CITY COUNCIL QUESTIONS

<u>Councilor Andrew Bagley</u>

(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.

POAH

<u>Councilor Rich Blalock</u>
(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.

POAH

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.

<u>Councilor Kate Cook</u>
(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?

<u>Councilor John Tabor</u>
(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 Number	**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?

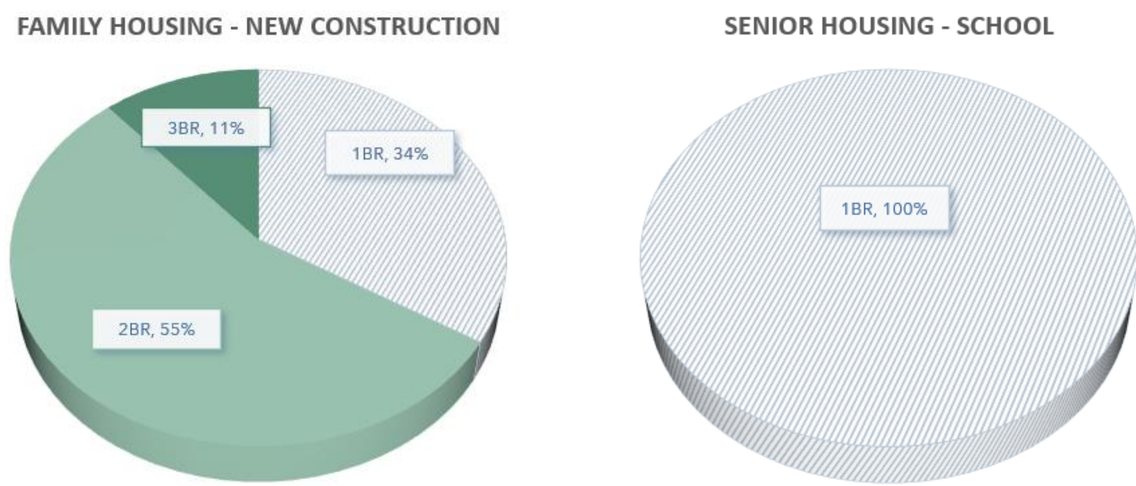
(For Both Firms)

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.



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.

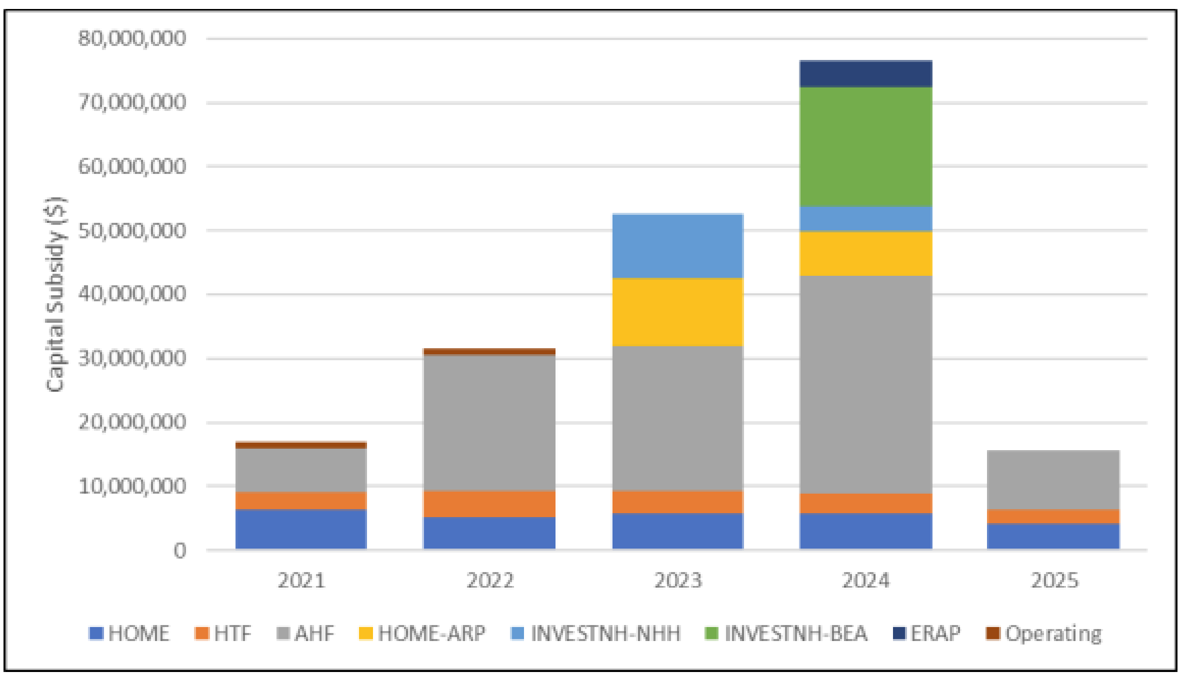
	80% AMI Units	60% AMI Units	30-50% AMI Units	Total Units	% Total
1BR	10	10	7	27	33%
2BR	11	18	7	36	43%
3BR	1	15	4	20	24%
Total Units	22	43	18	83	100%
% Total	27%	52%	22%		

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).

POAH

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 Pennrose'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		60% AMI		30-50% AMI Sec 8 PBV		Total Units	% Total
			Units	Rent	Units	Rent	Units	Rent		
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%