

REQUEST FOR PROPOSAL

Development Partnership with The City of Portsmouth
for the Federal T. J. McIntyre Property

November 6th, 2017



November 6, 2017

Nancy Colbert Puff
Finance/Purchasing Department, City Hall
One Junkins Avenue
Portsmouth, NH 03801

Re: RFP 18-18: Development Partnership with the City of Portsmouth for the Federal McIntyre Property

Dear Nancy,

Redgate and The Kane Company are pleased to respond to the City of Portsmouth's Request for Proposal for a development partnership with the City of Portsmouth for reuse & redevelopment of the Thomas J. McIntyre Federal Property at 80 Daniel Street.

We believe that the McIntyre site is a unique development opportunity and are excited about the prospect of being involved with such a challenging and transformative project. In partnership with the City, we propose to reposition the most strategic property in the heart of historic Portsmouth. As the most crucial link between Market Square, the Strawberry Banke Museum and Prescott Park, this site will inform and define future development in Portsmouth for years to come. This is an opportunity to forge an exciting future for historic Portsmouth. Implemented correctly, this will become one of the most celebrated developments in New England.

Redgate and The Kane Company have formed a joint venture to explore the Thomas J. McIntyre Building development opportunity together, building on complementary strengths in development of complex urban mixed-use real estate and capitalizing on The Kane Company's extensive experience working in the Portsmouth area. We are thrilled by the opportunity to partner with the City of Portsmouth to make this development highly successful.

Michael Kane will be key business negotiator and Ralph Cox and Steve Perdue of Redgate will be responsible for public presentations and interaction.

Sincerely,



Ralph Cox, Principal
Redgate
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Michael Kane, CEO
The Kane Company
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Cc: John Kane, Steve Perdue

CONTENTS

DEVELOPMENT TEAM INFORMATION	1
EXECUTIVE SUMMARY	3
INTRODUCTION	7
DEVELOPMENT NARRATIVE	11
IMPLEMENTATION PLAN	21
MUNICIPAL BENEFITS AND IMPACTS	25
FINANCIAL SUMMARY	29
PROPOSED BID TERMS & CONDITIONS	32
Appendix A: Site Plans, Floor Plans, Sections and other diagrams	i
Appendix B: Program Matrix	ii
Appendix C: Zoning Requirements	iii
Appendix D: Character Defining Features Analysis	iv
Appendix E: Financial Underwriting	v
Appendix F: Filed DE Certificate of Formation	vi
Appendix G: DESCRIPTION OF LITIGATION MATERIAL AND RELEVANT TO PROPOSAL	vii

DEVELOPMENT TEAM INFORMATION

Organizational Information

The Kane Company, Inc. is a New Hampshire Subchapter S Corporation registered to do business in the state of New Hampshire. Redgate Capital Partners, LLC, is a Delaware limited liability company registered to do business in Massachusetts. Both organizations have the staffing capacity to commence work immediately, and to fulfill the City's intention to enter into a Development Agreement shortly after selection.

Ownership Entities and Guarantees

A special purpose entity, SoBow Square, LLC (South of Bow Street) has been formed to act as project owner and to be lessee under a ground lease with the City of Portsmouth. The Kane Company formed 80 Daniel Street, LLC and Redgate will also form a special purpose LLC for the sole purpose of structuring a joint venture investor in SoBow Square, LLC.

80 Daniel Street, LLC will have The Kane Company or an affiliate as manager; The investors in the entity will include The Kane Company partners and employees and other individuals to be determined. Collectively, these investors will own 100% of the equity in 80 Daniel Street, LLC.

The Redgate Capital Partners entity will have Redgate Capital Partners or an affiliate as manager; The investors in the entity will include Redgate partners and employees and other individuals to be determined. Collectively, these investors will own 100% of the equity in the entity.

The joint venture partnership between 80 Daniel Street, LLC and the Redgate entity will have outside private equity investors: The Field Family, Burch Creative Capital, and DFT Real Estate Fund, LP have all committed to invest in the development through 80 Daniel Street LLC (See attached letters of interest).

Redgate and The Kane Company will provide all the necessary guarantees for their respective investment components as required for project financing and consistent with industry practice. The Kane Company is experienced with the guarantees typically required for transactions of this type, and has a track record of working with national and local financial institutions and completing projects successfully on schedule and within budget.

Redgate Capital Partners will provide its guarantees through its parent entity, Redgate Holdings, LLC. Redgate Capital Partners and Redgate Holdings, LLC have experience with providing the guarantees required for their proposed elements of the overall project, and have a track record of working with local and regional lenders in comparable developments in the area with a comparable cost and scale. Redgate Capital Partners also has a demonstrated track record of completing projects on schedule and within budget.

If we are selected as developer, we will execute operating agreements that define each member's roles, responsibilities, decision-making authority, and economic participation. The joint venture team will work collaboratively on the overall development plan for the site, including overall program, design, unit mix, etc., defining a plan that is acceptable to the City of Portsmouth. SoBow Square, LLC will sign the Ground

Lease with the City of Portsmouth and will have no legal or financial relationship with the City of Portsmouth, other than as ground lessor.

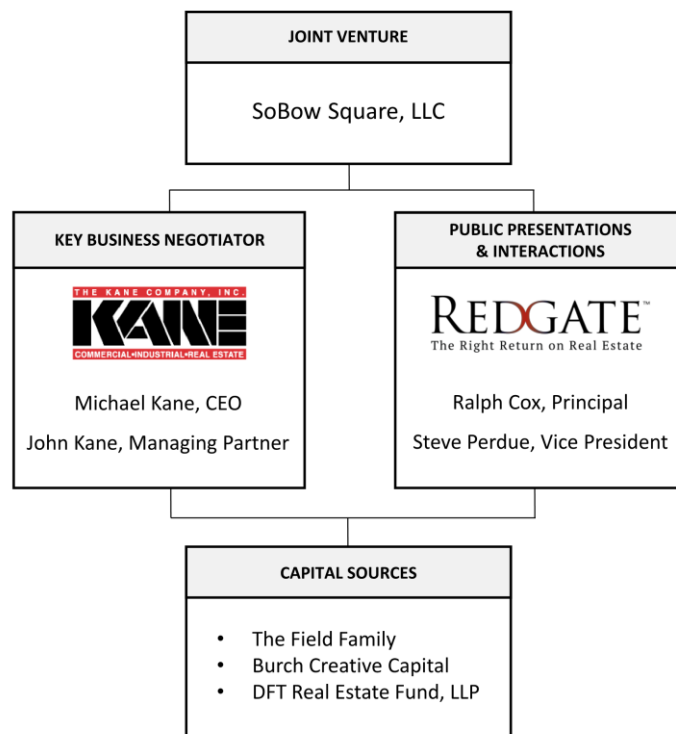
Both organizations are financially sound and able to provide the working capital, staff capacity, and guarantees needed to implement the project as described in this proposal. We have a track record of underwriting by national and local institutions and a history of successful project completion.

Developers' Experience Securing Proposed Funds

The developers have extensive experience securing funds for its projects from private and public sources. Redgate Capital Partners has a strong track record of securing the resources it needs for its projects: within the past seven years, it has raised and invested over \$120M of private equity and over \$200M in construction debt. Redgate Capital Partners' equity partners have included AEW Capital Management, Quincy Mutual, and CrossHarbor Capital Partners. Construction lenders have included Santander, East Boston Savings Bank, and Cambridge Savings Bank. The Kane Company has developed and/or acquired through affiliate partnerships more than \$150M of commercial real estate in New Hampshire and Northern Massachusetts.

Legal and Administrative Actions

To the best of our knowledge there are no local, state or federal taxes due and outstanding for the development team or any constituent thereof, nor has any member of the development team been the debtor in a voluntary or involuntary bankruptcy filing within the past 10 years. To the best of our knowledge, there are no legal or administrative actions past, pending or threatened that could relate to the conduct of Redgate Capital Partners or their principals, or any affiliates. For a description of litigation pertaining to The Kane Company that may be material and relevant to the proposal, see attached Appendix G.



EXECUTIVE SUMMARY

Redgate and Kane are pleased to share our vision for the redevelopment of the T. J. McIntyre Federal Building. Our proposal is grounded in a shared commitment to the City of Portsmouth’s fundamental goals for the property: to create a lively, mixed-use district that leverages the site’s underlying value and strengthens the property’s contribution to the surrounding neighborhood. We have worked hard to craft a proposal that accomplishes these goals while remaining realistic and financially feasible.

Vision

We envision a vibrant new district, “South of Bow Street,” re-positioning the McIntyre building into office space/retail and adding new retail space and residential condominiums within the context of a new amenity-rich urban public realm. Key elements of our vision are informed by these simple guiding principles:

- Re-integrate the site with the urban core through a “live/work/play” mix of uses that enhances the vitality of the downtown neighborhood.
- Create connections through the site, so that it is accessible and inviting to the public.
- Include significant open spaces that will be enjoyed by the public.
- Preserve the essential historical character of the McIntyre Building and site.
- Make the site sustainable and resilient to promote the City’s Eco-Municipality status.

Approach

We believe these principles are possible through great urban design and a skillful execution strategy. Given the public significance of this partnership, we have deliberately chosen to create the highest quality public realm that we believe the City and community will be proud of. The tradeoff is more modest density and the cost of this approach, the highest quality place-making, is reflected in our bid. Should the City desire to increase the density of the site (FAR, height) and reduce the scale of the public realm, we welcome the opportunity to work with the City and community to optimize this relationship and increase the value of our bid.

We started by re-creating Linden Street and linking pedestrian walkways with a series of four distinct plazas: Daniel Plaza, Chapel Plaza, Linden Plaza and Bow Plaza to the adjacent streetscapes. Prioritizing existing and new view corridors to Old City Hall, St. John’s Church and the harbor, we worked hard to minimize the impact of vehicular traffic, making a completely accessible, walkable and cycle-friendly environment.

Preferred Uses

We propose a mix of office, retail and residential uses that engage public activity, including approx. 43,075 SF of office, 45,330 SF of retail, 61,100 SF or 50 luxury condominiums, 42 units in one building plus 8 luxury town homes. Total proposed rentable area is **149,505 SF**. Inclusive of the McIntyre basement level (12,500 SF) and proposed garage (26,900 SF), the total gross development area is 188,905 SF. The residential condos will include a mixture of 40% one-bedroom and 60% two-bedroom units. One-bed units will average 775 SF and two-bed units will average 1,150 SF; townhouse units will average 1,300 SF. We are providing 67 structured parking spaces in the garage and 8 surface spaces for the townhouses for a total of 75 Parking spaces (1.5 parking ratio).

