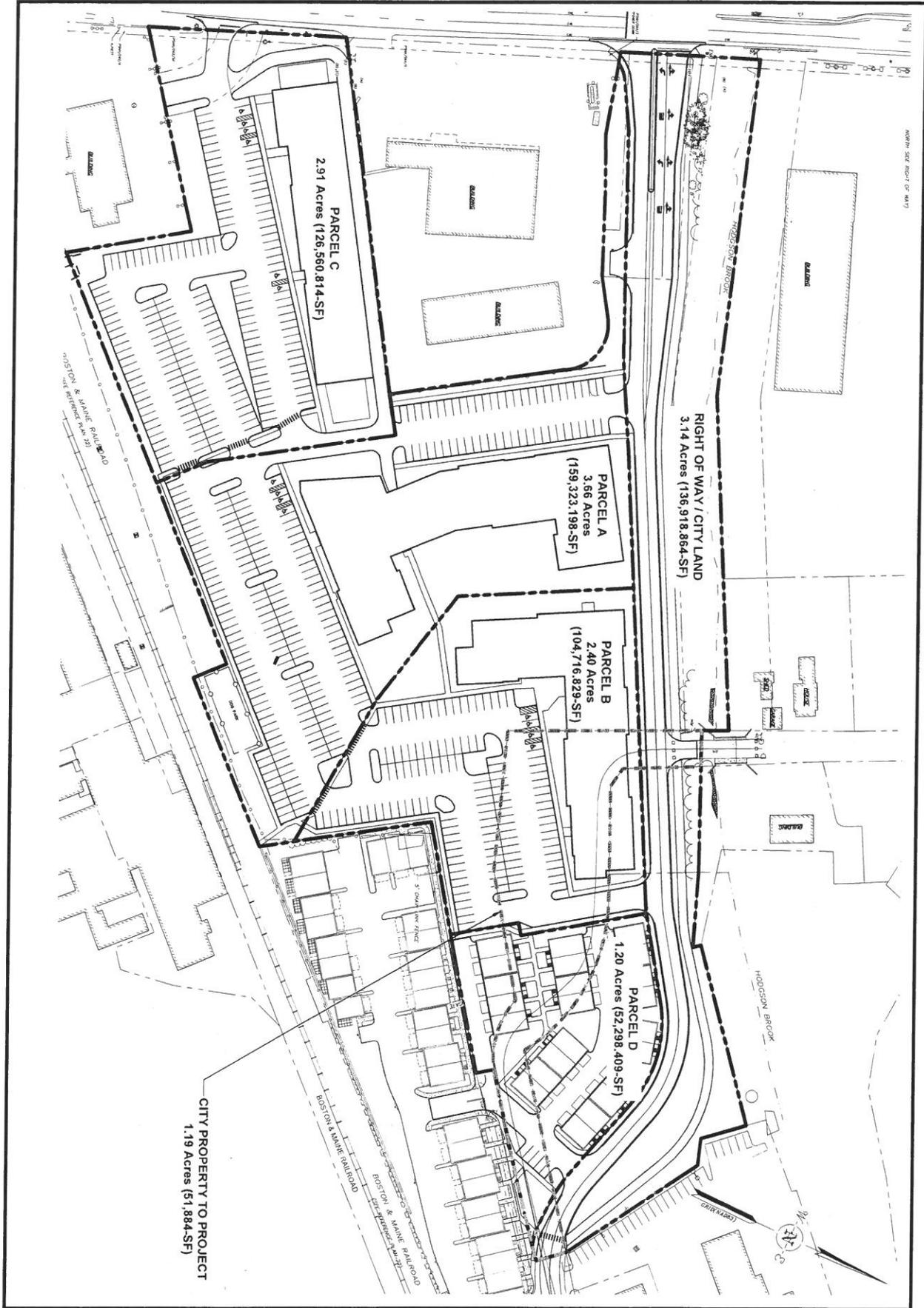
 PORTSMOUTH NEW HAMPSHIRE



FUSS & O'NEILL
 LIBBY HOUSE
 5 FLETCHER STREET, SUITE 1
 KENNEBUNK, MAINE 04643
 207.543.8669
 www.fussco.com

SCALE:
 HORIZ.: 1"=50'
 VERT.:
 DATUM:
 HORIZ.:
 VERT.:
 50 25 0 50
 GRAPHIC SCALE

NO.	DATE	DESCRIPTION	DESIGNER	REVIEWER



S-1
 PROJECT NO. 20180317A10
 DATE: 08/20/18

TORRINGTON PROPERTIES
 WATERSTONE PROPERTIES GROUP
 CONCEPT SUBDIVISION PLAN
 WEST END YARDS
 PORTSMOUTH NEW HAMPSHIRE

FUSS & O'NEILL
 LIBBY HOUSE
 5 FLETCHER STREET, SUITE 1
 KENNESBETH, MAINE 04043
 207.361.0600
 www.fuss-on.com

SCALE	HORIZ.	1"=50'
	VERT.	
DATUM	HORIZ.	
	VERT.	
50 25 0 25		
GRAPHIC SCALE		

NO.	DATE	DESCRIPTION	DESIGNER	REVIEWER

Ex. B

October 29, 2018

Juliet Walker
Planning Director
Portsmouth City Hall
1 Junkins Avenue, 3rd Floor
Portsmouth, NH 03801

RE: [201806] Cate Street Development: Analysis of Workforce Housing Bonus Incentive Requirement

Ms. Walker:

My name is Jamie Simchik and I am the Principal of Simchik Planning & Development. Craig Seymour of RKG Associates and I were asked by the Cate Street Development project team to investigate the feasibility of providing 20 percent workforce housing, or 65 units, for the proposed 325-unit development.

It is my understanding that Article 5B was amended in December 2017 and Cate Street Development project is one of the first Gateway Neighborhood Mixed Use District projects to incorporate the new housing policies. In order to respond to the City of Portsmouth's desire for additional housing in and around downtown as encouraged by the existing Zoning Ordinance, the project team is seeking a Density Bonus to construct 325 residential units.

The Density Bonus requires that 20 percent of the total residential units are workforce housing units, not just the units added through the Density Bonus. For this project, that requirement is 65 workforce housing units or roughly equivalent to the proposed 64-unit Court Street Apartment project. This amount of workforce housing units required by the existing Zoning Ordinance makes this project financial unfeasible. As such, the project team is requesting that the Planning Board take into consideration a reduction in the workforce housing requirement as allowed through the Modification of Standards.

