

McIntyre Project – December 5, 2018
Follow-Up Questions for Proposers

Please provide responses to the following questions by 5:00 PM on Friday, December 15. Responses should be sent electronically to Nancy Colbert Puff (NColbertPuff@cityofportsmouth.com) and Nancy Carmer (nmcarmer@cityofportsmouth.com) at City of Portsmouth and Barry Abramson at Abramson & Associates, Inc. (ba@abramsonassoc.com). Responses should be in PDF format to the City and in PDF and Excel format to Abramson & Associates. In answering each, we ask you to demonstrate how your answer affects your program, project economics/financial feasibility, and financial proposal to the City and, for responses entailing major programmatic changes, provide a revised cash flow and development budget.

1. **Proposed Uses.** While still maintaining financial feasibility, are there uses (such as those geared toward cultural, arts, community, business innovation/office, as well as workforce housing, or other uses not currently found in the downtown) that could replace or supplement a portion of the standard investment grade real estate uses (i.e. retail, restaurant, hotel and/or market-rate residential uses in your proposal)?

Would you be willing to add or substitute such alternatives to enhance your project's consistency with the City's stated goals for the project? What would you consider to be appropriate square footage and location for such uses, parking implications, and the potential rents and expenses, development costs, financing/investment return requirements, impacts on program, relative value of such uses compared with standard real estate uses and the impact on your proposed lease payments to City?

To facilitate the City's ability to fairly evaluate proposers' responses on an apples to apples basis, in addition to any particular response you may offer to the above question, please respond to the above question relative to:

- a. 10,000 square feet of space for community use such as arts, cultural, or business innovation use assuming such space would be provided in finished, turn-key condition (assuming a quality level commensurate with first class meeting space) at no rent except shared operating expense. Specify the construction cost above shell you are assuming and what is and is not included in your definition of shell and finish.
 - b. Redevelopment of McIntyre Building for office
 - c. Redevelopment of McIntyre Building for office and/or other use with no other major new development on site and a significant public open space oriented to Bow Street
 - d. 10,000 square feet of office space (in the event McIntyre Building is not redeveloped for office)
 - e. 10% of the proposed housing units as affordable rental housing to families earning 80% of area median income (max. rent for studio is \$1,190; 1BR is \$1,275; 2BR is \$1,530; 3BR at \$1,768) at the same unit mix and size as market rate units.
2. **Scale, Open Space & Steeple View.** While still maintaining financial feasibility, are there enhancements to your proposed open space and building design (i.e. height, setbacks, and massing) along Bow Street that could be made to better meet the City's desired goal of preserving views of the steeple on the Saint John's church located on Chapel Street from Market Street and achieving a more appropriate scale on Bow Street relative to existing structures? In each case, how might the reduction of square footage and other refinements impact the design, program, project economics/financial feasibility, and proposed lease payments to City?

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3. **Historic Monument Program/Historic Rehabilitation Tax Credits.** You are planning on demolishing/partially demolishing a feature of the building that has been identified as a primary character-defining feature. Please explain your assumption that this aspect of your plan meets the Secretary of the Interior's "Standards for Rehabilitation." What would be the impact on your design, program, project economics/financial feasibility, and proposed lease payments if such major change(s) could not be made? Specifically, address changes and impacts if demolition of the one-story post office (or at least its façade) is not allowed.

4. **Environmental Remediation.** Understanding that due diligence is yet to be performed, please provide more information on your estimation or allowance for site-work, demolition, abatement, and environmental remediation.

Please provide as much detail as possible in terms of a break-out of these individual cost items and the assumptions underlying them as well as your proposed means of accounting for actual costs above or below that amount in light of the City's requirement that it not incur any costs or liabilities in redevelopment of the site and its desire not to overcompensate the developer for costs that are not ultimately realized.

5. **Roles in Development and Long Term Involvement.** What are the development entity' and its principals'/partners' intended roles and term of their involvement in development, ownership, and management beyond completion relative to the overall master-development and its individual components?

6. **Public Participation.** What are your thoughts for public participation and outreach to build support for a consensus-based final proposal? What techniques would be used, and who are the individuals who would be leading and participating in that effort?

7. **Market Analysis.** The RFP requested market analysis be provided to support assumptions made – in particular, our interest has been piqued by the proposers' differing perspectives on demand for and viability of office. Please provide detailed information relative to: existing supply in Portsmouth and the downtown market in terms of amount of space by class, character, provision of parking on- vs. off-site, nature/size of tenants, size of blocks of space, and, relative to the above characteristics, rents and terms (clearly specifying tenant vs. landlord responsibilities for costs and applicable area for calculation net rentable re: occupiable), typical tenant improvement allowances, and the competitive position, target/likely tenancy (nature, square footage), parking accommodation, rents and other terms, TI allowances, and other relevant variables for office space if it were to be in a renovated McIntyre Building or in new space elsewhere in the project. Assuming redevelopment of the McIntyre Building for office, what percentage of space would need to be pre-leased to secure debt and equity financing to proceed with the project and what would be the required level of investment return commensurate with that assumption?

8. **Minimum Lease Term.** What is the minimum lease term that would be required to finance the project?

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Questions Specific to Leggat McCall:

If the City does not want a hotel, would you continue to be interested in developing the project? What would be your preferred alternate use? If office, respond to 1.b and c. If other use, what would that be? What would you consider to be the program, parking implications, potential rents and expenses, development costs, financing/investment return requirements, and relative value of such use compared with standard real estate uses and the impact on your proposed lease payments to City?

Questions Specific to Redgate/Kane:

- a. If fee simple ownership of land cannot be accommodated, would you still propose the residential component to be sold as condominiums? If so, what would be the discount on unit price and impact on absorption and financing/investment return requirements, program, and relative value compared with your previously proposed condominiums and the impact on your proposed lease payments to City?
- b. If the residential component were to be switched from condominiums to rental for the above reason or due to City preference, what would be the program (type, mix, unit sizes, parking) and the potential rents and expenses, development costs, financing/investment return requirements and relative value compared with the condominiums and the impact on your proposed lease payments to City?

Questions Specific to Ocean Properties/Two International:

- a. If the City does not want a hotel, would you continue to be interested in developing the project? What would be your preferred alternate use? If office, respond to 1.b and c. If other use, what would that be? What would you consider to be the program, parking implications, potential rents and expenses, development costs, financing/investment return requirements, and relative value of such uses compared with standard real estate uses and the impact on your proposed lease payments to City?
- b. If the hotel were restricted to just the McIntyre Building, respond to the same questions as above relative to the alternative for the new construction component you have proposed for the hotel and the implications for the hotel just in the McIntyre Building.

Leggat McCall

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

80 Daniel Street



**Response to Questions for RFP 18-18
Leggat McCall Properties**



December 15, 2017

Response to Request for Proposal 18-18 Development Partnership with the City of Portsmouth for the Federal McIntyre Property

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Introduction

In this submittal, Leggat McCall Properties (LMP) has very specifically addressed the supplemental requests for information made by the City and provided detailed, transparent financial information on every aspect of its proposal. We have also addressed the financial implications of addressing the modifications suggested by the supplemental requests, and provided our financial models to the City's consultant.

We have also been following the council meetings closely, and we fully understand that the redevelopment process for the McIntyre building is just beginning. We are not at the end of the process nor are we even at the end of the beginning of the process. LMP realizes that the Council is not ready to pick a specific design, but rather, is looking to find a partner with whom it feels comfortable working with, and a partner who has the experience, financial wherewithal, knowledge of Portsmouth, and commitment to Portsmouth to bring this multi-year project to a conclusion that will contribute to the continued vibrancy of Portsmouth for the next 400 years. We feel that we are that partner.

As Charles Tseckares stated when he addressed the Council, the City is the client and the LMP team is committed to work with the City to accomplish its goals. The first step in the process is negotiating with the General Services Administration (GSA), the National Park Service, and the State to acquire the property. Our team's experience makes us uniquely qualified to negotiate with the Federal, State, and local agencies to acquire the property and to navigate the local, state, and federal permit process after the property is acquired. Throughout the entire process, LMP will work with the City to ensure that the project meets the community's needs.



1. Proposed Uses

LMP understands that this site is a vital component of the urban core, and we are happy to modify our proposed uses to meet the City's goals within the constraints of a financially viable project. In addition, we want to ensure that the proposed uses on the site create a vibrant destination for the community and visitors. A key goal is to create an inviting, diverse, exciting, and successful space, and we look forward to working with the City to create a project that balances these needs.

Before we evaluate the ways that we can modify our proposal, we wanted to highlight a few of the ways that we feel our current proposal addresses the City's goals. We believe our proposed mix of retail, residential, and hotel is the highest and best use for the site, and that it will provide the most successful project to support the long-term vibrancy and resiliency of downtown Portsmouth, while generating substantial incremental revenue for the City. In addition, our project is designed to:

- **Support the arts and culture:** our proposed glass-fronted artist stalls on the pedestrian walkway off Penhallow Street will allow artists to showcase their work and interact with the community year-round. We will price these stalls at a steep discount to market rent, as our goal is to promote the vibrancy of the arts and culture in Portsmouth.
- **Provide amenities and create community:** although our original plan did not have any "free" community space, many elements of the project provide important amenities that will bring a diverse group of people to the site. Both the 11,000 SF market and the 3,000 SF fitness center will generate lower rents than some alternative retail uses, however, we view these amenities as important draws for the site.
- **Create open space for gathering:** we have carefully designed and landscaped our plaza to be an inviting place for people to congregate, meet, and interact. Our proposed plaza provides space for a farmers' market, which we would encourage on a regular basis. Lastly, our reconnected throughways will re-stitch together the fabric of nearby neighborhoods, and provide access to sunlight and greenery. We have carefully designed and landscaped an automobile-free plaza to be an inviting place for the pedestrian experience.
- **Expand public spaces:** we envision that the rooftop bar and the restaurant on the ground floor of the hotel will be exciting social magnets for the community. These spaces will be open to the public year-round.