Architectural Character

Beyond the parameters of the character district requirements, the designs of the new buildings will be historically inspired, connecting with the City’s urban core architecture core. The new building exterior facades will be rain screen construction with various façade cladding materials that are time-tested, durable, and

climate-appropriate; such as brick masonry, cast stone, metal panel, accents of wood, and energy efficient aluminum storefront glazing and fiberglass residential windows. The colors will be mostly inherent to the natural materials and except for any accents will be predominantly earth tones, brick tones, greys, and light colors to match the surrounding area. The *Character Defining Features Analysis* for McIntyre is a positive framework for building conservation decisions. Except for modifying the rear of the one-story post office space, we are preserving the McIntyre building shell as-is.

Transportation and Circulation

The proposal minimizes vehicular impacts and maximizes walkability and bicycle use. We've laid down an extensive network of new pathways through the site, including Linden St, a new one-way street connecting Daniel St and Penhallow St, providing access to the interior of the site, extending the retail experience of Commercial Alley and providing a view corridor to historic monuments like St. John's Church. Four distinct plaza areas: Daniel Plaza, Chapel Plaza, Linden Plaza and Bow Plaza are connected by accessible pedestrian walkways, dividing up the block into an appropriately scaled and walkable place. We've attempted to limit the impact of parking operations by locating a singular garage access on Bow St. with right-in and right-out only turning movements.

Historic Preservation

The T. J. McIntyre Federal Building will be the first mid-twentieth century modern building to be transferred under the GSA's Federal Historic Surplus Program. The proponent expects to work closely with the City of Portsmouth to produce the Federal government's required three-part "Program of Preservation and Utilization" in support of the City's Application for Obtaining Real Property for Historic Monuments Purposes. The three-part document includes proposals for preservation, use, and finance. Our team's understanding after discussions with the GSA's specialist in historic properties and their legal department in Boston is that the first step will be a written building preservation plan that will contain specifics for treatment of the McIntyre building. Our proposal will fully comply with the Secretary of Interior *Standards for Rehabilitation of Historic Structures*.

Sustainable Design

The developers, architects, and engineers on our team are all committed to Portsmouth's Eco-Municipality status and share a desire to minimize dependence on public resources. We have extensive expertise in creatively building green, energy-efficient, and sustainable elements in our projects. We will incorporate Green Street design, creative storm water management strategies, explore district energy production, seek LEED certifiability, investigate solar power generation, create a pedestrian and bicycle friendly environment, use green roofing where feasible, and use native plantings in landscaped areas.

Conformance to Existing Zoning & Required Relief

The property is located within Character District 4 (CD4), Character District (CD5) and the Historic and Downtown Overlay districts. The proposed design conforms to all applicable existing zoning restrictions per Article 5A – Character Based Zoning of the City's zoning ordinance, except for height. The residential condominium building height is approx. 60' above mean grade of Penhallow Street, exceeding height restrictions by 20'. This building is intentionally located in the middle of the site to reduce the visual impact from the four adjacent public streets, but as currently proposed, it will require zoning relief for the height of the building. We are willing to explore design alternatives that reduce its height by redistributing condos to the smaller townhouse buildings (making those buildings larger) to bring the proposal into compliance. The aggregate lot coverage is 70% with 30% open space. The project provides 67 new structured parking spaces in the garage and 8 surface spaces for a total of 75 spaces to meet the 1.5 parking ratio required for residential.

Development Team

A special purpose entity, SoBow Square, LLC (South of Bow Street) has been formed to act as project owner and to be lessee under a ground lease with the City of Portsmouth. The Kane Company formed 80 Daniel Street, LLC and Redgate will also form a special purpose LLC for the sole purpose of structuring a joint venture investor in SoBow Square, LLC.

Consultant Team

We have assembled a team of organizations and individuals that have extensive experience in permitting and delivering innovative, mixed-use environments: Bruner/Cott Architects, DeStefano Architects, Tighe and Bond, Donahue, Tucker. We will bring on board a best-in-class landscape architect to help us refine the public environment as well as many other key consultants to assist the team in vetting the design.

Project Timeline

The goal is to deliver the project in the first quarter of 2021. To achieve this goal, with a 22-month duration, construction must commence in second quarter of 2019. We anticipate that permitting, design and approvals will take approximately 15 months to complete, starting January 2018. Schedule compression is possible, but we feel that this schedule is reasonable given what we currently know about the site, proposed design and regulatory process.

Required Regulatory Approvals

Our team is prepared to obtain all applicable entitlements. The permitting process is likely to include five major components: National Park Service approval of the *Application for Obtaining Real Property for Historic Monuments Purposes*, Planning Department and Stakeholder engagement/site plan development, Historic District Commission Certificate of Approval, Zoning Board of Appeals Certificate of Approval, and Planning Board Site Plan Approval.

Municipal Benefits & Impacts

We believe that the proposal greatly improves the McIntyre site, aligning it with the City's 2025 Master Plan goals for the urban core. Through the combination of the ground lease, real estate taxes, jobs creation and ongoing maintenance and preservation covenants, the proposal also provides significant financial benefit to the City. We will work closely with the city to mitigate any infrastructural, environmental and construction impacts. Our immediate goal is to keep the duration of the project as short as possible, while respecting the needs of the neighborhood and their right to quiet enjoyment of their homes and businesses. In short, we want to be a good neighbor and promote a successful project in the City that we can all be proud of.

Proposed Bid Terms & Conditions

Our overall goal is to create a financial partnership with the City of Portsmouth which achieves the goals of the City and allows us a reasonable return on our investment. As such and with that disclaimer, we propose a pre-paid **\$4.5M**, 99-year ground lease payment and an additional annual payment based on profits above a "reasonable rate of return" along with a lump sum deposited into an annual capital expenditures maintenance reserve escrow account during the lease term. Additional conditions are described in detail in the *Proposed Bid and Terms & Conditions* section below.

Cost, Income and Expense Assumptions

We estimate the total development costs to be **\$67.6M**, 40% of which will be funded through private equity (\$27.1M) and 60% of which will be financed (\$40.5M). Commercial office and retail income is estimated in "triple net" and blended between the two uses is \$35/SF NNN with \$75/SF average allowed for tenant

improvements. The residential condominiums sizes average approx. 1,040 SF with average sales prices of approx. \$780,000, or approx. \$750/SF.

We have carefully reviewed the information shared by the City about the site and we have assessed the landscape of financing sources and market opportunities. We have also brought a thorough understanding of the City's 2025 Master Plan to our thinking. Our proposal represents the team's best efforts, given what we currently know, to balance the various challenges and opportunities the site presents, the requirements included in the City's RFP, and the economic parameters of how such a project could realistically be put together and financed. We look forward to further discussions that will help us to improve and refine what is presented here, as it is further detailed below.

Please see Appendix A for Site Plans, Floor Plans, Sections and other diagrams.

INTRODUCTION

Redgate and Kane are pleased to share our vision for the redevelopment of the McIntyre site. Our proposal is grounded in a shared commitment to the City of Portsmouth’s fundamental goals for the property: to create a lively, mixed-use district that leverages the site’s underlying value and strengthens the property’s connections and contributions to the surrounding neighborhood. We have worked hard to craft a proposal that accomplishes these goals while remaining realistic and financially feasible.

The Challenge and the Opportunity

In recent years, Portsmouth has become one of the hottest real estate markets in New England, with significant investments by developers attracting new businesses and residents to the city. The positive attributes of the McIntyre Site are many: a great location with extensive green space in nearby Prescott Park, cultural resources at the Strawberry Banke Museum and access to best-in-class retail and restaurants right across the street. Yet



1: Aerial of site prior to McIntyre building construction

like so many other GSA developments built decades ago, the McIntyre site remains cut off from its surroundings, isolated both by its physical design – a superblock with no through-streets that resembles nothing in the surrounding downtown core. When constructed in the 1960’s, the McIntyre project had a significant impact on the downtown neighborhood. Much of the historic core of the City consists of mixed-use 19th century two and three-story buildings with retail at the ground floor and residences above. Up until the 1960’s, the two-acre site was divided east-west by a less formal, public Linden Street that ran through the site diagonally from near the old City Hall building to the intersection of Penhallow and Bow Streets. The McIntyre development essentially reduced the porosity of the site’s boundaries by eliminating many small-scale buildings that had over 800 linear feet of total street frontage. The City’s RFP offers an exciting opportunity to implement a complete transformation of the McIntyre site: from an isolated facility into a new mixed-use district, fully integrated into and benefitting the surrounding downtown neighborhood, a place where everyone would choose to work, live, and shop.

Vision

We envision a vibrant new district, South of Bow Street, that includes re-positioning of the McIntyre building into office space/retail and the addition of new retail and residential condo units within the

context of a new amenity-rich urban public realm. Key elements of our vision are guided by these simple principles:

1. *Re-integrate the site with the urban core through a “live/work/play” mix of uses that enhances the vitality of the downtown neighborhood:* Balancing a mix of uses at an appropriate scale makes room for a rich public realm and significant amount of versatile open space.
2. *Create connections through the site, so that it is accessible and inviting to the public:* break up the existing super-block with new vehicular and pedestrian/bike pathways that link the site to its surroundings; and orient the new buildings to the public streets, with continuous retail frontage that complements the surrounding historical architecture.
3. *Include significant open spaces that will be enjoyed by the public:* Create a series of inviting new green spaces and public plazas with seating and public art throughout the site that can have multiple uses and functions; such as, farmer’s markets, concerts, etc.
4. *Preserve the essential historical character of the McIntyre Building:* In partnership with the City, successfully navigate the Federal Historic Surplus Property Program while restoring historical development patterns of the site.
5. *Make the site sustainable and resilient to promote the City’s Eco-Municipality status:* Design energy-efficient, sustainable buildings designed to meet ENERGY STAR and LEED certifiable standards, with features including Zipcar parking and electric car-charging stations, green roofing, sustainable native landscaping and innovative approaches to managing and utilizing storm water within the site.

Preferred Uses

We propose a mix of office, retail and residential uses that engage public activity, including approx. 45,000 SF of retail at the ground floor and roof level of the McIntyre Building, plaza level of the condo building and in a free-standing two-story structure along Penhallow Street. The retail space will house restaurants and bars, art galleries, coffee shops, retail shops and services, convenience stores, co-working office space, etc. The upper floors of the McIntyre building will be renovated into approx. 43,000 SF of new Class A office space. The design also includes a 42-unit luxury condominium building and two townhouse buildings with 8 units for a total of 50 residential condominiums. The condos will include a mixture of 40% one-bedroom and 60% two-bedroom units. One-bed units will average 775 SF and two-bed units will average 1,150 SF.