On behalf of Torrington Properties, please see the attached analysis of Workforce Housing Bonus Incentive Requirements in support of the Modification of Standards request for the Cate Street Development.

All the best,

Simchik Planning & Development, LLC



Jamie Simchik, AICP
Principal

Ex. C

Workforce Housing Bonus Incentive Requirements

- A "Workforce Housing Unit" is defined in the Portsmouth, NH Zoning Ordinance as:

A housing unit which qualifies as "workforce housing" under RSA 674:58, IV, including:

- a) housing which is intended for sale and which is affordable to a household with an income of no more than 100 percent of the median income for a 4-person household for the Portsmouth-Rochester HUD Metropolitan Fair Market Rent Area (HMFA) as published annually by the United States Department of Housing and Urban Development (HUD), or*
 - b) rental housing which is affordable to a household with an income of no more than 60 percent of the median income for a 3-person household for the Portsmouth-Rochester HMFA as published annually by HUD. To qualify as a workforce housing unit under this Ordinance, the unit must be subject to enforceable restrictions as to price and occupancy, such as a recorded land lease or deed restriction, as determined by the Planning Board, in order to ensure its long-term availability and affordability. A workforce housing unit is a specific type of affordable unit as defined in this Ordinance (See also: affordable unit.)*
- The New Hampshire Housing Finance Authority published an updated "2018 Workforce Housing Purchase and Rent Limits, RSA 674:58 – 61" on April 5, 2018, which states that at 60 percent of 2018 HUD median area income adjusted for a family of three for the Portsmouth-Rochester HMFA:
 - income of \$53,570, and
 - estimated maximum affordable monthly rent is \$1,340.
 - This is calculated by taking the annual income of \$53,570, multiplying by an estimated maximum gross monthly rental cost (rent and utilities) of 30 percent of income and dividing by 12 months.
 - The New Hampshire Housing Finance Authority published an updated "Comparison of Area Rent Limits" on September 28, 2018, which states that at the 80 percent area rent limit for in the Portsmouth-Rochester HMFA:
 - monthly rent for an efficiency rental unit is \$1,258,
 - monthly rent for a one-bedroom rental unit is \$1,348, and
 - monthly rent for a two-bedroom rental unit is \$1,618.