While we are excited about our current proposal, we would work with the City enthusiastically to bolster and augment these items in the proposal. Below is additional detail on each of the City's requests.



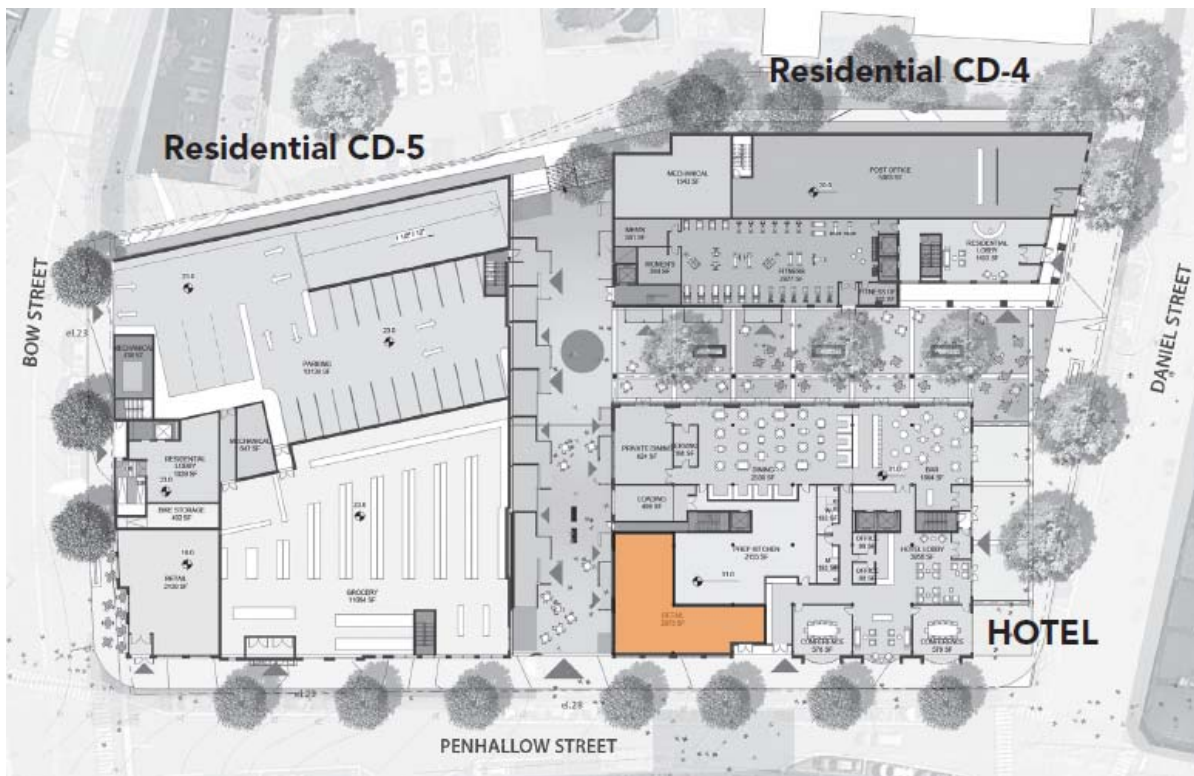
Request A: Additional Community Space

Portsmouth History Museum

We are flexible regarding the uses on the property, and support the City's goal to create additional community space. In addition, one of our key goals is to create a vibrant, active site. With that goal in mind, one idea is to create community space that is a destination for both the community and visitors alike. A Portsmouth History Museum could provide an interesting attraction and a community gathering space. This museum could be planned and programmed so that it supports a variety of uses, such as a display area for arts and historic information, an open space that could be used for community gatherings, and a place for educational programming.

Part of the reason we make this suggestion is that while unprogrammed "community space" provides a benefit to the community, the use of the space is often highly episodic. Most of the time, community space is vacant, which does not help create active uses. Locating a History Museum on the site would simultaneously provide a draw for the site and a space for community meetings.

If the City and community like this idea, we suggest placing the Museum on the Penhallow corner of the Hotel (shown highlighted below), as that location will dovetail nicely with the proposed location for the artist stalls.



inviting pedestrian walkway through the site, including increased open space, outdoor seating, interesting landscaping, and the opportunity for a farmer's market.

Request B / C: Redevelopment of McIntyre Building for Office

Although we understand that the City is interested in office uses at this site, we feel there are too many impediments to make office a viable use. The renovation and environmental remediation of the existing building, combined with the construction of additional parking for office use, is an expensive endeavor. Given the requirement to preserve the façade and maintain the punched window lines of the McIntyre Building, we feel that even a newly renovated building would achieve Class B market rents at best. The types of office clientele seeking downtown Portsmouth expect type A office space and amenities. The high cost of renovation coupled with modest rents and a high demand for parking make this financially infeasible in our opinion.

In addition to the financial issues related to creating office, we also believe that retail, residential, and hotel uses provide better 24x7 vibrancy. Office uses only provide activity during the morning coffee rush, lunchtime, and evening rush-hour. We believe our proposal will create an exciting destination and enliven the urban core.

Request D: 10,000 SF of Office Space

Locating office on the upper floors of the residential or hotel building would be highly inefficient and not recommended given the need for separate lobbies, elevators, and egress stairs. The 11,000 sf space that we have currently proposed as a market could be converted to office, however, we discourage the City from pursuing this alternative. It would be difficult to create successful office in this location given that the window lines are not conducive to high-quality office space.

If the City wants office uses on the site, we recommend incorporating a space similar to District Hall, a concept which was recently incorporated into the Seaport Innovation District in Boston. District Hall is a collaborative platform for Boston's innovation community. It provides a unique event venue, professional conference rooms which can be booked online, and a public lounge and workspace area with free WiFi, writeable walls, and coffee nearby.

If Portsmouth wanted its own District Hall, a similar concept could be incorporated into the ground floor of the hotel or the residential building, in lieu of providing community space.

Request E: 10% Affordable Housing

If after a public process, the City determines that downtown is a proper location for affordable housing, we would work with the City to accommodate that use. If 10% of the housing (12 units) were affordable, the project's payments to Portsmouth are estimated to decrease as follows: \$270,000/year ground rent reduction and \$20,000/year real estate tax payment reduction, for a total reduction of \$290,000 per year.



2. Scale, Open Space, and Steeple View

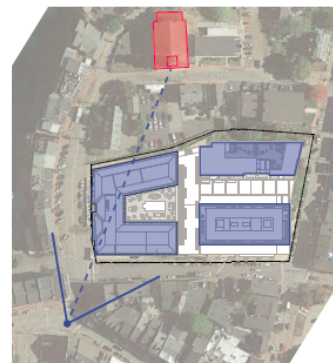
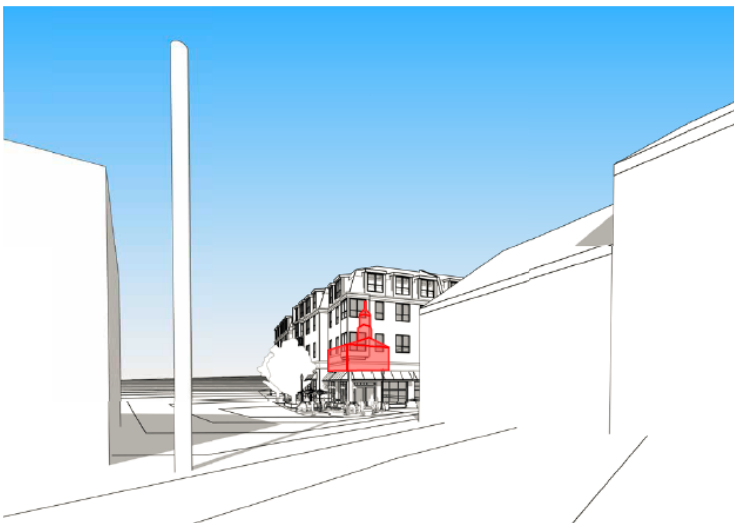
Scale

LMP understands that the community may feel that the proposed massing along the Bow Street side of the site is too big. The building was designed to comply with the Master Plan and Character District 5, whose details were a result of many months of public input and efforts. However, if the City would like to approach massing differently, we would modify the design. If desired, LMP could reduce the height of the CD-5 building by one floor, so that the building would be 4 floors featuring a mansard attic story. This would decrease the building size by 22,000 GSF and 22 units. With the costs of the project decreasing by \$3.6mm and the revenues decreasing as well, the impact to the payments to the City of Portsmouth would be a reduced ground rent of \$80,000 per year, a reduced real estate tax recovery of \$70,000 per year, for a total reduction of \$150,000 per year.

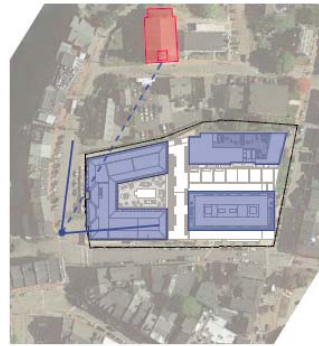
Steeple View

In the images shown below, we have analyzed impacts to the view of the steeple. To maintain the view of the steeple from Market Street, a building on the northeast corner of the site would need to be one to two stories tall:

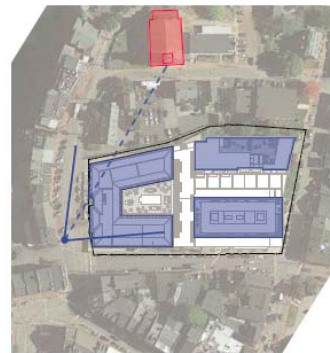
View I: Intersection of Bow Street and Market Street



View 2: Intersection of Bow Street and Ceres Street



View 3: Bow Street



As these pictures show, the CD-5 Residential Building would need to be one to two stories tall to maintain the sight-line to the Steeple. For 50+ years, the Downtown Ordinance District has required a minimum of two stories. We believe that it would create architectural discord to have four and five story buildings on the north side of Bow Street, and two story buildings on the south side. For this reason, we feel our current proposal balances the masses on both sides of the street effectively.