Office	43,075	SF
Retail	45,330	SF
Residential – (50 condos)	61,100	SF
Rentable Area	149,505	SF
McIntyre Basement	12,500	SF
Parking – 75 spaces (1.5 ratio)	26,900	SF
Gross Area	188,905	SF

For more detailed program matrix, see Appendix B.

Existing Construction

The proposal takes the Character Defining Features Analysis as a positive framework for building conservation decisions. Equally, the development team recognizes the compatibility demands of surrounding structures that pre-date the 1967 McIntyre development, the porosity of the site that it cleared, and the potential for mediating between different scales of construction. Except for the ‘rear’ portion of the one-story post office building, we are restoring the McIntyre building shell as-is.

New construction

The proposal strives to achieve a site density that starts with a significant amount of open space, maximizes highly valuable retail area and minimizes height to bridge the gap between the scale of the McIntyre building and the surrounding context. Our plan therefore assumes a reworking of the parking lot area to be replaced by 100% newly constructed buildings on top of a newly constructed parking garage.



2: View C - Proposed new Daniel Street Plaza at left, looking down Daniel Street.

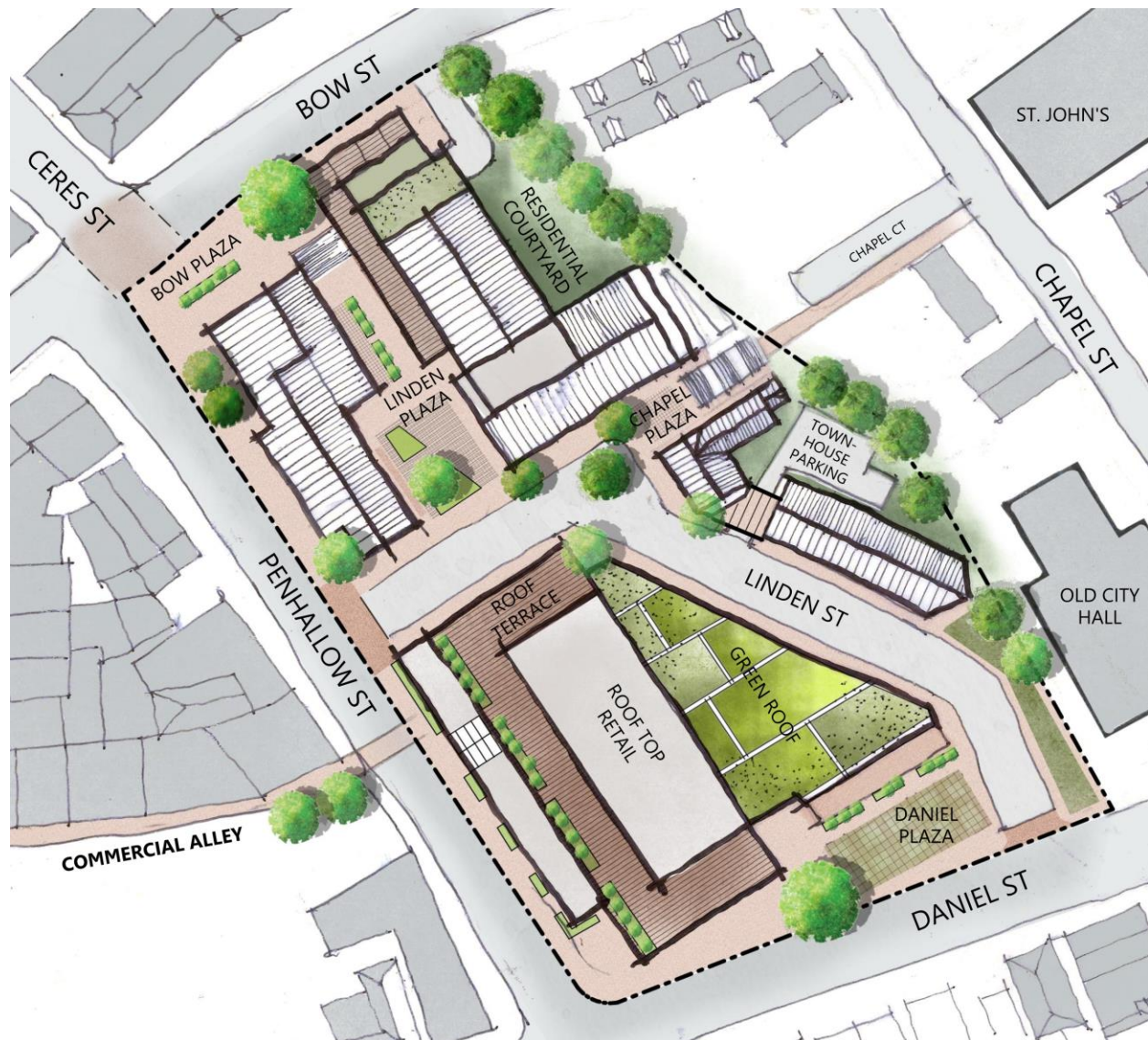
We want to emphasize that the plans advanced here are meant to introduce our perspective and ideas in response to the goals set out in the RFP, yet we see it as only the beginning of a dialogue with the City of Portsmouth, downtown business owners and residents and other stakeholders in the community.

We have carefully reviewed the information shared by the City about the site and we have assessed the landscape of financing sources and market opportunities. We have also brought a thorough understanding of the City's 2025 Master Plan to our thinking. Our proposal represents the team's best efforts, given what we currently know, to balance the various challenges and opportunities the site presents, the requirements included in the City's RFP, and the economic parameters of how such a project could realistically be put together and financed. We look forward to further discussions that will help us to improve and refine what is presented here, as it is further detailed below.

DEVELOPMENT NARRATIVE

Urban Design

Our proposal re-opens the site and bridges the gap in scale between the surrounding two and three-story buildings and the five-story McIntyre building through the introduction of a rich new public realm, combining a new roadway and a series of plazas flanked with retail and pedestrian walkways. We started with the public experience, laying down an extensive network of new pathways through the site. Bringing back Linden Street was the first move to establish a pedestrian connection with Commercial Alley near Penhallow Street and provide service access to the McIntyre building.



3: Site Plan



4: View B – Linden St. at Penhallow St.; McIntyre building on right, retail building at left, condo building at left rear, Chapel Plaza and grand stair at center rear.

We thought it was important to establish four distinct plaza areas: Daniel Plaza, Chapel Plaza, Linden Plaza and Bow Plaza. These areas will be gathering spaces for outdoor dining, public art, events, concerts, shopping nodes and other public functions. A new view corridor to St. John’s Church has been created and we chose to preserve and reinforce the view corridor on Daniel Street toward Old City Hall.

The design responds to the height of the surrounding historic context by keeping the new buildings massing a maximum of two and three-stories along Bow and Penhallow Streets. We have deliberately located the five-story condo building at the most central point of the site to minimize its impact on the surrounding streetscape, neighboring properties and buildings. We also stepped back the façade at Bow Street to be sensitive to the scale of the buildings across the street.

All ground-floor programs along the existing streets and along the new internal street are retail, lobby or amenity spaces and will be constructed primarily of storefront glazing to maximum visibility, transparency and physical connectedness throughout the development. Considering preservation restrictions with the McIntyre building, transparency at the ground floor of the building will be limited to existing; however, the rear section of the one-story post office that we propose to demolish can now become more transparent with the introduction of retail. The existing truck docks along the north ground floor level of the building will be converted to storefront as well, opening the building as much as possible to the street.

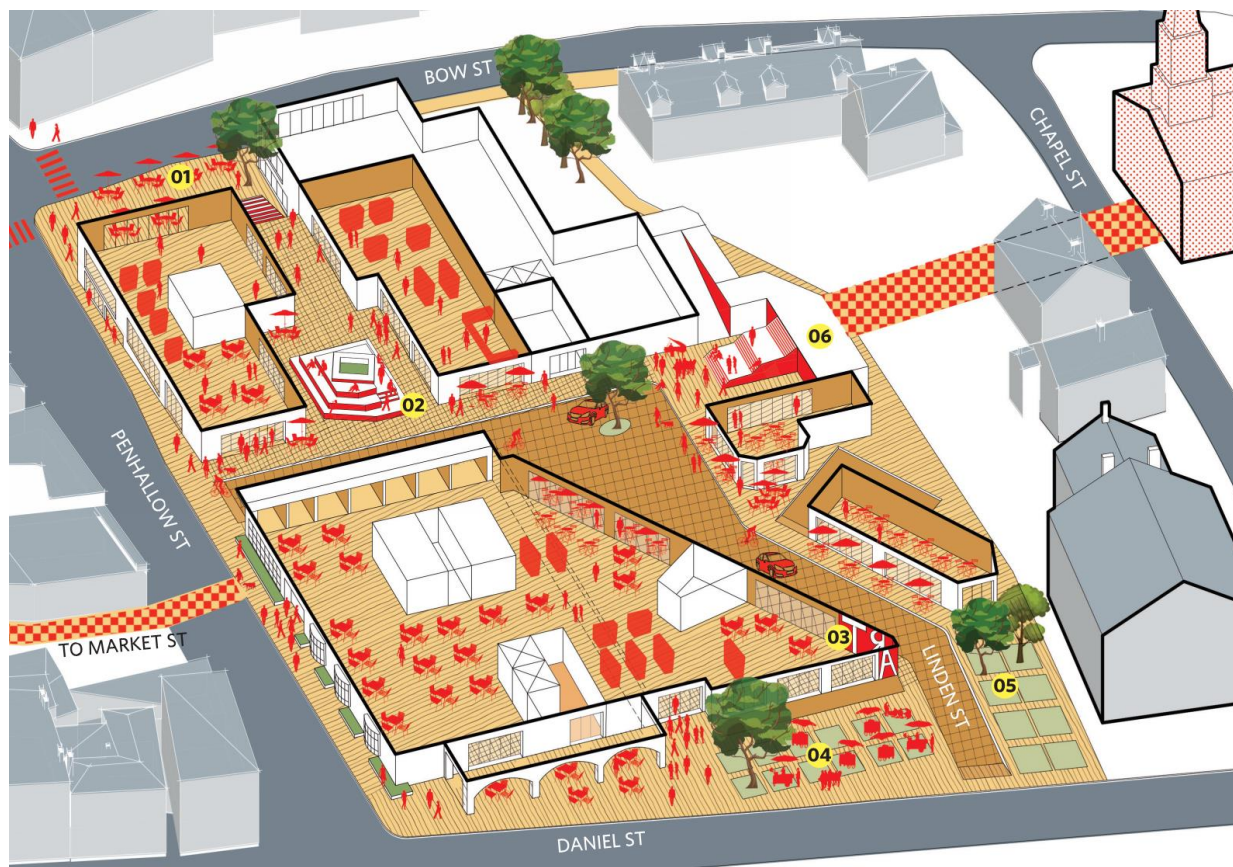
The proposed townhouse/retail buildings along the new Linden Street do not compete in height or volume with Old City Hall, but they moderately assert their presence along Daniel and visually benefit from a new green roof above the former one-story Post Office space. Residential condominiums are located on the upper levels of the proposed new buildings and will enjoy private outdoor amenities between the buildings and the east property line.