Existing Workforce Housing

- The draft report on Housing, prepared in June 2014 for inclusion in Existing Conditions Report for the City of Portsmouth's 2015 Master Plan Update, stated that "Portsmouth has nearly 1,100 units of assisted (affordable) housing" (Page 3) out of a total, "according to ACS (2008 – 2012) [of] 10,014 households" (Page 8). That is approximately 11 percent workforce housing units, which is commendable.
- For comparison, the Commonwealth of Massachusetts requires a minimum of 10% of the available housing stock for each municipality to meet an affordability component (Chapter 40B)
- With a minimum of 15 workforce housing units, the Cate Street Development project would increase the existing workforce housing stock by 1 percent, quite an increase for one mixed-use project.
- The density bonus incentive that requires a 20 percent workforce housing component for the entire project, not just for the unit production resulting from the increased density, has an effect on the pro forma that greatly limits the feasibility of this redevelopment without the availability of any financial incentives or tax credits.
- Court Street Apartments Market Analysis identified:
 - "a lack of housing within the City of Portsmouth to support the evolving growth in the City"
 - "the past economic downturn in the City...did not support new housing unit development"

Recent Market-Rate Residential Projects

Project	Year Built	Total Units	Vacant Units	One-Bedroom	Two-Bedroom	Three-Bedroom
Frank Jones Brew Yard	2018	68	2	\$ 1,340 - \$ 2,850	\$ 2,050 - \$ 2,800	\$ 3,800
The Veridian	2017	95	0	\$ 1,880 - \$ 1,950	\$ 2,400 - \$ 2,475	\$ 2,850 - \$ 2,950
Portwalk Place	2014	113	1	\$ 2,600 - \$ 3,500	\$ 3,500 - \$ 4,300	\$ 4,400 - \$ 5,500
Millport Apartments	2002	63	3*	\$ 1,350 - \$ 1,800	\$ 1,795 - \$ 2,220	\$ 1,950 - \$ 2,300
Cate Street Development		325		\$ 1,950	\$ 2,550	

* estimate

Adapted from "Characteristics of Non-Competitive Market Rate Apartment Communities, Portsmouth, NH, August 2018" from Market Analysis Court Street Apartments Portsmouth, NH, August 2018 report

Key Constraints

- Lender requires a minimum 1.2x debt service coverage ratio
- Distance from downtown could result in potential:
 - lower market-rate rents
 - lower market-rate absorption rate
 - higher vacancy rate
 - less resilience to market downturn
- Current workforce housing requirements were:
 - crafted during real estate market boom
 - not designed to weather a real estate market downturn

ENR's Construction Cost Index shows 15 percent increase in construction costs since 2013

Workforce Housing Production Assumptions

- Court Street Apartments Market Analysis
 - "There is a pent-up demand for new affordable housing and a high percentage of income-qualified households all one- and two-person in size."
 - 3 one-bedroom units to every 1 two-bedroom units
- Cate Street Development
 - 2 one-bedroom units to every 1 two-bedroom units
 - 15 workforce housing units at 80 percent Area Median Income
 - Could be increased to 20 workforce housing units depending on where the project costs