We would also like to reiterate that although our current proposal would block the sightline of the steeple from the Bow Street side, we are creating a new pedestrian thoroughway that will lead people from Penhallow to the eastern side of the site. The Steeple will be visible for the entire stretch of this busy thoroughway, as shown in this rendering of the new public thoroughway as seen from Penhallow street:



Given that the line of sight from Bow Street and Market Street is not a historic view corridor, and that our proposed project has a newly highlighted view corridor along our new public way, our recommendation is to maintain our proposed three or four floors plus a mansard along Bow Street. If the steeple view from Bow and Market Street becomes critical to this development, we will then respond to the financial ramifications of dramatically reducing the scale on Bow Street. LMP would like to work further with the City to establish whether our proposal is amenable.



3. Historic Monument Program / Historic Rehabilitation Tax Credits

Overview

The rules and regulations for the Monument process are purposely flexible, and reward creative solutions. Our LMP local team has experience in negotiating with various government agencies, such as our experience with BRAC and Pease International Tradeport. The McIntyre transfer process will involve Local, State, and Federal Governments, and our experience will help create a product that meets as many of the City's goals as possible. Below, we provide more information on the process, and potential solutions to meet both the City's needs and the requirements of the relevant rules and regulations.

Additional Detail on Compliance with Rules and Regulations

The GSA Disposal of Surplus Property for use as a Historic Monument allows for GSA to transfer property that the Secretary of the Interior determines is suitable and desirable for use as a historic monument for the benefit of the public. A property may be determined to be suitable and desirable for use as a historic monument with a recommendation by the National Park System Advisory Board. The Surplus Property enabling statute specifies that only the portion of the property that is necessary for the preservation and proper observation of the property's historic features may be determined to be suitable and desirable for use as a historic monument.

To that end, our redevelopment proposes to rehabilitate and maintain the McIntyre Building consistent with the Secretary of the Interior's Standards for Rehabilitation (the "Standards"). The project program has been developed to retain and rehabilitate major portions of the property for enjoyment as a monument, while also providing substantial public benefit.

The Secretary's Standards provide guidance to Federal agencies regarding the rehabilitation of historic properties, defined by the Secretary of the Interior as "the process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values." Standard 2 notes that:

The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property will be avoided.

LMP proposes a two-prong approach to Standard 2, in order to achieve the overall goal of the preservation of historically-significant features:

- 1) LMP proposes to retain and rehabilitate the most character-defining and visually prominent portion of the McIntyre Building, the four-story main block.
- 2) LMP will work with the City and New Hampshire Department of Natural and Cultural Resources (acting as the New Hampshire State Historic Preservation Office) to consider alternatives related to whole or partial removal of the one-story Post Office annex.

LMP believes that this coordinated approach will allow for the retention of the visual character and feel of the annex, while maximizing opportunities to keep the public engaged with this historic building. Flexibility within the Standards encourages the application of thoughtful design approaches to site challenges. To that end, LMP envisions working with the City and the Preservation Office to explore a variety of options for the site.



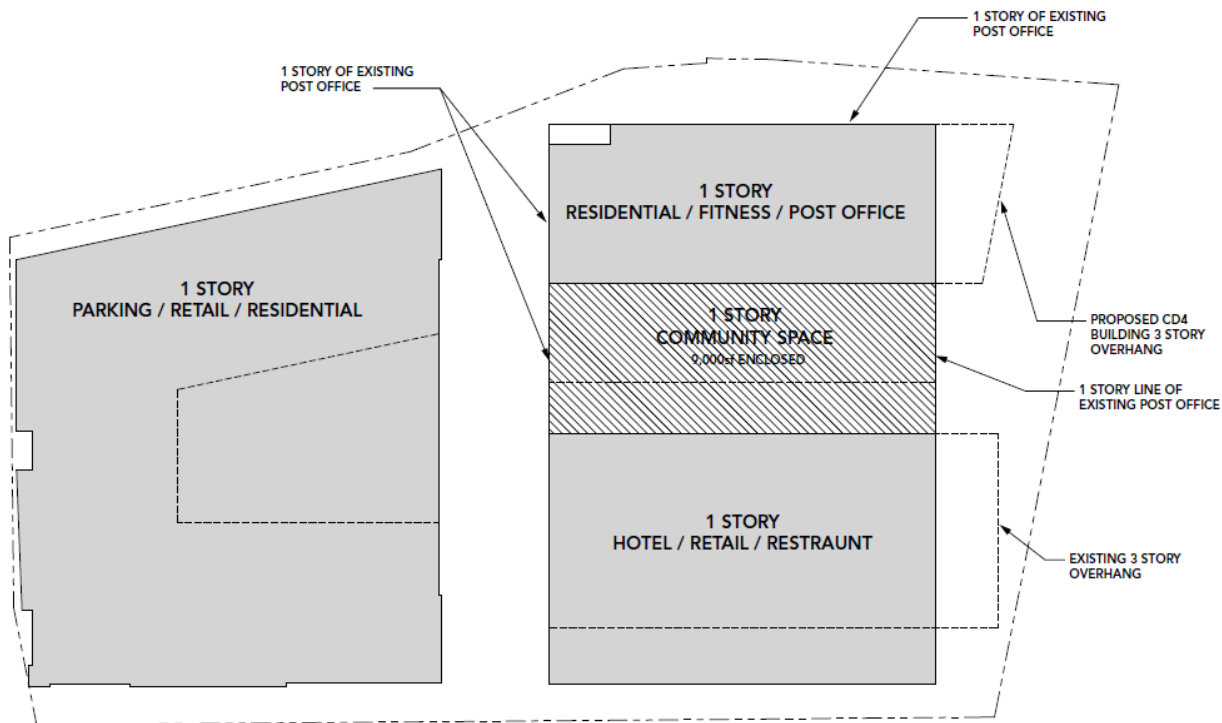
Below are a few of the potential avenues that could be pursued; if chosen, we look forward to working with the City to achieve a successful transfer of the site:

- A. Maintain the current plan, with the open plaza, but recreate the Post Office façade on the CD-4 residential building
- B. Keep the façade of the one-story Post Office as an “entry-way” to the open space of the plaza
- C. Keep the annex’s current one-story presence on Daniel Street, readily visible from public ways, while removing the rear portion of the building to create an atrium in this space (plans and estimated budget shown below). This atrium space could be used as community space.

We will work with the City to establish whether it is best to maintain a portion of the Post Office, or have a recollection of its existence.

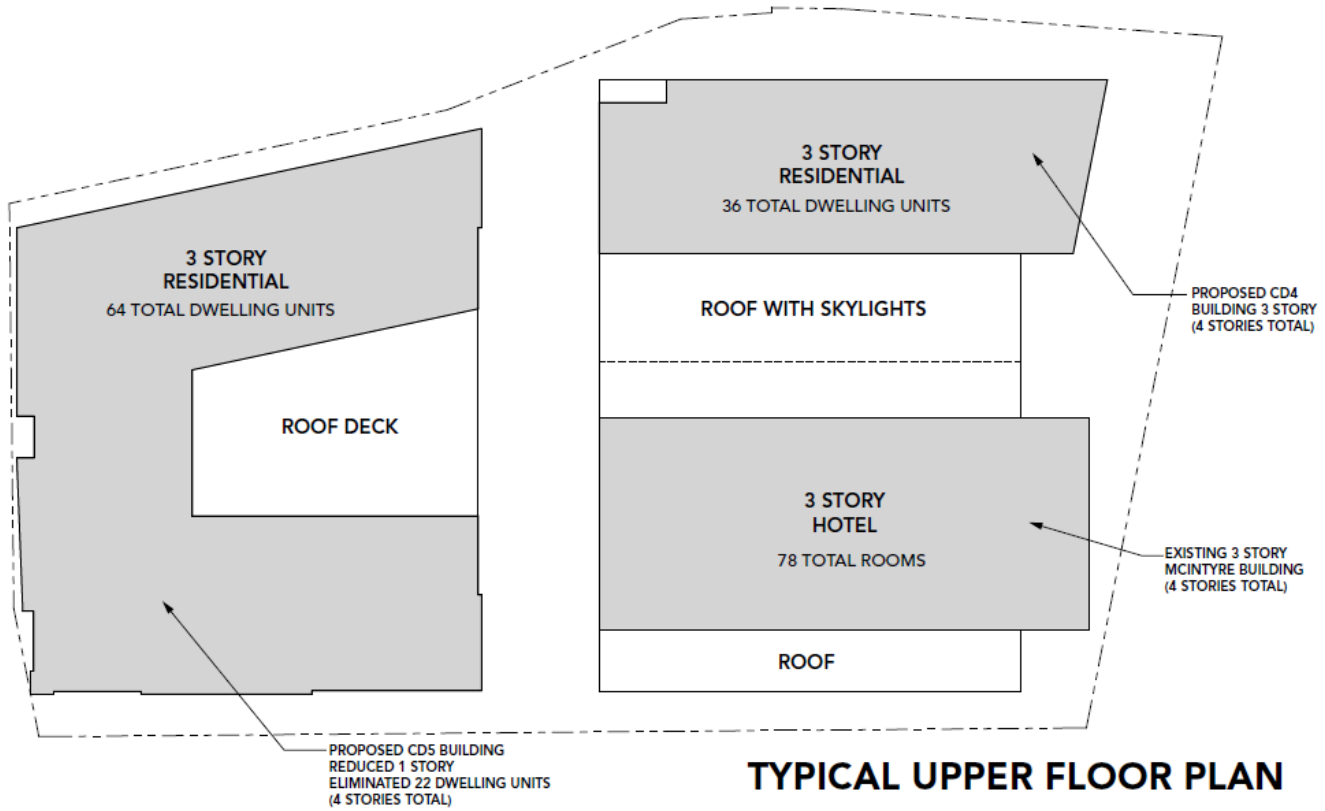
We believe that these options are viable ways to remain consistent with the Standards and the Historic Monuments statute requirement calling for retention only of portions of the property that are necessary for the preservation and proper observation of the property’s historic features. In addition, the new construction is designed to be consistent with the National Park Service guidance on New Exterior Additions to Historic Buildings, and both the rehabilitation and new construction portions of the project are designed to be consistent with the Design Guidelines for Portsmouth’s Historic District.