Parking is concealed in a partially below grade garage accessible from Bow Street as well as a small surface lot hidden behind the townhouses. This prioritizes the pedestrian experience throughout the site, making the development a unique place to stroll, shop and enjoy.

Landscaping and pervious hardscape is provided within the site, at internal streetscapes and around the perimeter of the site to break up the existing impervious parking areas. We plan to incorporate storm water management best practices including on-site recharge systems, where possible.

The roof of the McIntyre block will have a new lounge/ bar space open to the public and provide sweeping views toward the waterfront and back toward historic neighborhoods including the Strawberry Banke.

Planted landscaping within the site, at internal streetscapes, and around the perimeter of the site will incorporate storm water management best practices, break up impervious surfaces, and complement



5: Public Realm Diagram showing ground floor uses



6: View A - Proposed Bow Plaza at right with adjacent retail uses. Existing Bow St. businesses at left.

masonry surfaces. There are not many opportunities for large trees, but the design positions the several that currently exist to accentuate key entrance points and maintain shade.

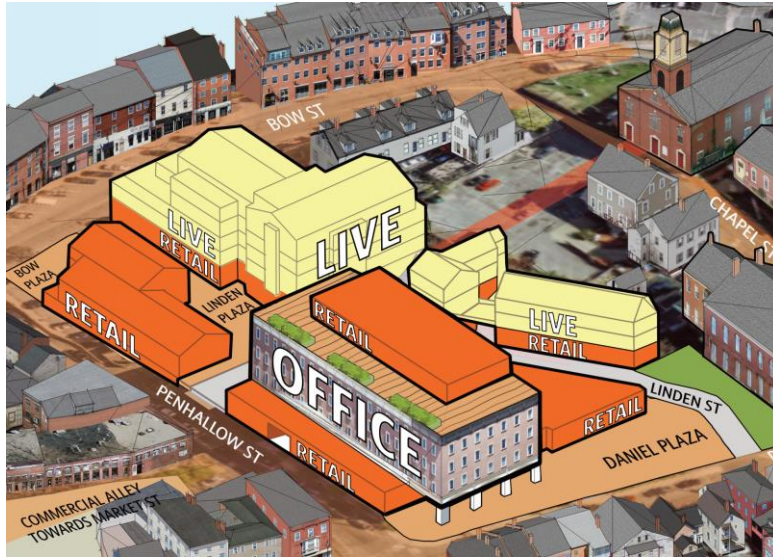
Architectural Character

The proposed design is a full interior renovation and selective exterior renovation of the McIntyre office building, newly constructed five-story 42-unit condo building with below grade parking, two-story 4-unit townhouse buildings with surface parking, and an approx. 19,500 SF free-standing retail building. The structure of the new condo and townhouse buildings will be wood-framed. The ground floor amenities, lobbies and garage levels will be constructed of traditional steel and composite concrete/metal slab on deck. The below grade parking level will be reconstructed without major earthwork and we have made a conscious decision to avoid engaging the existing stone retaining wall along the eastern property boundary except for the grand stair leading up to Chapel Street.

The new building exterior facades will be rain screen construction with various façade cladding materials that are time-tested, durable, and climate-appropriate; such as brick masonry, cast stone, metal panel, accents of wood, and energy efficient aluminum storefront glazing and fiberglass residential windows. The colors will be mostly inherent to the natural materials and except for any accenting will be predominantly earth tones, brick tones, greys, and light colors to match the surrounding area. The signage employed will be a possible mix of building signs, banners, storefront signage, blade signs, awnings signs, canopy marquee signs, etc. intended to enliven the streetscape experience while complying with Portsmouth zoning ordinances.

Conformance to Existing Zoning & Required Relief

The property is primarily located in the Character District 4 (CD4) with rear portion of the site along Bow Street (approximately 20,000 SF) located in the Character District (CD5). The parcel is also located in the City's Historic District and Downtown Overlay district.



7: Site Massing Diagram

but as currently proposed, we will require zoning relief for the height of this building. We are willing to explore design alternatives that reduce height by redistributing condos to the location of the smaller townhouse buildings (making those buildings larger) to bring the proposal into zoning compliance. Our proposal will meet or exceed all other “Building Form” and “Building Type” and “Façade Type” restrictions per Article 5A – Character Based Zoning of the City’s zoning ordinance.

Also of note, the aggregate lot coverage is 70%, approximately 25% less than allowable 95%. The proposal exceeds the minimum open space requirement of 10%: the total unbuilt area is 27,025 SF or 30% of the site (of which only 9,800SF is paved roadway and parking) is landscaped/hardscaped open space and this does not include the proposed green roof area which adds an additional 7,800SF of landscaped area or 8.5% of the site area.

With respect to parking, the proposed project replaces the existing 135 surface and structured spaces with 67 new structured spaces in the garage and 8 surface spaces for a total of 75 spaces to meet the 1.5 parking ratio required for residential. Given the limitations of the areas of the site that we can feasibly structure parking, we will require the use of 2 parking stackers to meet the required parking minimum stated above. We will require relief for this approach as these are not currently allowed, but there is recent precedent for approving this type of parking solution in the City of Portsmouth.



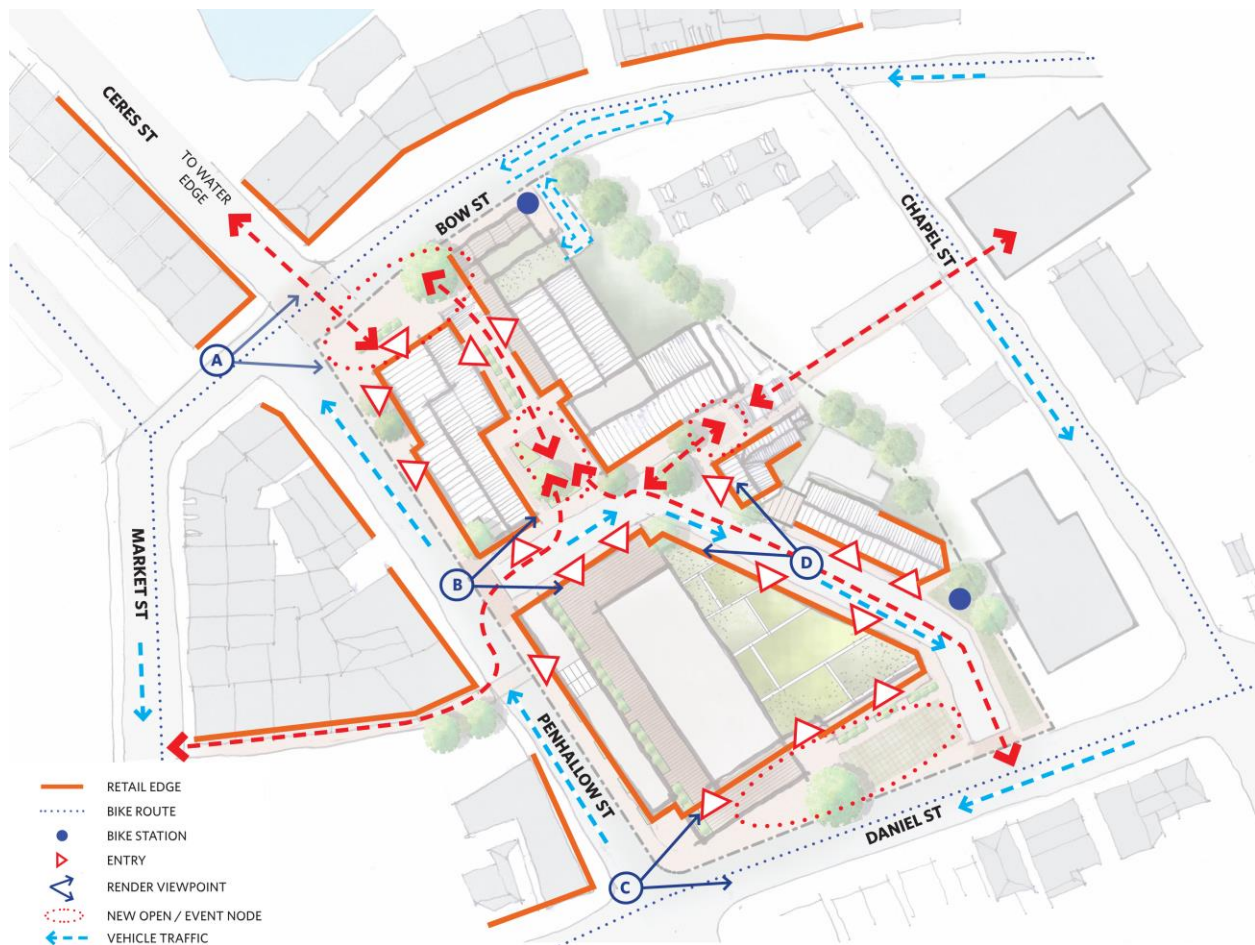
All the proposed new buildings provide the required front, side and rear yard setbacks as well as the requirement for minimum front lot line buildout. All proposed new buildings meet the Building and Lot Occupation requirements as well. The three smaller proposed retail and townhouse buildings conform to the height restriction of 40’ in CD4 and 45’ in CD5; however, the residential condominium building height is approx. 60’ above mean grade of Penhallow Street, exceeding height restrictions by 20’. This taller building is intentionally located in the middle of the site to reduce the visual impact from the four adjacent public streets,

For a summary of zoning requirements for the site as per Article 5A – Character Based Zoning of the City’s zoning ordinance, see attached Appendix.

Transportation and Circulation

We are proposing Linden St as a new one-way street requiring only right turns in from Daniel St and right turns out onto Penhallow St to access the interior of the site. Parking access into the garage will require right turns in and out from Bow St.