- 15 Workforce Housing Units at 80 percent Area Median Income

Rent Roll			
Cate St Development - Portsmouth, NH			
<i>Unit Type</i>	<i># Units By Unit Type</i>	<i>Proforma Monthly Rent</i>	<i>Pro forma Annual Rent</i>
Studio	98	\$ 1,750	\$ 2,058,000
1 Bed	101	\$ 1,950	\$ 2,363,400
1 Bed + Den	65	\$ 2,225	\$ 1,735,500
2 Bed	46	\$ 2,550	\$ 1,407,600
1 Bed Workforce	10	\$ 1,348	\$ 161,760
2 Bed Workforce	5	\$ 1,618	\$ 97,080
Totals	325		\$ 7,823,340

Property Address:	Cate St Development - Portsmouth, NH	
Number of Units:	325	
Cash Flow	Pro Forma	Per unit
Income		
Effective Gross Income	8,387,973	25,809
Operating Expenses		
Total	2,552,019	7,852
Net Operating Income	<u>5,835,954</u>	17,957
Total Debt Service	<u>(4,831,395)</u>	(14,866)
Cash Flow After Debt	1,004,559	3,091
Property Valuation Matrix		
Capitalization Rate	5.50%	
Stabilized Value	106,108,256	326,487
Loan Amount Summary		
Purchase Price	14,500,000	
Construction Cost	<u>72,500,000</u>	
Total Project Cost	87,000,000	
Loan Terms Summary		
Loan Amount	75,000,000	230,769
Amortization Period (Number of Years)	30	
Term (Number of Years)	10	
Interest Rate	5.00%	
Mortgage Constant	6.44%	
Loan to Value	70.68%	
Debt Yield	7.78%	
Debt Service Coverage (1.20x Required)	1.2079	
Debt Service	4,831,395	14,866

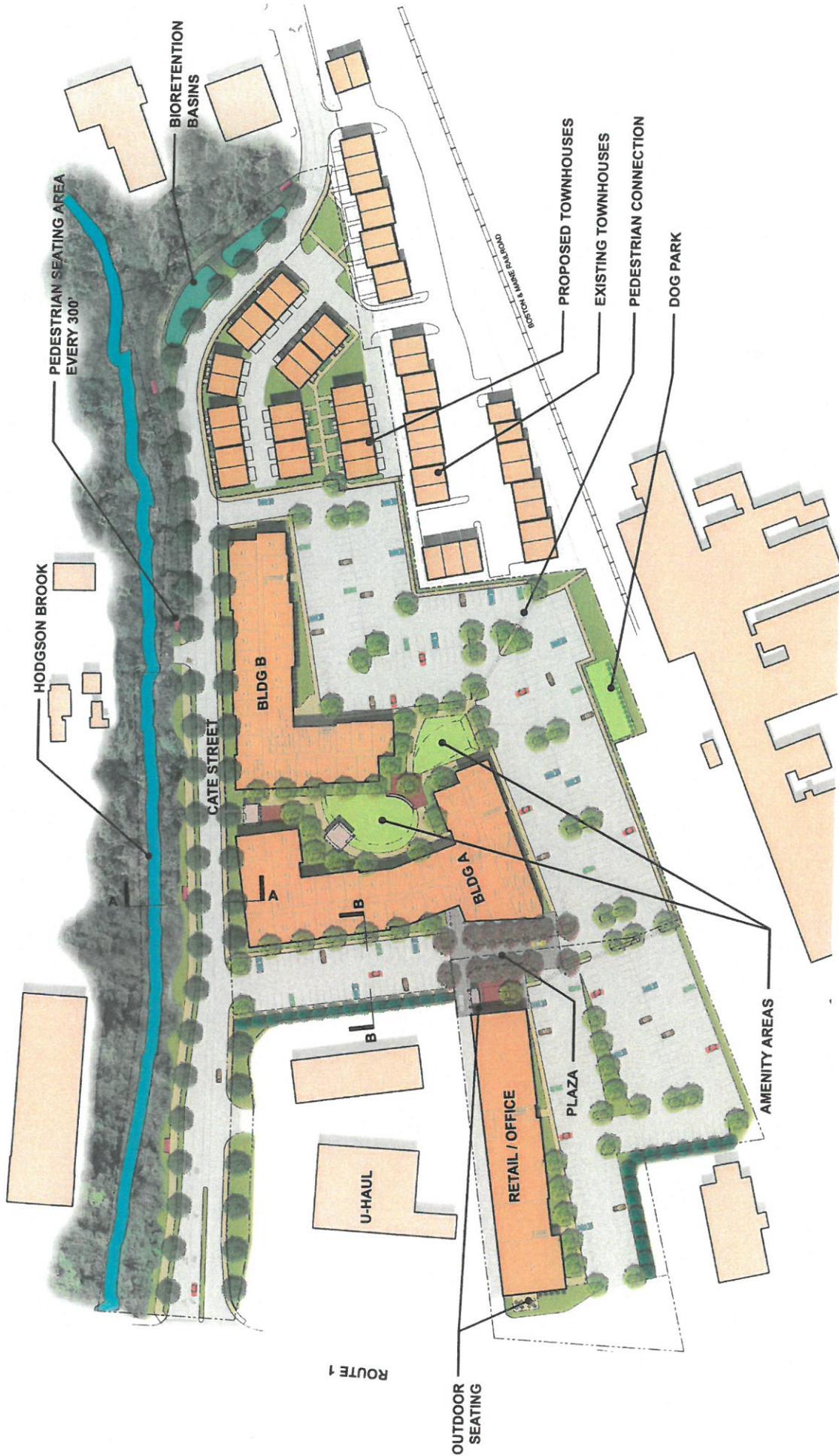
- 65 Workforce Housing Units at 80 percent Area Median Income