Below are concept plans and estimated budget for Option C; please note that to finalize the budget for this scenario, LMP would need to conduct additional architectural and diligence work. LMP does not recommend this option, as we feel that the site would benefit from having the open space of a plaza. The plaza will draw people into the site and re-stitch the fabric of the nearby neighborhoods with an inviting pedestrian walkway through the site, including increased open space, outdoor seating, interesting landscaping, and the opportunity for a farmer's market.



GROUND FLOOR PLAN





Estimated Budget: Atrium Behind 1-story Post Office	
Remove landscaping from Plaza (10,000 sf @ \$5.00)	(\$50,000)
Remove waterproofing from Plaza (10,000 sf @ \$25.00)	(250,000)
End curtainwall (50x14 sf @ \$100.00)	70,000
End brick (50x14 sf @ \$50.00)	35,000
Steel structure (10,000 sf @ \$35.00)	350,000
Decking & roofing (5,000 sf @ \$20.00)	100,000
Structural skylights (5,000 sf @ \$200.00)	1,000,000
MEPs (10,000 sf @ \$3.00+\$5.00+ \$25.00+\$20.00)	530,000
Mark-ups (+/-15%)	270,000
Net Cost	\$2,055,000



4. Environmental Remediation

Despite a lack of meaningful access to the Site to identify, examine, and study the existing conditions, the allowances that we have held for environmental remediation in our proposal are based on our best estimate based on our current level of access. We estimated \$400,000 for Hazardous Material Abatement in the McIntyre Building, and \$650,000 for Contaminated Soil Removal on the rest of the site. Additional detail on these estimates is provided in the table below.

If we are chosen to partner with the City, we anticipate conducting additional diligence on the site to vet these assumptions more fully. These costs would be factored into the final ground lease payments due to the City, and we would assume all risks and costs associated with remediating the site once the deal is structured. To ensure that the City feels we have appropriately quantified the costs of the renovation, we will provide the City and its consultants with full access to our information and process so that an independent review of our budget can be conducted.

Hazardous Material Abatement in the McIntyre Building				
LSP services		1 LS		\$20,000
	Inspection, sampling & reporting			
	Monitoring, testing & mitigation			
Management controls		1 LS		\$35,000
	Personal protective equipment			
	Temporary isolation & access partitioning			
	Negative air equipment			
Anticipated abatement scope		60,000 SF	\$4.75	\$285,000
	ACM flooring & mastics			
	ACM ceilings			
	ACM fireproofing			
	ACM pipe insulation & joints			
	PCB caulking & sealants			
	Hg ballasts & lighting			
	Lead paint			
Disposal services		1 LS		\$50,000
	Transportation & disposal fees			
				\$390,000
Site Work				
LSP services		1 LS		\$30,000
	Inspection, sampling & reporting			
	Monitoring, testing & mitigation			
Management controls		1 LS		\$15,000
	Temporary containment measures			
Remediation scope		18,520 CY	\$10.00	\$185,200
	Controlled excavation, total volume anticipated			
	Staged-isolated stockpiling of material for testing			
Disposal services				
	Transpo & disposal fees, unlined, assume 15% of total @ 1.6 TN/CY	4,445 TN	\$40.00	\$177,792
	Transpo & disposal fees, lined, assume 15% of total @ 1.6 TN/CY	4,445 TN	\$55.00	\$244,464
				\$652,456



5. Roles in Development and Long-term Involvement

We have assembled a strong team that has the desire, focus, and experience to be a good partner for the City. This project will involve extensive community engagement and coordination amongst multiple government agencies. The environmental remediation and construction in a tight urban setting will also require the engineering, construction, and architectural expertise of our team. We understand that Portsmouth needs a trustworthy partner with whom it is easy to work, and we believe we are the most qualified team to work with the City. LMP and CBT have individually successfully completed a wide variety of projects of a similar or larger scale and more complex conditions.

Throughout the development and long-term management of the project, different roles and expertise will be required:

- **During permitting and development:** the entire team outlined below will work together to create and build a successful project. Bill Gause, a senior executive and partner at LMP, will lead the McIntyre Redevelopment. Bill is a long-term partner of LMP with executive management experience leading large, complex projects. He will be hands on in managing our team. Two seasoned PMs from LMP, Bob Walsh and Harry Nash, will report to Bill. This core group of experienced leaders will ensure that the team remains coordinated, focused, and effective.
- **During the long-term management of the project:** Bozzutto Management Co. (Bozzuto) and Hotel Asset Value Enhancement (hotelAVE) will manage the Project effectively once it is delivered. For the residential asset, Bozzuto will ensure that the projects are leased up quickly and maintained professionally. hotelAVE will create both a high quality hotel, and a dining and socializing destination at the restaurant and rooftop bar. Both companies have reputations for exceptional management that enhances both their resident and customer's quality of life, as well as their properties' financial returns.

Continuous Local Team Involvement

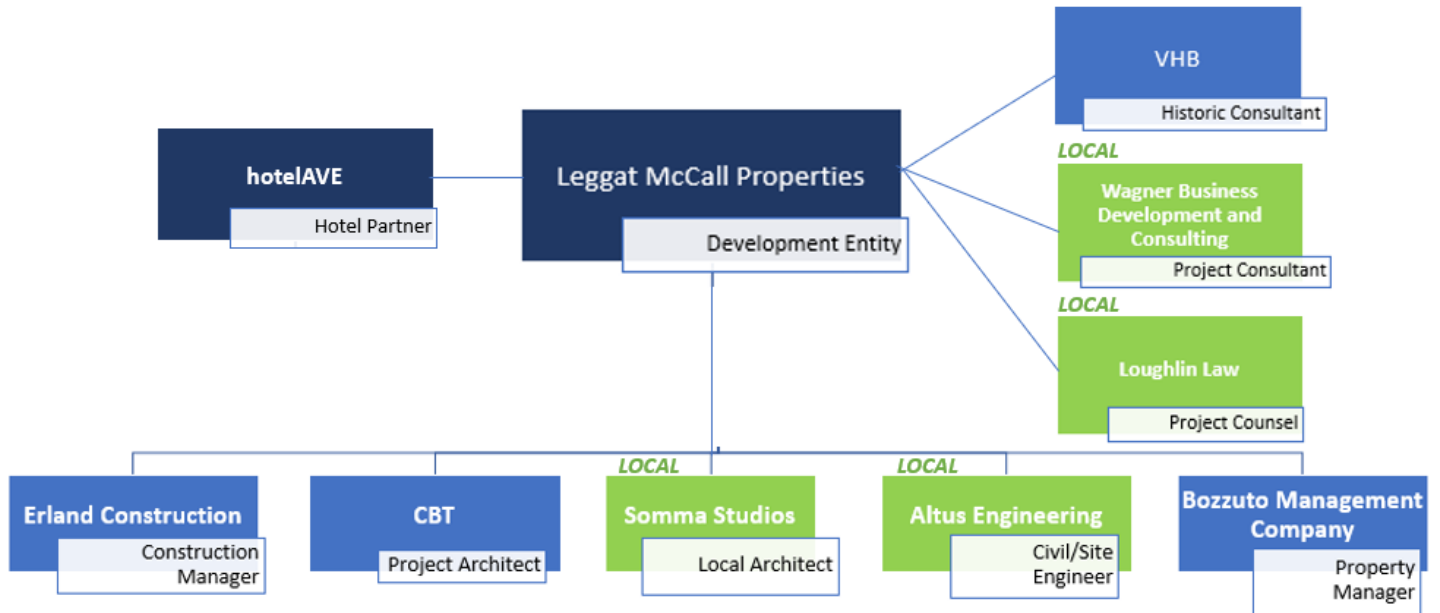
We also have many local members of our team who will be available at all stages of the project to provide support. Bill Wagner, our permitting/ project consultant, has over 40 years of private and public service experience in the City of Portsmouth and the State of New Hampshire. We anticipate that Bill Wagner will continue to be involved after completion of the Project as a local representative and consultant. This assures there is historical continuity to preserve the integrity and value to Portsmouth.

The other local team members will remain available as well. Peter Loughlin, our project attorney, has 40+ years of local, civic and professional experience in Portsmouth. Jennifer Ramsey has over 20 years of design and development experience in Portsmouth and the Seacoast. Eric Weinrieb of Altus Engineering has over 20+ years of proven project experience, including extensive utility experience in the historic water front district of Portsmouth. All of the local team, as they have demonstrated in the past, will continue to positively contribute to the community of Portsmouth during and after the completion of this Project.



Additional Detail on Roles

Below is a detailed summary of our team, and their roles. Overall, LMP has a long history of partnering effectively with clients like Portsmouth on projects of this size, scope, and complexity, and we are confident that our expertise and local knowledge will allow us to exceed your expectations for the project.



Company	Lead	Role
Leggat McCall Properties Development Entity	Bill Gause	LMP will lead the team throughout the redevelopment process, from permitting through construction and leasing.
HotelAVE Hotel Operating Partner	Loren Balsam	HotelAVE will assist with the design and concept of the Hotel portion of the site, and will operate it once complete.
CBT Architects Architect	Charles Tseckares	CBT will design the building, and assist with permitting and construction.
Erland Construction Construction Manager	Steve McDonald	Erland will lead a team of subcontractors and consultants to build the Project.
Altus Engineering Engineering	Eric Weinrieb	Altus will assist with designing and building the Project, and evaluate the work of the architects and builders.