Pedestrians coming from Commercial Alley across Penhallow Street will be able to cross through the site and traverse the change in grade up to Chapel Street via Chapel Court. This may require an easement with the property owner adjacent to Chapel Court. Pedestrians moving from Daniel down to Bow Street, Market Street or Ceres Street along the waterfront will be able to flow from Daniel Plaza to Linden Plaza to Bow Plaza continuously. These new pathways create strong new connections with the surrounding neighborhood.



8: Circulation Diagram

Constructing an additional level of parking below the existing level is cost-prohibitive in the proposed scheme. Given our strong desire to maximize the public realm and retail frontage within and around the edges of the site, structuring additional parking above grade would diminish this important goal. Therefore, we’ve proposed to provide the minimum parking ratio required by zoning (1.5 per residential

dwelling unit) and no additional parking for office, retail or public use; however, we are willing to explore design alternatives require excavating the area under the townhouses to provide additional structured parking. This will have a cost impact that we will explore, if desired.

Bicycle parking will be provided for the public primarily at Daniel and Bow Streets, but we will also provide bicycle parking for condo owners in the garage and for office users in the basement of the McIntyre building, where feasible.

We do not anticipate the need for Transportation Demand Management Strategies, but in addition to promoting awareness of bicycle facilities and public transit options for end users, we are willing to explore this further with the City.

Historic Preservation

The T. J. McIntyre Federal Building will be the first mid-twentieth century modern building to be transferred under the GSA's Federal Historic Surplus Program. The proponent expects to work closely with the City of Portsmouth to produce the Federal government's required three-part "Program of Preservation and Utilization" in support of the City's Application for Obtaining Real Property for Historic Monuments Purposes. The three-part document includes proposals for preservation, use, and finance. Our team's understanding after discussions with the GSA's specialist in historic properties and their legal department in Boston is that the first step will be a written building preservation plan that will contain specifics for treatment of the McIntyre building. Our proposal will fully comply with the Secretary of Interior *Standards for Rehabilitation of Historic Structures*. The team's initial approach to compliance is set out in Appendix A, a matrix outlining the preservation approach to the McIntyre building in response to the "Thomas J. McIntyre Federal Building Portsmouth, New Hampshire Character-defining Features Analysis Character Defining Elements" by Alisa McCann.

Bruner/Cott Architects has extensive experience with this process and have spoken to the GSA historic resources specialist, Caroline Alderson in Washington and to the GSA lawyer for the transfer, Carol Chirico, who was formerly employed at the Boston Landmarks Commission. They will be able to guide the City of Portsmouth's project leader and various agencies in drafting the application for transfer of the property. The architectural team will begin by producing a building preservation plan for review by the National Park Service Advisory Board, then help the City to establish what covenants the GSA will apply to the conveyance of the McIntyre building and site. Early in the process, the City and the GSA will establish what entity will have oversight of covenants that attach to the conveyance. For example, the National Park Service may retain sole oversight or may enlist the City of Portsmouth Historic District Commission to complement its role. It will be important for the GSA and City to determine the role of the New Hampshire State Historic Preservation Officer (SHPO) from the outset, as their participation could affect the final content of the covenants attached to the transfer of the property. Typically, the covenants attached to the GSA's Federal Historic Surplus Program are generic points set out in the Section 106 review process. These are not resource specific as they can apply equally to lighthouses, bridges, and architecture. Our team expects to help develop those covenants to reflect the significant elements associated with the McIntyre building and to reflect the City's guidelines for the Downtown Historic District and two Character Districts that relate to the site. Our team will work with the City to orchestrate interactions with the public, abutters, and specific community groups as the City prepares its application to the GSA.

The proposed plan does not involve significant additions to the McIntyre building and therefore, we do not believe that any of the provisions of "New Exterior Additions to Historic Buildings: Preservation

Concerns” apply to our proposal. Our proposed demolition of a portion of one-story post office will be subject to the Secretary of the Interior’s Standards for Rehabilitation. We plan to enhance the recessed lobby entrance at Penhallow Street, re-emphasizing this as an important access point for the public along this side of the McIntyre building. The entrance will serve multiple ground floor uses within the west side of the building. We plan to retain the skylight, but the vestibule enclosure may be moved closer to the sidewalk to make it more welcoming.



9: View D – view of proposed Linden Street, one-story post-office space on left, retail and townhouses on right.

The existing covered arcade at Daniel Street and full-height glazed openings provide greater transparency and more flexibility for direct access to retail through the facade. The McIntyre façade has changed most markedly at the single-story East Wing with later additions and window insertions. Reconstruction of the lost Linden Street passage into the site requires demolition of a portion of the single-story façade. The Kane-Redgate proposal currently restricts this façade demolition to the recessed area closest to the Old City Hall. That section of the façade had originally been a blank, flat brick wall. The post office installed a new full-height window and external vestibule in 1997. The east wall was extensively altered in 1997 with two new full-height windows that replaced narrow slit windows that lighted locker rooms. The new design will reactivate the façade as restaurant frontage with a veranda for outdoor dining connected to Daniel Plaza.

The proposal includes demolition of the north and east facades and half the floorplate of the East Wing to make way for the Linden Street reconstruction. Our team’s experience with projects subject to the

historic investment tax credits has shown selective alterations to be commonly approved and this will affect the historic significance of the McIntyre building very little in terms of public perception. The architectural elements that will be removed are represented on other elevations in original locations that have always been more visible from the public right-of-way.

All four facades of the four-story McIntyre office block are very simple brick masonry with deep concrete window surrounds and projecting beam ends at roof level. The south and west elevations (Daniel Street and Penhallow Street) are most visible from public ways and therefore most significant in terms of restoration, but all sides of this four-story block will receive the same attention in terms of maintenance and window alteration. The single-story West Wing facing Penhallow Street will have alterations at the existing entrance and possibly a new window opening to relate to the street crossing from Commercial Way. The single-story East Wing will be exposed to view by removal of later features, but its easternmost recessed frontage will be taken down to permit reconstruction of Linden Street.



Portsmouth Historic District Guidelines: We expect our streetscape and street lighting designs to comply with the City’s requirements for Downtown Portsmouth, the two Character Districts, and the Historic District that overlay the McIntyre site.

Sustainable Design

The developers, architects, and engineers on our team all bring a commitment to sustainability as well as extensive expertise in creatively building green, energy-efficient, and sustainable elements into our projects. All buildings will be built to meet or exceed the New Hampshire state codes that will be in place at the time of permitting. Individual structures may, in addition, be designed and built to qualify for third-party certification/verification systems, e.g. ENERGY STAR, LEED, Enterprise Green Communities, etc. All building materials will be high-quality, low-maintenance, with long expected useful lives. The team will implement best practices for optimizing air quality, building durability, efficient use of energy and other resources, and occupant comfort. The design team and other consultants will develop high-performing building assemblies and mechanical systems, carry out building envelope inspections and testing, and in other ways make the project as green and sustainable as it can be.

We acknowledge Portsmouth’s status as an Eco-Municipality and plan to design and implement sustainable project strategies that support the City’s goals:

- Incorporate Green Street design (permeable paving) for the new Linden Street in addition to city’s storm water management requirements
- Investigate district energy production strategy to maximize efficiency in energy production and distribution.
- Seek LEED certifiability for new construction as well for the renovation of the McIntyre building

- Investigate the viability of a new solar panel array on the roofs of the McIntyre and residential buildings.
- Create a pedestrian and bicycle friendly environment throughout the site with bike lanes, bike parking, benches and ADA compliance.
- Use of green roof where appropriate and financially feasible.
- Selection of drought-resistant and native plantings to minimize dependence on use of public water systems

The McIntyre building window sizes are modest, but our team will study the overall energy performance of the existing façade, air infiltration, solar gain, and direct heat loss to determine whether replacement or secondary glazing is required for comfort and energy conservation. In addition to exploring the possibility of an energy retrofit to the McIntyre Building, our goal is to incorporate the following sustainable design criteria into the new buildings.

- High performance exterior wall and roof assemblies to reduce heating and cooling loads, including:
- Roofs designed to allow immediate or future installation of solar photovoltaic (PV) system to offset electricity demand.
- ENERGY STAR rated windows, appliances, and LED lighting fixtures
- High-efficiency heating and ventilation systems
- High-efficiency hot water heaters/boilers
- Use of low VOC paint, sealants, and flooring materials
- Low-water consumption plumbing fixtures
- Full cut-off exterior light fixtures to reduce light pollution and improve night sky visibility



At the outset of the project the design team will work with the City of Portsmouth to select the appropriate metrics for sustainable design distinguishing between new construction and rehabilitation of the McIntyre building. USGBC's LEED V4 is likely to provide the best framework to quantify improvement in the existing building and set related objectives for sustainable design in new construction.

Interpretive Displays and Public Art

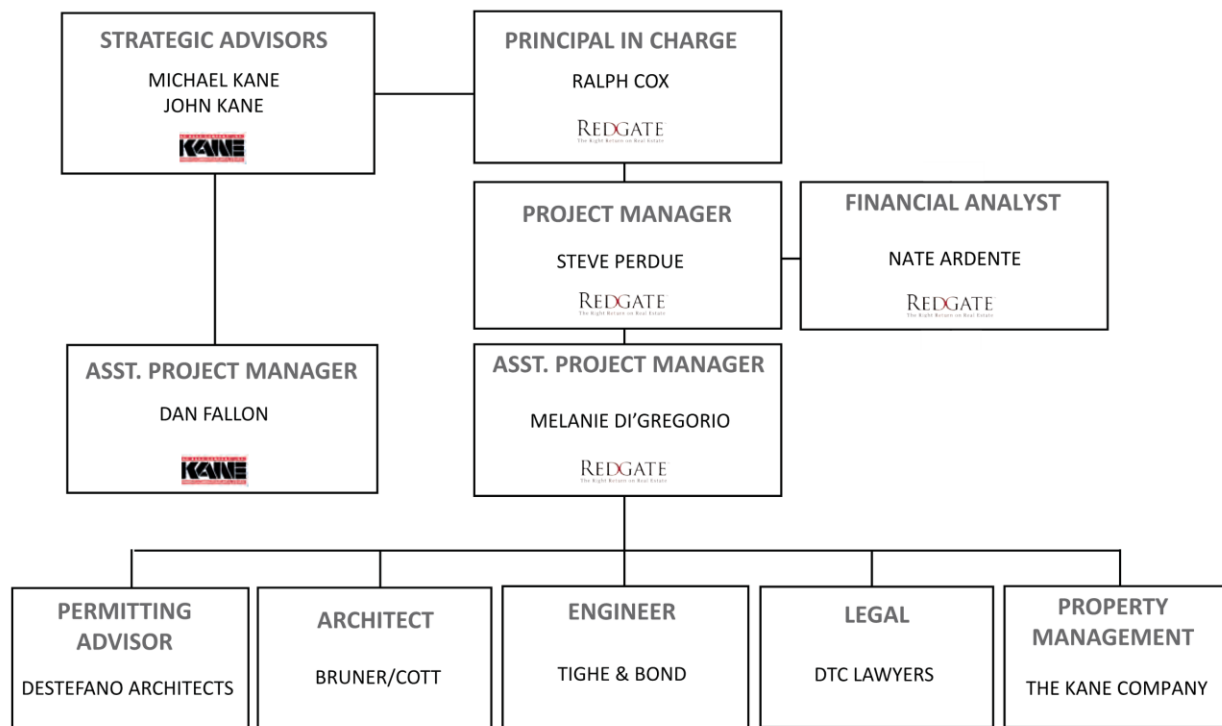
We think there is an opportunity to utilize the new plazas we're proposing to promote awareness of the history of the site, unique sustainable design features of the buildings and local public art while meeting the goals of the Portsmouth's 1% for Art Program. The confluence of preservation and conservation efforts and the prevalence of local artists could create an exciting new way of interpreting this new place. Bringing Linden Street back into the site deserves an interpretive explanation as well as the specific objectives for preservation of the McIntyre building could be displayed inside the concrete arcade structure that forms the building's main entrance on Daniel Street.:

IMPLEMENTATION PLAN

Proposed Project Team

Both Redgate and The Kane Company believe that we have assembled a team of organizations and individuals that have extensive experience in permitting and delivering innovative, mixed-use environments. Bruner/Cott Architects, a leading historic preservation, residential, and sustainability design firm in the U.S. will be the lead planner, designer and architect of record for the project. Given their extensive local experience in Portsmouth, DeStefano Architects will act as permitting advisor, facilitating public engagement and imbuing the team with important contextual insight. Tighe and Bond will be our Civil Engineer, leveraging a long-standing working relationship with the City of Portsmouth to appropriately position the development within the City's long term infrastructural goals. Donahue, Tucker and Ciandella is our transactional attorney who will advise the team on all entitlement and private/public partnership matters. The Kane Company and Dolben Property Management will advise our team on operational considerations.

Our team is fundamentally collaborative: successfully engaging community stakeholders, public agencies, permitting and entitlements experts, design, construction, leasing and property management professionals to deliver superior results. Our collective portfolio of work reflects it.



Strategy and Execution

Redgate has a strong track record of developing, marketing and managing mixed-use projects in urban neighborhoods. Redgate understands the market and the community, both of which are essential to success for projects of this type.

First, Redgate understands the market. Since 2010, Redgate has been the leader in the Greater Boston metro in recognizing the “outer urban” opportunity: the desire of people, especially millennials, to live, work and play in walkable, interesting urban neighborhoods that are outside of the city’s urban core, but only a quick train or bus ride away. With over 1,000 apartment units built or under development in Somerville, Chelsea, Quincy and Revere, Redgate has, more than any other Greater Boston developer, identified and delivered on this market opportunity. The location, design, price point and amenities of its properties are intently focused on meeting the needs of those who want to experience the urban vibrancy of Greater Boston in a financially sensible way.

Our thoughtful marketing approach introduces potential renters/buyers not only to the property, but to the neighborhood and community that they will become a part of. With a somewhat different (but complementary) approach, The Kane Company has tapped into similar demands in the office and retail markets and are a leading commercial real estate owner in the Portsmouth area. Quick lease-ups, low vacancies and high renewals demonstrate both firms’ understanding of their clientele.

Redgate also understands the community. We approach every project with the view that our development, if successfully executed, should and will make its neighborhood a more interesting, attractive, and vital place. Within the neighborhoods where we focus, there is always the challenge of demonstrating that our proposal, often executed at a scale that is new and different to the community, and often executed in the immediate vicinity of existing homes and small businesses, will indeed be a positive change. We are proud to say that every community in which we have built has told us that they would welcome us back to do more.

Project Timeline

The goal is to deliver the project in the Spring of 2021. To deliver before the opening of tourism season, a Spring opening is optimal for the first-year operational success of the retail/restaurants and sets the tone for ongoing operations. To achieve this goal, construction must commence in the Spring of 2019. We are currently estimating a 22-month construction schedule. There is potential for schedule compression, but at this stage there are too many unknowns related to subsurface conditions, logistics considerations and design.

The permitting and community outreach process would need to be completed in the Fall of 2018 for this schedule to be achieved. From that point, until construction commencement, the drawings would be advanced to 100% CDs, financing would be secured, loan closed, and the construction general contract would be bid out. SoBow Square, LLC is committed to expeditiously supporting the City’s efforts to secure transfer of title from the GSA, finalizing and executing development agreements, commencing discussions with the Planning Department to initiate the community outreach and formal permitting process and attaining its stated goal of delivering the project in the Spring of 2021.

At this stage, we have no reason to believe that a phased delivery is critical for any of our marketing, leasing and/or financial milestones so we are planning to deliver the project all at the same time. We will explore the feasibility of delivering the retail and office portions of the project in core and shell condition

prior to Spring 2021 to allow tenant fit-out construction to occur in parallel with completion of the overall project. Ideally, retail tenants will open for business at the same time that we achieve certificate of occupancy for the condos and office building.

Required Regulatory Approvals

Our team is prepared to obtain all applicable entitlements. The permitting process is likely to include five major components: National Park Service approval of the *Application for Obtaining Real Property for Historic Monuments Purposes*, Planning Department and Stakeholder engagement/site plan development, Historic District Commission Certificate of Approval, Zoning Board of Appeals Certificate of Approval, and Planning Board Site Plan Approval. The following is a summary of permitting requirements for the site including our initial understanding of roles and responsibilities for the process as well as estimated durations:

		Developer	Project Attorney	Architect	Permit Consultant	Civil Engineer	Landscape Architect	MEP FP Engineer		
Governing Agencies									Permits required / Remarks	Anticipated Duration
City Requirement	City Managers Office & City Council	X	X	X	X				Street Encumbrance Permit required. Easements and approval for Projections over city sidewalks required.	Throughout entire project.
	Planning Department	X	X	X	X	X			Project kick off meeting defining project requirements, and coordination throughout project.	Throughout entire project.
	Building Inspections Department	X		X	X	X		X	Building Permit: New Construction - Commercial Building: Tenant Fit-Up/New Use/Change in Use Building: Temporary Structure / Use Commercial Hood/Fire Suppression system permit application Electrical Permit: Commercial Plumbing/Mechanical Permit: Commercial Permit for Street Encumbrances	Throughout entire project.
	Fire Department				X	X		X	Fire Permit required for torch cutting and burning	2 week review, w/ ongoing inspections thru entire project.
	Police Department				X				Police Detail Permit	During Road Construction
	Dept. of Public Works			X	X	X	X	X	Blasting Permit Private Parking Lots Driveway Sign Permit for Flagging Permit	
	Historic District Commission			X	X		X		Certificate of Approval required	Expect 8-10 months of work sessions and 1 final hearing.
	Planning Board	X		X	X	X	X		Site Plan Approval required	Simultaneous to HDC efforts
	Zoning Board of Appeals		X		X				Certificate of Approval required	Expect 1 hearing for ZBA after 6 months of HDC efforts.
	Health Inspector			X	X	X		X	Food Service Permit Restaurant/Food Service Construction Guide published by City of Portsmouth Health Dept. Reference	2 months concurrent with HDC efforts.
State Requirement	State Fire Marshall			X	X			X	Design review and approval	
	State Historic Preservation Office			X	X				Extent of NHPPO involvement unknown at this time. Expect involvement concurrent to HDC efforts.	
	State Elevator Inspector			X	X			X	Design review and approval, and Certificate for Final Use required	
	Department of Environmental Protection					X			Demolition Notification required with Hazardous Material Report	
Federal	GSA	X		X	X		X		Extent of GSA involvement after transfer unknown at this time. Expect involvement concurrent to HDC efforts.	
	Department of Interior / Parks Service	X		X	X		X		Expect up to 6 months of review by Dept. of Interior / Parks Service.	
Community	Stakeholder meetings	X		X	X				Design review with various citywide organizations, concurrent with HDC efforts.	

Community Engagement

We strongly believe that redevelopment efforts are most effective when community stakeholders are involved in the planning process from the very beginning, thereby becoming active participants in their neighborhood's transformation. We have put forward an initial vision for revitalizing the McIntyre site, but will seek to engage community residents immediately upon designation to shape the most compelling, shared vision for the site. Initially, the team will engage in listening-oriented activities, to build trust, to learn how stakeholders view the development's existing assets and challenges and what they envision for its future, and to use this input to shape the redevelopment plan.

Revitalizing the McIntyre site within the parameters of Portsmouth's RFP will require substantial increases in density within a well-established downtown neighborhood to achieve economic viability. Increasing density on the site will no doubt raise questions and concerns amongst stakeholders and surrounding neighbors. Clear information sharing and ongoing dialogue with the community members will be key to ensure that the project gains its development entitlements and is successful in the long run. Our team is highly experienced in leading community outreach efforts of this kind to engage Portsmouth community members in planning for new development. We will incorporate the following best practices into our development-related outreach strategies:

- Engage local stakeholders in a targeted fashion, including residents, businesses, neighborhood organizations, and municipal entities;
- Utilize various mediums (photos, documented stories, site plans, renderings) to share complex information;
- Ensure that discussions about physical space involve grassroots participation and include discussion of social values, to achieve proposals that make sense to and are supported by the community;
- Help community stakeholders to determine the neighborhood's priorities and needs;
- Diffuse neighborhood fears about traffic, shadow and construction impacts through engagement and education;
- Build consensus among participants and work towards a collective vision.

Community engagement will not end with the completion of the planning and permitting process, but will continue through the construction period and beyond.

Marketing & Leasing Plan

The Marketing Plan is the project's road map reviewing the year-over-year performance while also setting goals and an actionable plan to improve the project's returns through occupancy and rent growth. Ultimately, the Marketing Plan supports how we will/can accomplish our income projections and maintain our budgets.