Rent Roll

Cate St Development - Portsmouth, NH

Unit Type	# Units By Unit Type	Proforma Monthly Rent	Pro forma Annual Rent
Studio	98	\$ 1,750	\$ 2,058,000
1 Bed	63	\$ 1,950	\$ 1,474,200
1 Bed + Den	65	\$ 2,225	\$ 1,735,500
2 Bed	34	\$ 2,550	\$ 1,040,400
1 Bed Workforce	48	\$ 1,348	\$ 776,448
2 Bed Workforce	17	\$ 1,618	\$ 330,072
Totals	325		\$ 7,414,620

Property Address:	Cate St Development - Portsmouth, NH	
Number of Units:	325	
Cash Flow	Pro Forma	Per unit
Income		
Effective Gross Income	7,999,689	24,614
Operating Expenses		
Total	2,536,488	7,805
Net Operating Income	<u>5,463,201</u>	16,810
Total Debt Service	<u>(4,831,395)</u>	(14,866)
Cash Flow After Debt	631,807	1,944
Property Valuation Matrix		
Capitalization Rate	5.50%	
Stabilized Value	99,330,935	305,634
Loan Amount Summary		
Purchase Price	14,500,000	
Construction Cost	<u>72,500,000</u>	
Total Project Cost	87,000,000	
Loan Terms Summary		
Loan Amount	75,000,000	230,769
Amortization Period (Number of Years)	30	
Term (Number of Years)	10	
Interest Rate	5.00%	
Mortgage Constant	6.44%	
Loan to Value	75.51%	
Debt Yield	7.28%	
Debt Service Coverage (1.20x Required)	1.1308	
Debt Service	4,831,395	14,866