Wagner Business Development and Consulting, LLC Permitting Consultant	Bill Wagner	Bill will work to develop strategies to guide the City through the permitting process. We anticipate that Bill will continue to be involved after completion of the Project as a local representative and consultant. This assures there is historical continuity to preserve the integrity and value to Portsmouth. The other local team members will remain available as well.
Loughlin Law Permitting Counsel	Peter Loughlin	Peter will be the local permitting counsel, and assist with the community outreach process.
Somma Studios Process/Community Relations	Jennifer Ramsey	Jennifer will support Charles Tseckares and his team with local knowledge and experience.
Bozzuto Management Co. Property manager	Keri Walker	Bozzuto will lease the apartments, and manage them once the building is occupied.
VHB Historic preservation and permitting consultant	Maureen Cavanaugh	Maureen Cavanaugh has extensive experience with cultural resource management and historic regulatory compliance; she will help navigate the permitting process and contribute to the design process.

6. Public Participation

Our entire local team has extensive successful experience engaging in the public participation process in Portsmouth. We understand that the best projects are the result of inclusive and iterative processes, so we look forward to facilitating a successful process for the City of Portsmouth.

If chosen to partner with the City, we will work closely with the constituent groups to incorporate feedback on all aspects of the site, including uses, layout and design. To do so effectively, we feel it is important to provide a variety of ways to involve the public and provide the opportunity to receive their feedback. Below are a few ideas for how we would proceed if we are chosen to work with the City:

- **Kickoff Meeting:** We would begin the process with a kick-off meeting with appropriate local boards to discuss methodology, schedule public meetings, and create outlined objectives for each upcoming meeting.
- **Public Evening Meetings:** We would then initiate a series of public evening meetings hosted by the planning board, focusing on the vision for the project. We would employ techniques to maximize participation, including break out groups performing workshop exercises.
- **Web-based surveys:** Throughout the process we would incorporate web based surveys so that we could receive open public comment on key issues that arise from evening meetings. We would also suggest an online survey be conducted during the vetting of the final design alternative for the site so final opinions are heard and considered.

The Public participation process would include members who have been involved with successful projects similar to the Portsmouth development. Charles Tseckares and Christopher Hill from Cbt Architects have both been involved in forums where the entire community is brought through an inclusive, productive consensus building process. Recent



experiences include working through public acceptance for projects involving clients such as The Archdiocese of Boston and Harvard University.

We also have local members of the Portsmouth community such as Bill Wagner and Jennifer Ramsey, who will assist in the consensus building workshops and visioning sessions. Bill and Jennifer will bring their local sensitivities to the process, and ensure that the process is as inclusive as possible.

7. Market Analysis

Portsmouth is a vibrant city with a strong job market and an influx of millennials. Given the constraints mentioned previously, however, we believe it would be difficult to create an office use in the building as contemplated. We have therefore not conducted an in-depth study of the Office market in Portsmouth.

8. Minimum Lease Term

A minimum lease term is not relevant for our proposed uses.

Questions Specific for LMP

While we are prepared to explore alternative options related to the site, we do not believe office is a financially viable use given the reasons previously articulated. We believe a hotel is the highest and best use for the McIntyre Building given the constraints of the Monument Program. We also believe the mixed use of hotel, retail, and residential will create the most vitality and revenue for the City and its residents, and will create a new focal point for a long dormant square in downtown.



Ocean Properties/ Two International Group



Two International Group
1 New Hampshire Avenue, Suite 101, Portsmouth, NH 03801
603-436-8686

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1000 Market Street, Building One Suite 300, Portsmouth, NH 03801
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December 15, 2017

Ms. Nancy Colbert Puff
Deputy City Manager
City of Portsmouth
1 Junkins Avenue
Portsmouth, NH 03901

Re: RFP #18-18

Dear Ms. Colbert Puff:

Attached please find the answers to the questions you sent us on December 5, 2017. We want to reiterate our keen interest in working with the City of Portsmouth to transform the McIntyre into a vibrant and viable project in the heart of our city.

Please feel free to contact us with any further questions at the numbers listed above or via email at dan@twointernationalgroup.com or rich.ade@oceanprop.com.

Sincerely,

Daniel L. Plummer

Richard C. Ade

Daniel L. Plummer
President
Two International Group

Richard C. Ade
Executive Vice President
Ocean Properties Hotels, Resorts &
Affiliates

General Approach to the Redevelopment:

To frame our response, we thought it would be helpful to share our approach to the project. We expect that if we were chosen to partner with the City we would enter into a process whereby we would work hand-in-hand with the City, running a robust public engagement program in order to refine the vision for the site. On a parallel path, we would work with the City, consultants on our team and the GSA and National Park Service to ensure that the program we are designing and refining maintains compliance with the Historic Monument Program. Once the City and we are satisfied that the program requirements are fairly well-established and permissible, we would finalize the underwriting to confirm certainty of execution before commencing. We do not feel it is productive at this point to rework a suggested program with associated financial proformas with so many facets still in flux. Rather, we have addressed the questions posed by offering our professional opinions on viability, quantifying impact and trade-offs and noting challenges and opportunities associated with each aspect.

1. Proposed Uses:

As we stated in our RFP and in our presentation, we understand that the initial program we presented was a starting place, not a fait-accompli. We entered into this process expecting to consider modifications to proposed uses, the mix and configuration of space as long as the project remains financially feasible, not just to develop, but to own. Below please find our response to the proposed uses you outline.

a. 10,000 sf of space for community use.

With the lower density we initially proposed for the site as a whole, 10,000 square feet of community space fit out as first-class meeting space with no base rent would be costly. Lost retail rent alone could be \$350,000 to \$400,000 per year. Cost to build out such space would likely be in the range of \$40-75 per square foot or \$400,000 to \$750,000. The cost will vary significantly depending upon the type of community use. For example, performing arts may have substantial costs related to life/safety concerns due to the likelihood for high density gatherings, while a visual arts space would be less capital intensive.

A comparison to District Hall in Boston is instructive in the discussion of scale for this space in the context of the overall McIntyre development. District Hall is a 12,000 square foot building that cost \$5.5MM or \$458 per square foot to construct. It was developed as a public-private partnership with the City of Boston as a part of a 23-acre master development that includes 6.3MM square feet of commercial space, which is a subset of 1,000 acres in the Innovation District in the Seaport. This development included thousands of apartments priced at >\$3,000/month for studios as well as multi-million dollar condos starting at \$1,000/sf and office rents that were over \$60 per square foot. We feel that we do not have

enough critical mass in downtown Portsmouth to make such a large space self-sustaining and that the economics are such that any space like this would need to be scaled down significantly from the Boston model.

We understand the objective and the appeal, however, and offer the following:

Solutions and Trade-offs:

- We could reduce some of the open space on the site that we had originally proposed to accommodate more commercial space and/or repurpose some of the space we had lining the Plaza for community use on a smaller scale – perhaps 2,500 square feet. Given the proximity of nearby restaurants, we would likely not have to include a restaurant in this space, which is included in the District Hall footprint. Potential offsets to land rent, property taxes or increased density could be worked in to offset the loss of economic return.
- The City or a non-profit may be able to garner grant money that could be used to subsidize a portion of either the cost or operating costs. We would be happy to work alongside the City to explore this source of financing to make this use more viable.
- Space for displaying art will be dedicated in public spaces throughout the project.
- It is also possible we can utilize common space or space not rented that does not require a large capital investment to fit out for creative (art-making) space with minimal financial impact.

b. Redevelopment of the McIntyre as office.

While for the reasons outlined below, we believe office space is not the best use for the McIntyre, we would agree to evaluate redeveloping the McIntyre to retain office use in the property if some of our concerns can be mitigated.

Our position is that redeveloping the McIntyre as office has the following challenges, which we and the City would have to overcome if this were the predominant use:

Design

The design of the building, in particular the unalterable window line, will make it difficult to lease at terms sufficient to justify the cost to renovate the building. To the extent that office space would be viable, it would be as larger, full-floor or ½ floor tenants with few private offices to allow natural light to permeate the space. For the McIntyre, this would be approximately 13,500 in rentable square feet on three floors.

Parking

Parking needs to be available to lease the over 40,000 square feet of office on the upper three floors of the McIntyre and 10,000 square feet on the first floor. Parking requirements for the site to be self-sufficient could run from 150 to 230 spaces. We believe the site should not burden the City with extra parking demands. We do not feel that enough parking can be built on this site to support the existing McIntyre as office while also supporting much other development. Our proposal included 236 spaces, with 95 extra spaces above those required for uses on the site available for public use at no cost to the City.

The 2017 Community Profile on the City of Portsmouth's website provides some additional insight into the need for parking due to high concentration of commuters in the City's workforce. "Approximately one-half of working residents are employed locally, but the bulk of the workforce commutes into the City to work." While the publication does not state this, it is safe to assume that much of the "local" half live within the City limits, but not downtown. As such, these local commuters still have to use a car to get to work as public transportation is not abundant in many of the residential areas in greater Portsmouth.

Traffic

We are concerned about the impact of a large population of office tenants at the building on downtown traffic. The concentrated arrival and departure times of the office population, which could range from 200 to 280 people, could create significant congestion, particularly considering the site's proximity to the Memorial Bridge and the narrow streets surrounding the property.

Site Density

Office economics do not maximize the earning potential of the McIntyre. This is important as the McIntyre building envelope is the one part of the project that is immutable due to the restrictions associated with the Historic Monument Program. As such, in order to keep density down on the rest of the parcel, this building must more than carry its weight as far as income generation.

Market Dynamics

Exhibit A contains market information for office space in greater Portsmouth. The market can be categorized as strong with low vacancy and positive absorption. A closer analysis, however, reveals distinct dynamics within the downtown Portsmouth market, which is a small subset (538,000 square feet) of the 4,000,000 square feet of office space in greater Portsmouth, that may make an optimal office leasing program difficult. The downtown market is characterized by tenants in smaller suites 1,000 to 3,000 square feet, leased predominantly to financial and professional firms with 5-

15 employees. The demand for office space in downtown Portsmouth does not align well with the supply that the McIntyre would offer, demised most effectively in larger suites from 6,000 square feet to 13,500 square feet. A further analysis of supply and demand highlights the challenges the McIntyre would face as an office building.