The Marketing Plan will consist of:

- A positioning statement and vision/direction for the coming year
- Strengths, Weaknesses, Opportunities, Threats Analysis
- Local Market Trends and Update
- New Office, Retail and Residential Supply
- Demand Generator changes
- Competitive Set reviews with Action Plans to compete directly against each competitive asset (and opportunities to 'steal' market share from the competitive set)

- Market Performance review of previous year from Comp Set and greater Portsmouth area
- Retail, Office and Residential Operating Budget review (Detailed Financials)
- Leasing and Sales Deployment strategy
- Ecommerce, Marketing (traditional and electronic), and Media Plan
- Revenue Management strategy

The Marketing Plan is developed by:

- Regular review of the Comp Set/Market to understand how they perform.
- Can't be accomplished without in-market operating knowledge and experience (Kane has extensive experience in the greater-Portsmouth area)
- Review of the 'wins' and 'loses' from a revenue management and operational perspective.
- Understanding the local trends and what is happening in 'our backyard'
- Understanding the exact target market, their needs, wants, and how to retain them.
- Determine who will be on the Leasing & Sales Team and how they will be deployed.

We will begin actively marketing and leasing the office and retail spaces as early as Winter 2019, eighteen months in advance of delivery and anticipate starting condo pre-sales in Spring 2020, twelve months in advance. Kane has in-house brokerage with a track record of success in leasing office and retail space in the area. We will augment their team with a best-in-class residential brokerage company to drive the condo pre-sales process.

MUNICIPAL BENEFITS AND IMPACTS

Real Estate Taxes

Total annual residential taxes are estimated to be approximately \$600,000/year. This assumes average unit prices of approximately \$780,000. For commercial real estate taxes, we have assumed approximately \$4.50/RSF value, which provides for an annual tax of approximately \$430,000/year in the first stabilized year. Total tax revenue to the City of Portsmouth could potentially be over \$1M annually in the first stabilized year, assuming 2017 tax rates of \$15.36/\$1,000 in assessed value.

Potential Infrastructure Improvements

The most obvious impact that will need to be studied is the new proposed addition of Linden Street. There could be a need for new signage and potential re-timing of traffic lighting for improved motorist and cyclist experience in and around the area. We will work with the community and City's transportation department to create an optimized plan.

We expect to play a strong role in the improvement of streetscape along Daniel, Penhallow and Bow Street. We feel that the pedestrian experience can be greatly improved and extended between Market Street and Daniel Street as well as between the existing Commercial Alley and Chapel St. At a minimum, the design will conform to the City of Portsmouth's streetscape standards including lighting, brick sidewalks, tree pits, etc. and will meet all applicable ADA requirements, but we will work with Tighe and Bond and a best-in-class landscape architect to provide the right mix of pedestrian experience and urban landscaping.

Initial assessment of water, sewer and drainage infrastructure around the site appears to be adequate to serve the proposed program of the site. We plan to study this in greater detail with the City to identify any specific infrastructure that may require replacement or upgrades.

Sewer. We anticipate the McIntyre building will use the existing service connection which is assumed to be in Daniel Street based on City GIS information. The proposed buildings on the southern end of the lot are anticipated to connect into the existing 12” sewer main in Daniel Street. The remaining proposed buildings to the north are anticipated to connect into the existing 8” sewer main in Bow Street. Each potential restaurant space shall have its own 1,000-gallon grease trap.

Water. We anticipate the McIntyre building will use the existing service connection which is assumed to be in Daniel Street based on field observation and the location of the mechanical room in the basement level plans. The proposed buildings on the southern end of the lot are anticipated to connect the existing 12” water main in Daniel Street. The remaining proposed buildings to the north are anticipated to connect to the existing 6” water main in Bow Street.

Storm water. Storm water connections will be designed to mimic existing conditions with the northern portion of the site connecting into the Bow Street drainage system and the southern portion of the site connection into the Daniel Street system.

Electrical & Telecommunications. Eversource currently feeds an underground step transformer to the east of the McIntyre building from Daniel Street. This takes the Primary voltage from 12,470 and reduces it to 4,160. The 4,160 is then fed into the building to a dry type transformer into the basement. Eversource had been working with the facility manager on site to get this removed and feed the existing switchgear with 277/480 service. It is anticipated this will need to be completed as part of the project.

In addition, it is assumed the proposed buildings will require at least two (2) transformers depending on loads. Electrical design will be coordinated with Eversource and the City of Portsmouth. Telecommunication services will also be coordinated with Comcast and Fairpoint.

Natural Gas. Gas services will be coordinated with Unitil. At this time, we anticipate McIntyre building will use the existing service connection which is assumed to be in Penhallow Street based field observation and the location of the mechanical room in the basement level plans. The proposed buildings on the southern end of the lot are anticipated to connect into Daniel Street. The remaining proposed buildings to the north are anticipated to connect into the existing gas main in Bow Street.

Jobs Creation

Creating jobs is one of the most rewarding aspects of real estate development. For all our developments, we have successfully incorporated firms and individuals with ties to the municipality in which we’re building. This process includes solicitation of bids from various trades and disciplines that are located within the City. We hope to continue this positive track record as we develop the McIntyre site.

Moving forward, we anticipate 25 +/- professional service jobs including various architecture, engineering and marketing professionals. Our best estimates suggest that approximately 200 +/- construction jobs will

be required to build the project throughout the duration. At its peak, 100 workers will be on the job contributing to the downtown Portsmouth economy. The retail areas will likely be demised into 10-12 separate spaces and are anticipated to be a mix of restaurants/bars with a capacity of 100-150 seats as well as retail shops/services. Restaurants of this scale are estimated to employ between 30 and 50 full and part-time employees each on average. Retail shops of this scale are likely to employ 5-10 full and part-time employees each on average.

Additional Benefits

We envision this project to immediately become part of the fabric of the downtown Portsmouth community. We intend to embrace and enhance the “South of Bow Street” district and the City of Portsmouth as soon as we break ground. As part of the community, we aim to play a role with the Chamber of Commerce, local business affiliations and community groups that work to make Portsmouth a better place to live and work. During all our development projects in various municipalities, we’ve partnered with local vendors and restaurants to promote local businesses within the community. Enhancing Portsmouth through community improvement projects is good business for everyone. Our project will not have unlimited resources; however, we intend to make a positive difference in our community by exploring the feasibility of contributing to existing or planned projects.

Impact Mitigation

The property is located on two well-traveled corners across Daniel, Penhallow and Bow Streets where there are at least 25 local businesses and many upper floor residences. There is a mix of single family residences and businesses as well as St. John’s Chapel along Chapel St. to the east. Let’s face it, no one wants to live next door to a major construction site for many of the reasons we discuss in the Neighborhood Impacts section below. It can get messy and it can get loud. No one wants to lose business or have a reduced quality of life during the anticipated 24-month construction process. We can all guess what the major and valid concerns will be: traffic, noise, dust, and fear of loss of business.

We feel that by communicating and engaging in a fair and open manner, we can provide common sense solutions that can minimize impacts to abutters and reasonably work for both sides. These solutions will include temporary traffic and parking management plans, site fencing, screening, dust control as well as street sweeping throughout the construction phase. We will review the noise ordinance with the City and adhere to prescribed hours of operation. We are willing to develop a construction management covenant with the City that insures that an agreed upon management plan is followed throughout the duration of the construction.

As the chosen developer, we would engage all our neighbors in a dialogue to understand their concerns. These concerns will be further outlined during the community process and likely new ones will arise. By meeting early and often we can identify these nuisances and impacts and create solutions that will reduce the burden on all the stakeholders while allowing the construction to move ahead unimpeded.

Initially, the construction may impact the neighborhood in the following ways:

Traffic. The site is relatively tight. There will be material deliveries to the site as well as crane operation during the construction phase; this cannot be avoided, but with the cooperation of the general contractor, a construction management plan can be created that will help reduce impacts. As part of the Community and Permitting process we will perform a traffic study that identifies

any impacts that the development would have on the neighborhood. We do not anticipate the creation of a temporary traffic management plan that will efficiently provide access to hotel residents and public parkers without burdening the neighborhood. We look forward to meeting with Traffic & Parking regarding solutions to these impacts.

Noise. Clearly this will be a construction site which will include heavy equipment, generators and temporary heaters. We will work with the Inspectional Services Department regarding hours of operation and identifying potentially noisy construction methodologies and plan for their mitigation.

Pest Control. A pest control company will be retained to install rodent and pest control devices and pesticides at least 30 days prior to demolition/construction to minimize the potential displacement of pests onto neighboring properties. We will strictly comply with all the Health Department requirements.

Lighting. During the Permitting and Community process, we will identify potential lighting issues from both a construction and design point of view. We will provide aesthetic lighting for our neighbors while thoughtfully evoking high design to attract customers and residents while simultaneously providing a safe pathway for pedestrians and vehicles. Using photometric studies, we should be able to identify any potential issues and rectify any unintentional offensive lighting. We understand that the City has a streetscape standard that we intend to follow.

Shadow Effects. Certainly, with any new development, there will be shadow impacts. Our general design will be based upon the current zoning in place while creating the volume required for a financially feasible project. As part of the Community and Permitting process we will create a shadow study which will identify impacts during different seasons. During the anticipated Community Process, we will identify additional issues that will need to be addressed in a thoughtful manner.

Our immediate goal is to keep the duration of the project as short as possible, while respecting the needs of the neighborhood and their right to quiet enjoyment of their homes and businesses. In short, we want to be a good neighbor and promote a successful project in the City that we can be proud of. After reviewing the financial impacts of this project, we see a very strong net positive to the City of Portsmouth in terms of dollars as well as quality of life. When you hear “Let’s meet at SoBow”, this should evoke a positive feeling from everyone in the community.

FINANCIAL SUMMARY

Underwriting Methodology

Redgate and the Kane Company have taken a thorough and thoughtful approach to underwriting this mixed-use proposal. We made the decision to underwrite each asset type (commercial and residential) separately to validate their individual performance as stand-alone assets. As a result, this proposal contains two (2) separate development pro forma pertaining to each product type proposed: commercial (office and retail) and multifamily condo.

Investment Return Targets

To determine the value of the McIntyre site with our proposed design, we decided to perform a residual land value analysis. This requires setting a target return that investors and lenders expect to achieve in today's financial markets. Current markets are seeking an 8.5% return on cost (ROC) for new Class A commercial office and retail space. These assets are selling at an average sales cap rate of 6.5% in Portsmouth. For the residential condominiums, investors are targeting a 30% margin on gross costs. Holding these constant, when factoring in soft and hard costs, we could determine a reasonable land value as the basis for the ground lease payment that we are proposing in the bid section below.