October 9, 2018

WEST END YARDS

Portsmouth, NH

Ex. D





HODGSON BROOK

SEATING NICHE

PLANTED BUFFER

MULTI-USE PATH

CATE STREET

BUILDING A

STORAGE

OUTDOOR TERRACE

SIDEWALK

PLANTED AREA

ST. 528 SF
ST. 528 SF
ST. 528 SF
ST. 761 SF
1BR 667 SF
ST. 792 SF
1BR 1216 SF
1BR+D 792 SF

CIRC

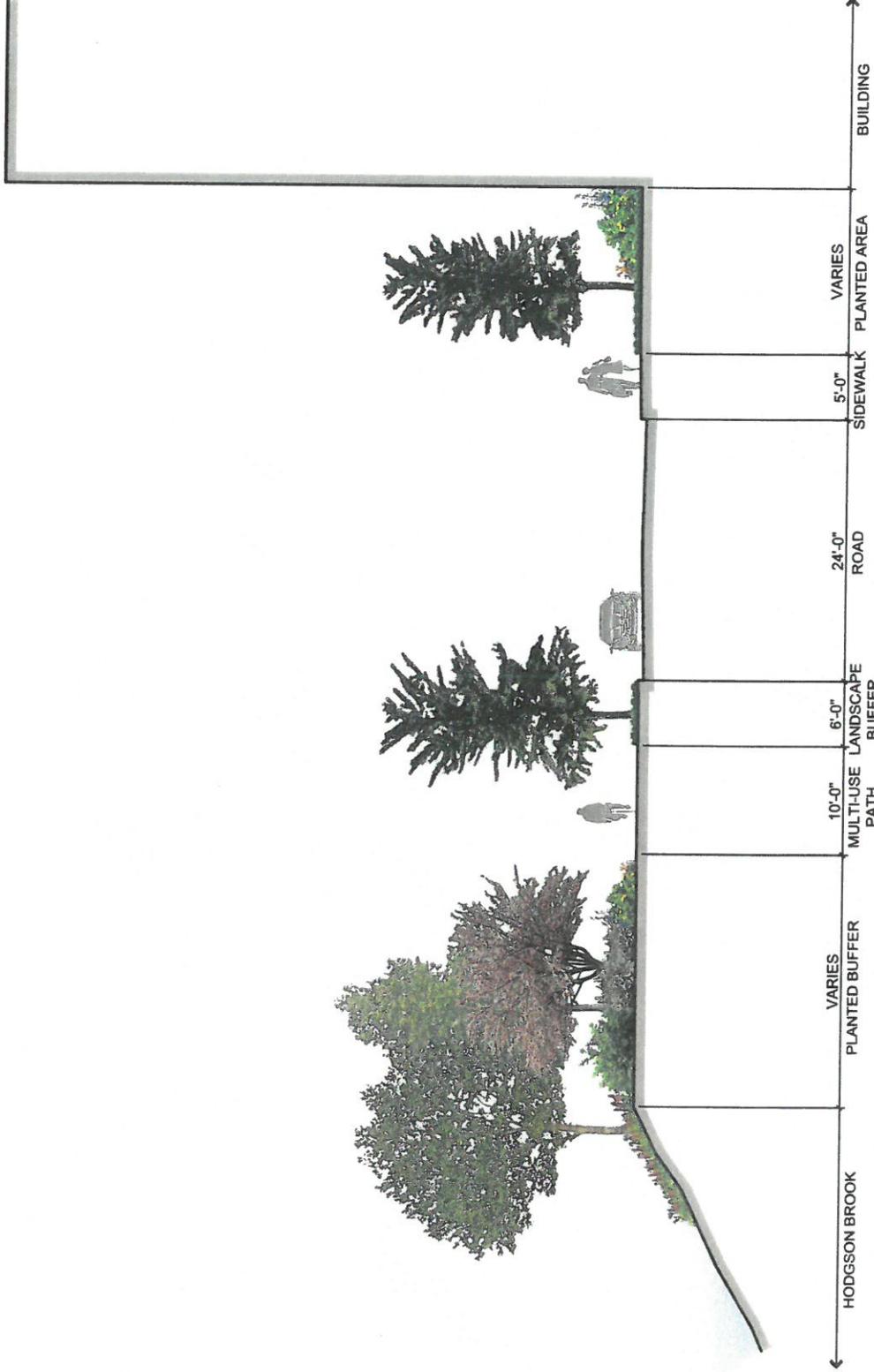
WEST END YARDS

Portsmouth, NH



October 9, 2018





SECTION A-A

WEST END YARDS

Portsmouth, NH

October 9, 2018