Supply

Perhaps the best thing this site has going for it as office space is the fact that supply downtown is currently limited. There are also high barriers to entry due to the HDC requirements and zoning limitations, as well as the lack of available sites to develop, all of which will limit competition in downtown. However, the cost of compliance with the Historic Monument Program, combined with the cost to build parking, the substantial repair and remediation efforts, and logistical costs of construction in this part of downtown, will make developing 50,000 square feet of office space in the McIntyre more expensive than delivering the same area at one of Portsmouth's office parks. All other things equal, this will mean any new inventory in those parks can be priced much more competitively.

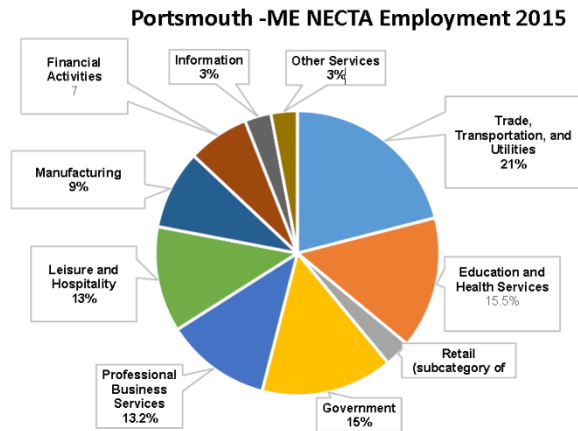
This dynamic will put the McIntyre at a competitive disadvantage to these office parks and likely lead to lengthy absorption periods, which may further result in rent discounts to fill the space. Currently there is 60,000 square feet under construction at Commerce Way and another 30,000 square feet under construction at Pease, with only 15,000 square feet of these spaces spoken for at this stage. These parks (Pease in particular) have room for an estimated **1 Million square feet of additional office space**. In addition to the fact that Pease has a fair amount of land that could be developed for office use, this land has no acquisition cost since it is all leased to developers on long term ground leases at much lower rates than the prospective McIntyre Building ground rent. The surface parking required for these tenants can be provided at a fraction of the cost of the structured parking needed to be built at the McIntyre site, unless the City can supply this parking elsewhere.

Demand

A key driver of the demand for office space is job growth in the local economy. Our current unemployment rate is 2%, which alone suggests it is becoming difficult for employers to grow without expansion of the workforce. Our workforce growth is not robust, however. In the five-year period from 2012 to 2017, the Portsmouth Metro NECTA (NH & ME Portion) workforce grew by only approximately 4.2%, less than 1% per year. Low to no growth is expected to continue in the foreseeable future statewide according to the New Hampshire Center for Public Policy. Our area stands to attract a disproportionate share of overall state growth given the high quality of life the Seacoast provides, but not likely at a pace that will generate a huge boost in hiring for local employers that might translate to accelerated demand for office space.

It is also important to examine what business sectors will be hiring for the growth we will have and thereby generating office demand. This is critical as there are a number of sectors that do not generate much office demand, such as hospitality and leisure or education and healthcare. The Government sector is also a big employer in most markets; however, government office space is mostly owned by the municipalities and as such does not create any absorption in the market. These sectors, combined, represent 43.5% of the regional workforce as detailed in the chart below.

Most of the absorption that took place in the last five years centered at Pease Tradeport and came from large businesses with high density. Companies such as Sig Sauer, Liberty Mutual, Wheelabrator, Computer Associates, Bottomline, Sprague Energy and Highliner foods have comprised the bulk of the market's absorption.



The last concern, assuming workforce growth does occur and that it occurs in more in office-user industries, is the cost. Large tenants in the Boston suburbs that move closer to downtown Boston will pay a significant premium, but they will likely gain access to a larger pool of talent. This talent either lives in the city or has excellent public transportation into the city that gives the employer a wider range from which to attract employees. Another advantage is proximity to higher education, which enhances recruiting efforts. The benefits in this dynamic can outweigh the costs. For a larger tenant in Portsmouth, it may be easier to recruit from Pease or another suburban office node because the pool of talent living downtown is virtually negligible compared to Southern, NH, Southern Maine and northern MA, from where most of the office workers in Portsmouth commute. Those commuters can access these office parks easier than downtown; thus, there may be no benefit to the business in recruiting despite a much higher cost of occupancy.

As an example, a small engineering firm with ten employees that needs 2,500 square feet of space could pay \$25,000/year more just in rent to be located downtown. In addition, the business owner may have to pay at least \$150/month for each of the employees' parking spaces, which equates to \$18,000 per year. Thus, the cost of occupancy is \$43,000 per year more than it would cost if the business were located a short distance from downtown. For most small businesses this is crippling, and for large businesses the numbers are typically too significant to ignore even if they can get past the parking issues. The result is a significantly reduced pool of prospective tenants.

Supply/Demand Summary

As the largest multi-tenant landlord in Portsmouth, our team is highly invested in supporting the City's office market and promoting its growth. As a landlord in both Pease and downtown, we also understand first-hand the challenges associated with attracting tenants that typically need a lot of parking and oftentimes are budget-conscious.

Our current vacancy rate of less than 5% is healthy indeed and in isolation suggests we can afford additional supply. However, a closer look at where and at what terms this supply must be added to meet demand is critical. It is notable that the average asking rents for the combined Portsmouth/Pease market has ranged from \$15.21/sf - \$17.25/sf NNN during past five years, far below the rents needed to justify construction cost at the McIntyre site, which we estimate to be **30-50% more than the surrounding market rates**. To be sure, there are tenants who will prefer a downtown location, for the urban atmosphere, proximity to related professionals, and walking distance to amenities, benefits that can more than compensate for higher occupancy costs; however, we feel this market is not deep, putting high performance and vibrancy for the McIntyre at risk.

Financing Considerations

Based on our discussions with several lenders and experience in this asset type, we feel at least 50% pre-leasing would be required before most lenders would consider funding office/retail space. Some caveats that may affect that requirement include the credit quality of tenants and any lingering uncertainty in costs to develop, such as environmental remediation. If lenders or appraisers have more conservative assumptions on rents, ability to lease remaining large blocks of office/retail, or of other risks involved, they might require more pre-leasing prior to funding a project.

Solutions and Trade-offs:

- A possible solution to the parking issue is for the City to subsidize the cost of adding more parking. Also, if the City were willing to guarantee us spaces in the High/Hanover facility, this would ease our needs on site. We do not feel that prospective tenants will be willing to walk from the new garage to this site given the distance; however, High/Hanover is a good option if space were available for a portion of the site requirements.
 - If the cost to renovate the building could be low enough to support lower rents, the economic model might be workable. Cost savings could be realized by less structured parking on site and capping the risk and cost of environmental remediation the developer has to bear. We are also open to exploring whether any of the project could be financed with TIF funds, thus lowering the overall cost of capital.
 - A gap in overall project returns could be offset by higher value items elsewhere on the site. We did not propose residential condominiums on the site as the National Park Service responded to our question that such a use was prohibited. We also have other market-based concerns about that use given the land lease. Nevertheless, we are willing to evaluate the site as a single investment. Higher value use can offset lower yielding land use if, as a whole, the project delivers the desired civic result at a reasonable return to us as the developer/owner.
- c. Redevelopment of the McIntyre as office or another use and include no other new development other than green space.**

Without some kind of subsidy to bolster economics, including no developer risk for environmental remediation and substantial commitment from the City for parking, we feel the redevelopment of the entire McIntyre site as office only with no new construction will not be feasible knowing that the City's objectives are to avoid any capital investment or development risk. If the McIntyre redevelopment includes no new income-generating development and either office or residential development can be accomplished economically in just that building, we would need to be able to utilize the parking as is on the site and would not be able to invest in covering the parking with the Plaza or adding public space as our proposal included. We believe this would be contrary to the City's vision.

It is possible that a hotel could work in the McIntyre building only, with no other development. We would suggest maintaining our original concept of approximately 120 rooms, albeit in a different configuration, in order to maximize income to support hotel amenities and public spaces. Boutique hotels typically provide a higher quality standard and more amenities to differentiate the property from the mid-scale branded hotels that currently dominate the Portsmouth hotel market. Parking scenarios would have to be evaluated. Reduced parking to support only the hotel would likely result in

all surface parking or a single elevated deck. We would try to configure the main entrance and porte cochere off of Daniel Street with a parking entrance off of Bow street or Penhallow Street. The remainder of the site could be developed as public open space. However, it is unlikely the hotel development itself could support the investment of developer funds to construct significant high quality public spaces.

- d. **10,000 square feet of office if the McIntyre is not redeveloped as office.**
We believe this is feasible. Our proposal has 14,759 square feet of office/retail as is. We are open to new configurations.

- e. **10% of the proposed housing units as affordable rental housing to families earning 80% of area median income with monthly rent caps of \$1,190 for a studio, \$1,275M for a 1BR, \$1,530 for a 2BR and \$1,768 for a 3BR at the same unit mix as the market rate units.**
We believe this is feasible at the unit counts we originally proposed without significant trade-offs. We would need to reevaluate if the mix changed considerably.

2. Scale, Open Space & Steeple View:

We are open to reconfiguring our design to take into consideration issues of scale (e.g. height along Bow Street) and view corridors. As we proposed the lowest density project with the most open space, the trade-off may be that we increase massing or density in other parts of the site and/or leave less open space. The financial feasibility would need to be examined once we evaluate the associated reconfiguration.

3. Historic Monument Program/Historic Rehabilitation Credits:

Our analysis of the Standards for Rehabilitation as it applies to additions, in particular, leads us to believe that the demolition of the Post Office wing may be permissible. We note that this would need to be confirmed early in the process. If we were not able to demolish the façade of this wing, we feel we can modify our plan and maintain feasibility by adding stories, perhaps more set back than we had proposed, to this wing. We would lose up to 64 parking spaces we had planned to be under this wing and a garage entrance and will need to evaluate the cost of the resultant reprogramming.