The underwriting assumptions that we have used, detailed below and in the Appendix E, are based on site-specific data developed for this response as well as our experience with planning and building comparable developments in the Greater Boston area.

Development Sources and Uses

Sources

	Office/Retail	Condo
Equity (40%)	\$15,530,120	\$11,505,607
Debt (60%)	\$23,295,180	\$17,258,410
Subtotal	\$38,825,301	\$28,764,016
Total Sources	\$67,589,317	

Uses

	Office/Retail	Condo
Residual Land Value/Ground Lease Payment	\$2,250,000	\$2,250,000
Closing Costs	\$250,000	\$250,000
Hard Costs	\$31,482,411	\$21,717,639
Soft Costs	\$3,927,615	\$3,623,091
Construction Interest Reserve	\$751,649	\$720,681
Operating Deficit/Carry Costs	\$163,626	\$202,605
Subtotal	\$38,825,301	\$28,764,016
Total Uses	\$67,589,317	

For a more detailed breakdown of each *pro forma's* capital budget, please see Appendix E.

First mortgage financing. Construction and permanent financing among all product types will be sought at a loan-to-cost (LTC) ratio of approximately 60%. The construction debt will most likely be structured as an interest-only, three-year note, with amortizing extension options (typically two one-year extensions). The permanent debt will be structured with a 30-year amortization at approximately 60% LTC. Current underwriting assumes a 4.75% interest rate, which is approximately 25 basis points above current market rates for comparable loan products.

Income & Expense Assumptions

Commercial

The commercial portion of the project assumes a market standard 3.00% annual general inflation rate for income and expenses, and a 5.00% general vacancy rate. Given Portsmouth market comparable properties, we are assuming with 10-year lease terms that the office space can be leased for \$24 NNN and the retail can be leased for \$45 NNN. Build-out of the spaces will require \$60/RSF and \$90/RSF respectively.

Commercial Revenue & Lease-up							
	<u>RSF</u>	<u>% RSF</u>	<u>Initial Lease Date</u>	<u>Term</u>	<u>Initial Rent</u>	<u>Strike Rent</u>	<u>TI's</u>
Spec Office	43,075	49%	February-21	10 Years	\$24.00 NNN	\$29.50 NNN	\$60/RSF
Spec Retail	45,330	51%	July-21	10 Years	\$45.00 NNN	\$49.17 NNN	\$90/RSF
Total/Average	88,405	100%			\$34.77 NNN	\$39.59 NNN	\$75/RSF

Please see Appendix E for detailed Argus rent roll.

Ongoing management for the commercial operations will be self-managed by the Kane Company's property and facilities management team. The stabilized operating assumptions below have been thoughtfully estimated by Kane's property management team, who intend to receive a market-standard 4.00% management fee of effective gross revenue. The following is breakdown of operating expenses for office and retail:

Commercial Operating Assumptions			
	<u>Current Per RSF/Year</u>	<u>Stabilized Per RSF/Year</u>	<u>Total Stabilized</u>
Utilities	\$0.87	\$0.95	\$84,044
R&M	\$1.18	\$1.29	\$113,991
Janitorial	\$0.26	\$0.28	\$25,117
Security	\$0.06	\$0.07	\$5,796
G&A	\$0.01	\$0.01	\$966
Insurance	\$0.21	\$0.23	\$20,287
Management Fee (4.00% of EGR)	\$1.59	\$1.78	\$157,652
RE Taxes	\$4.50	\$4.92	\$434,711
Total Op Ex	\$8.68	\$9.53	\$842,564

Residential

There are very few large-scale (30-50 units) luxury condominium developments in downtown Portsmouth, so there are relatively few comparable properties, but we confirmed sales assumptions through local real estate brokers with recent transaction data. To appeal to the market demographic of 40-60-year old buyers needing more space than younger millennial couples, the unit mix is split 40%/60% one bedroom and two bedroom condos, respectively. Because the project is primarily 2 bedrooms, the average total unit price for the 50-unit condo development is currently \$782,000, or \$753/RSF. Presales have been conservatively estimated at 25%, along with a post-completion sales period of 12 months (3-unit absorption per month). The following chart details unit mix, sizing assumptions and sales pricing:

Condo Unit Mix						
<u>Bed</u>	<u>Bath</u>	<u>Unit Count</u>	<u>Unit Type</u>	<u>SSF</u>	<u>Gross Sales Price</u>	<u>Per SF Sales Price</u>
0	1.0	0	0/1	0	\$0	\$0
1	1.0	18	1/1	775	\$611,111	\$789
2	2.0	24	2/2	1,150	\$854,167	\$743
2	2.5	8	2/2.5	1,300	\$950,000	\$731
3	2.0	0	3/2	0	\$0	\$0
		50		1,039	\$782,000	\$753

*2 Bed, 2.5 Bath represent townhouses

Operations of the Condo are intended to be managed by the homeowner association. A HOA fee of \$0.75/RSF is underwritten, and an HOA reserve has been reserved in the capital budget through the intended 12-month sales period. We will likely hire a third-party brokerage/management company to handle unit sales and the transition from sales period to the HOA management.

Development Costs

We worked with our consultants to estimate legal, design and other administrative soft costs. We used current market data to estimate development fees, management fees, interest costs and permitting fees. PROCON Construction, a leading construction manager in New Hampshire and Massachusetts, provided construction estimates for the project based on recent comparable work. We priced the office and retail space as core-shell and anticipate tenant construction to be by the tenant utilizing the tenant improvement allowances specified above. The condos were estimated at a high-quality level able to attract the sales pricing quoted above. At this stage of design and underwriting, there are many different assumptions that go into construction estimating. Given our experience working with PROCON, we believe the budget is reasonable; however, further design development and budgeting exercises will be necessary to refine the budget.

PROPOSED BID TERMS & CONDITIONS

We would like to say from the outset that we are open to any mutually agreeable terms that the City of Portsmouth would like to discuss about this project. It is important to understand that the financial terms that we have outlined are based on limited information. Our overall goal is to create a financial partnership with the City of Portsmouth which achieves the goals of the City and allows us a reasonable return on our investment. As such and with that disclaimer we propose to make the following payments under the Development Agreement and the Ground Lease:

- A prepaid ground rent payment of **\$4,500,000** upon execution of the Ground Lease. Or alternatively an annual ground rent based on the profitability level of the project.
- A non-refundable option payment of **\$400,000** upon execution of the Development Agreement. Upon substantial completion of selected partner's obligations under the Development Agreement and commencement of rent under the Lease Agreement, such deposit shall be credited toward rent coming due under the Lease Agreement.
- An additional annual payment based on profits above a "reasonable rate of return" for the McIntyre Building will be negotiated in the Development Agreement.
- Anticipating that we will execute a preservation covenant as part of the Development agreement that specifies the scope of ongoing maintenance for the McIntyre building, we intend to deposit a lump sum into a capital expenditures maintenance reserve escrow account during the lease term.
- We believe that a ground lease term of **99 years** will allow us to obtain debt and/or equity financing with commercially reasonable terms.
- SoBow Square, LLC shall bear all costs of development and operation of the Project, subject to the contingencies specified below.

As mentioned above, we remain flexible should the City of Portsmouth prefer an alternative payment structure with comparable economics. Given the public significance of the site, we have deliberately chosen to prioritize lower density and the highest quality public realm that we believe the City and community will support. The high cost of this approach to place-making is reflected in our bid. Should the City desire to increase the density of the site (FAR, height) and reduce the scale of the public realm, we are more than willing to work with the City to optimize this relationship and increase the value of our bid.

Contingencies

The following is a list of contingencies associated with the proposed payment terms stated above and could affect the value of our offer:

- Environmental – We have attempted to make reasonable assumptions regarding the extent of the abatement scope in the McIntyre building; however, we have only been granted access to a limited set of environmental documents on file at the City. We were not allowed to inspect the physical facility due to security concerns of the GSA. Therefore, we do not warranty that our construction costs assumptions are fully representative of the environmental risks in the project. If selected, we intend to perform full environmental due diligence on the property including but not limited to soils testing, radon testing, asbestos containing materials and other abatement related issues such as PCB's, LPB's, lead paint, mercury, underground storage tanks, etc.
- Geotechnical – We have attempted to make reasonable assumptions that the site's geotechnical characteristics are representative of the downtown Portsmouth area, are likely to require limited

ledge removal and limited ground improvement for new foundations; however, we have not performed any geotechnical testing to validate these foundation assumptions in the construction costs. If selected, we intend to perform full geotechnical due diligence on the property including but not limited to core sampling, ground penetrating radar and test pits.

- A Property Condition Assessment (PCA) report for the McIntyre building has not been provided to our team. Such a report would give details regarding the condition of the building structure, facades, roofing, glazing, elevators, building systems, etc. Given preliminary visual inspections, we attempted to make reasonable assumptions that minor selective masonry façade repair will be required, but we do not warranty that any of the building systems are in good condition and do not require major repairs or replacement.
- As no as-built drawings were provided, our design is based on the architect’s notes taken while reviewing the drawings in person at the City’s offices. The exact square footage of the McIntyre building, condition of the basement, building height, etc. is unknown at this point.
- Our interpretation of historical preservation requirements is based on the “Thomas J. McIntyre Federal Building Portsmouth, New Hampshire Character-defining Features Analysis Character Defining Elements” by Alisa McCann. Should these requirements change upon review by the National Park Service or State Historic Preservation Office, we reserve the right to adjust construction costs accordingly.
- Historical maintenance reserve fund will be subject to review of the Property Condition Assessment (PCA) described above.
- We are assuming that City infrastructure including, but not limited to water, sewer and storm drainage around the site is in good working condition and will not be require repair or replacement because of the proposed development. If it is determined that upgrades are needed, the proponent with work with the City to identify public funding for such upgrades.
- We are familiar with the regulations of the Federal Historic Surplus Property Program, including its provisions pertaining to income producing properties and the designs included herein are intended to comply with the Secretary of the Interior *Standards for Rehabilitation*.
- Underwriting assumes current market conditions.

APPENDIX A: SITE PLANS, FLOOR PLANS, SECTIONS AND OTHER DIAGRAMS

APPENDIX B: PROGRAM MATRIX

APPENDIX C: ZONING REQUIREMENTS

APPENDIX D: CHARACTER DEFINING FEATURES ANALYSIS

APPENDIX E: FINANCIAL UNDERWRITING

APPENDIX F: FILED DE CERTIFICATE OF FORMATION

APPENDIX G: DESCRIPTION OF LITIGATION MATERIAL AND RELEVANT TO PROPOSAL