4. Environmental Remediation:

As you are aware, we do not have a detailed breakout of scope or costs to remediate the environmental conditions in the McIntyre because neither the City nor the developers

have been given the necessary access to complete due diligence on this aspect of the project. Our process would be to work with environmental consultants to pursue the necessary testing as well as a remediation professional to provide a more definitive estimate of the cost to remediate. The findings and the cost estimates would be shared with the City so that we all have a complete understanding of the issues. Given the level of remediation we understand may be necessary at the site, the inspection process will likely be fairly intensive and difficult to do while property is in occupancy even if we could gain access.

As such, there are a few approaches that we could take in partnership with the City. First, if the City wishes to have these costs defined prior to the building being vacated, we could provide an allowance and then workout a formula such that any overage comes as a discount to ground rent or deferred property taxes. We had suggested an allowance of \$500,000 in our proposal based on the overall project economics. The allowance may be able to be increased if the plan's economic value increases. The advantage of this approach is that the development will commence earlier and generate revenue for the City earlier. Another option would be to wait until building is vacant and then complete thorough testing/inspections and secure a bid from a remediation contractor to define this cost. While this would result in delaying municipal revenues, it would provide a specific number to incorporate into the development agreement instead of a formula. Ultimately this comes down to how much testing/inspection we can do while GSA is still in occupancy of the space. The more we can do, the more we can define the potential costs.

5. Roles in Development and Long-Term Involvement:

Our two firms, headquartered in Portsmouth, are long-term owners and operators of commercial real estate. Our principals work throughout the life-cycle from development to stabilization and beyond. The ground lessee will be a new special-purpose entity controlled jointly by TIG and OP. The following are outlines of various roles within our partnership.

Design/ Planning. Bill Walsh and Barry Kimball of OP as well as Daniel Plummer and Ryan Plummer of TIG all stay actively involved throughout the design and entitlement process for their developments. As the architect on the project, Shannon Alther (TMS) would also be a key player in this phase. While other members of the OP and TIG teams would be involved in this critical phase as well, these principals will have significant input and participation in the process. Eve Hoefle will take the lead in working with the City on GSA and National Park Service issues in concert with the Development team.

Construction. The same key members as mentioned for design/planning will be involved in this process and members of their construction and implementation teams will join the project team. Both TIG and OP have building professionals who will manage the construction. It is likely that TIG's construction company will take the formal role of General Contractor; however, OP will also provide significant input – particularly with any hotel component.

Financing. Rich Ade and Julie Cousins of OP and Eve Hoefle and Sally Evans of TIG will lead the financing end of the development and financial reporting with assistance from the other principals in their areas of expertise.

Leasing. Renee Plummer will oversee the leasing of commercial space at the property, with likely participation from third-party brokers.

Management. Asset management covering the entire development will be a joint effort of OP and TIG, with Julie Cousins and Eve Hoefle again being the main contacts for this with support from staff. Property level management of a hotel component would be provided by OP's staff of hotel management professionals, led by Tom Varley, also a Portsmouth resident. Property level management of the commercial space would be the responsibility of TIG.

Team Additions. We will be adding members to our project team as the project evolves. We will select professionals with expertise in the following areas, and likely more, choices which will hinge on the ultimate program to be developed.

- Public engagement facilitator
- Landscape architect
- Geotechnical & Environmental remediation experts
- Structural engineers
- Historic rehabilitation consultant
- Interior design consultants

6. Public Participation:

We intend to engage in a vigorous public input process. We would propose working on the public engagement program in concert with the City. We may decide that a third-party consultant should be engaged by the City or utilize the services of a member added to our team in addition to our own internal resources. The following is a preliminary outline of the charrette process we envision:

Vision: The charrette process will support and advance the City's mission to activate this property, by proactively reaching out to the community to facilitate input and shape the outcome by exploring the best uses for the site and the potential impact on the surrounding neighborhood. The objective will be to bring stakeholders together to collaborate, cooperate and educate the collective group on the concepts and value of the property, program and uses.

Guidelines:

- Explain the Historic Monuments Program with respect to limitations on redevelopment for the site;
- Discuss the long-term vision for the site and buildings;
- Describe the big picture transformation we hope to foster:
 - social, economic, environmental, and/or individual impact
 - Economic trade-offs;
- Determine the intended audiences for property;
- Delve into the short, medium, and long-term outcomes sought for the property.

Tactics:

Though the Committee structure, the following areas will be the emphasis.

- Town Government
- Public Sector
- Policy, Rules and Regulations
- Residents
- Property Owners
- Businesses
- Historical Character
- Economic Impacts

Schedule:

For a meaningful charrette, all stakeholders need to be in attendance and be willing to brainstorm all aspects/limitations for the project.

We are proposing to have four charrette time slots outlined in the following manner over a two-week period:

- Wednesday Public Listening Session: to hear the issues/requests/obstacles of the McIntyre site (two-hour duration);
- Friday Public Process Session: to review listening session items and craft narratives and visual diagrams of the possible opportunities (three-hour duration);
- Wednesday Public Review Session: to outline charrette #2 outcome and make adjustments (two-hour duration);
- Friday Public Information Session: to present the findings to all stakeholders and use this as framework for the McIntyre project next steps.

TMS has facilitated numerous charrettes over the years and has experience in this type of information gathering. We can also work with a third-party facilitator to help with the charrette process. As the City has not fully outlined the program of the McIntyre Site, we feel that the charrette process will allow the public and those who have ideas and issues a chance to make their voices known and participate in the important process of program development for this site. The public needs to hear from City staff about the Historic Monument Program and the City's fiscal goals for the development. The results will help inform and create the new McIntyre Project.

7. Market Analysis:

Please see Exhibit A for an analysis of the Portsmouth Office Market.

8. Minimum Lease Term:

25 years with renewals up to a total of 99 years. Note that we are not requesting a stable assessment period as was reflected on page 8 in our original proposal in error.

9. Questions Specific to OP/TIG:

a. If the City does not want a hotel, would we be interested? If so, which uses would we consider?

We would be interested in exploring other uses; however, as we have noted, a predominant office or retail use would certainly not be preferred. One option we might consider would be to convert all upper floors of the McIntyre and the new building to be constructed over the Post Office wing to apartments and maintain pedestrian level floors as office/retail. We would need to carefully evaluate the income potential and increased parking needs. As we noted, hotel use is not as parking intensive as other uses and does not affect commuter traffic patterns. Additional required parking would need to be supplied for added demand elsewhere. One option would be for the City to provide a long-term agreement for spaces at the High/Hanover garage to support the additional demand at this site above and beyond the 236 spaces proposed. Another option would be for us to try to add parking to the site, but this likely means bringing the parking above ground in spots, cutting into the plaza and public space. If structured parking is required, we are estimating this cost at approximately \$39,000 per space, which investment would need to be recouped in another part of the development. Reduced ground rent or deferred property tax are the likely offsets. Any reduction in development cost from City contributions or risk sharing would also bolster economics. To investigate this option, we would evaluate a revised proforma and adjust the overall program to assess its viability.

b. If the hotel usage were restricted to just the McIntyre Building, would we be interested and what would be the implications?

We think this is a viable option, although as in our other responses, there would be implications. As stated in our response to paragraph (a) above, apartments are likely the next best use for any new building adjacent to the McIntyre. One idea we have considered is to design the second building shown as part of the hotel as if they were micro-units, but retain them as part of the hotel structure (i.e. keep them connected at the first floor so they still shared entry, concierge, and amenity space). We would prefer to see these offered as long-term stay, but by designing them larger and with full kitchens, we would put the project in a better position to navigate changes in the hospitality market.

General Market Observations Regarding Proposed Uses.

We have heard the concerns voiced over the need for additional hotels in Portsmouth with three other projects in the approval or construction process. This is a good question and one that we have carefully considered. We believe with four existing hotels in the Portsmouth hospitality market under management, we are uniquely qualified to assess the impact of developing a hotel in downtown Portsmouth without overtaxing the market. Furthermore, our plan for this property is not to be just “another” hotel. We believe there is a void in the market for a boutique, non-branded hotel that would offer a different experience, drawing new visitors to Portsmouth and bringing vibrancy after-hours and disposable income to support our merchants. The existing inventory and planned additions to supply are branded mid-scale properties. Our vision for the McIntyre is a differentiated hospitality offering, one designed to provide unique amenities and services to enhance and showcase our local environment, history and community. As an independent, locally-owned property, the hotel will not be restricted in décor or design to prototype commercial brand standards like Hampton Inn or Sheraton, allowing for local inspiration and art in public space. Ocean Properties is a proven operator in this niche with hotels such as West Street in Bar Harbor, Lake Placid Lodge and a collection of unique properties we manage internally as Opal Hotels.

Ocean Properties routinely evaluates market conditions with an in-house staff of business planning and marketing professionals. We are well-versed in our market’s momentum, occupancy rates, average daily rates, and have created development scenarios for the McIntyre Site based upon all of these local factors as well as regional and national trends. Disruption in the industry and evolving leisure trends require an agile and experienced operator, such as Ocean Properties. We are confident that an upscale boutique hotel can be successful at this location. Over the past 24 months, Ocean Properties has opened six hotels with close to 900 total rooms using the same market evaluation process and all six have exceed the pre-development proformas.

We also note office, apartment and retail sectors are all cyclical and are facing trends that introduce uncertainty. In the office world, trends such as increasing user densities, telecommuting, and “hoteling” (the practice of employees sharing

a desk on different days) can impact demand even with growth in the economy. Further, our job market is at what most economists consider full employment. As such, in order for demand for office space to continue increasing, the number of people entering the job market must outpace not only people leaving the job market, but also overcome the practices that tenants are using to “do more with less.” Again, the depth the market and size of the employment base affect any market’s ability to confront these headwinds. As a secondary market in a lower population growth area, we need to heed these trends carefully.

In the apartment sector, there are concerns of overbuilding in many markets as well as the threat of aging millennials beginning their transition into single family homes as they start their own families. The latter has already begun with the early millennials reaching their 30’s and looking for larger space and land at more affordable prices than a downtown environment provides. Generation Z will hopefully fill this void, and there are still plenty of millennials in major markets looking to rent. We should note, though, that Portsmouth, and New Hampshire in general, are losing population in young adults, and both are projected to skew older through 2025. Unlike major metropolitan areas, we do not have a large population of millennials providing sufficient demand for extensive multi-family development.

The retail sector is bracing for continued change with shifts to experiences over shopping for goods and online purchases. We note that one of the proposals included 45,000 square feet of specialty retail at \$45NNN or double the market office rental rate, significantly buoying that part of the development. Specialty retail in general is a volatile asset class, and with 45,000 square feet in what is estimated to be a total market of 200,000 square feet of retail downtown, may struggle to maintain occupancy at such high rental rates.

While the hotel sector certainly has risks as well, including the growth of the sharing economy, there have been noticeable trends toward more transient lifestyles/workplaces and experiences over material items, all of which impact demand in the lodging market. People in general are much more mobile than they were 20+ years ago due to technological advances and the ability to be connected from anywhere in the world. In addition, we have an entire generation that has dedicated a significantly larger portion of their disposable income to travel and experiences over material items than their parents and grandparents. We feel this trend is likely to be passed on from millennials to Generation Z for two reasons. First, travel is much cheaper than it was 20+ years ago and will likely continue to trend downward. Second, the ability/desire to travel has been accelerated by advances in technology allowing us to be connected to the people closest to us (friends, family, coworkers) wherever we are. Thus, while there will inevitably be cyclical ups and downs with hospitality as there is with any industry, we feel a unique offering in downtown Portsmouth will be well-positioned to thrive.

Lastly, we’d also note that the diversity of uses in our vision for the McIntyre puts the project in the strongest position to withstand changes in the market. Eliminating one of these uses entirely makes the project rely solely on a few asset

types, which may respond differently to market conditions over time. The high cost of development in the downtown historic district requires a hard look at the uses and how they may sustain a stress test, keeping in mind that construction costs have been outpacing inflation by a large margin for almost two years now, and interest rates remain historically low, but are trending upward. If interest rates increase even modestly at the same time that construction costs continue to rise, apartment and office uses may struggle to remain viable. By having hotel, office, retail and apartments working together, the project stands the best chance to weather market shifts. Further, this diverse mix creates a more vibrant atmosphere for the occupants and public using the space by activating the area 24/7.

Ultimately, the successful redevelopment of the McIntyre requires both broad vision and attention to the most minute detail. It is a balancing act of civic priorities, stark realities, financial objectives, public impact, bricks and mortar, and open vistas. The partners, both public and private, must embrace the challenges, communicate flawlessly and drive it forward with gusto.

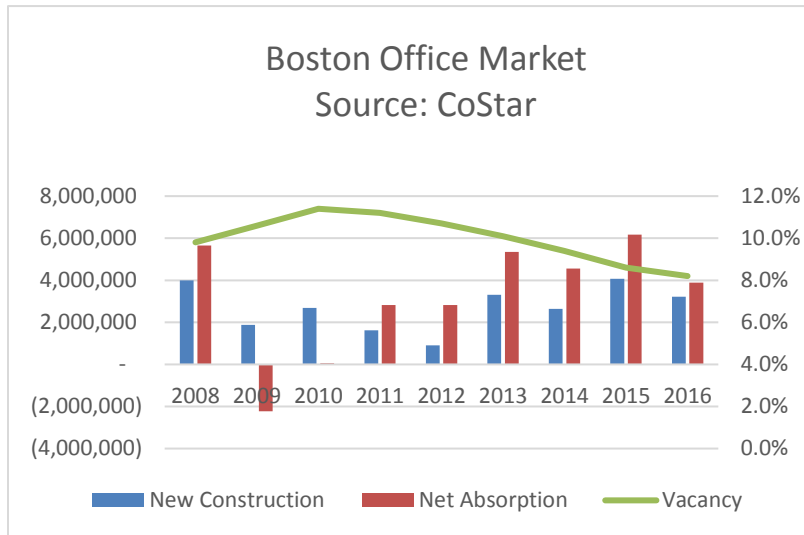
We would be honored to work with the City to bring this project to life.

Exhibit A

Analysis of Portsmouth Office Market

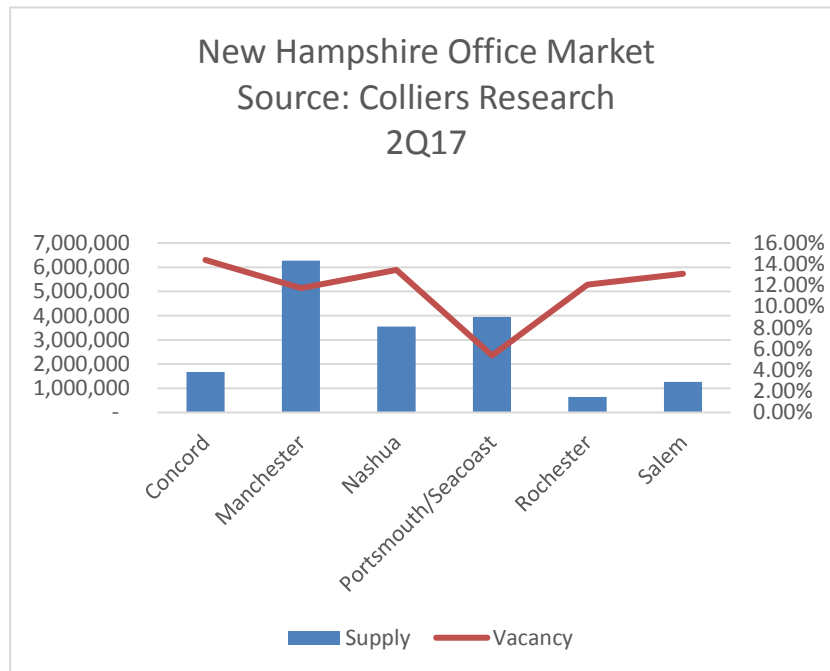
Boston

As southern New Hampshire functions as a satellite to the Boston market, it is useful to follow Boston trends. According to CoStar, supply is approximately 343MM square feet. The market began to rebound in 2011 with vacancy gradually declining to just below 8% as of Q217. New supply began in earnest in 2013, and net absorption has been from 2.8MM square feet to 6.2MM square feet per year in the past five years. While asking rates in some sub-markets, like downtown, Back Bay and the Seaport, are very strong at \$60.00 per square foot, the overall market asking rent has been fairly flat at \$21-23 per square foot market-wide, lower than the asking rent of \$24.10 in 2008.

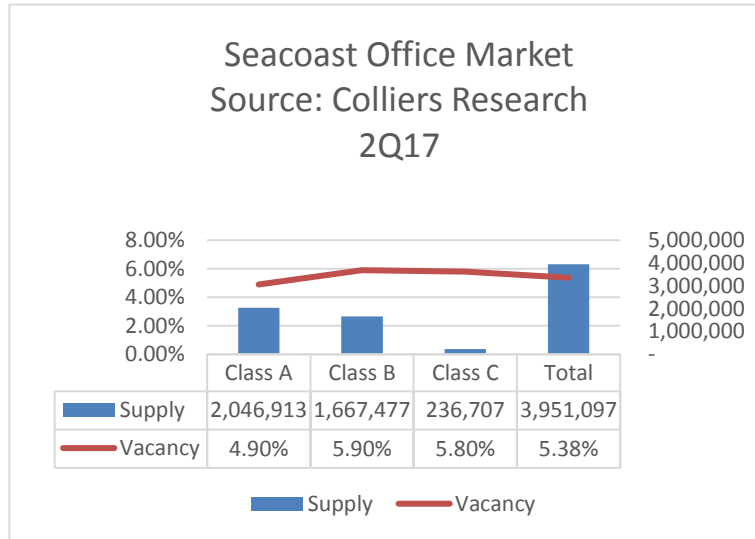


New Hampshire

The following chart, compiled from data from Colliers Research, compares the major submarkets in New Hampshire. The Portsmouth/Seacoast submarket (Brentwood, Exeter, Greenland, Hampton, Newfields, Newington, North Hampton, Portsmouth, Raymond, Seabrook and Stratham) includes approximately 4,000,000 square feet and the lowest vacancy among the submarkets with a 5.38% vacancy as of 2Q17 compared to 11.01% for the entire market. Asking rates have been declining slightly since 3Q15. Portsmouth/Seacoast enjoys the highest asking rate of \$23.54 per square foot gross.



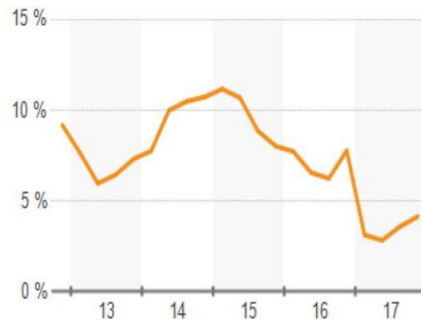
Portsmouth



As shown above, approximately, 50% of the total Seacoast office inventory is Class A, which has the lowest vacancy, 4.90% versus an average of 5.38%.

The Portsmouth office market is further delineated into two major categories, (1) established office parks, such as Pease and Portsmouth Office Park, and (2) downtown. The bulk of the office supply is outside of downtown. Portsmouth “suburban” multi-tenant office space, excluding smaller buildings, is approximately 3.0MM square feet. Parking is generally surface and offered to tenants for free, excluding some limited underground parking at some larger buildings. According to CoStar, a survey of suburban Portsmouth, drawn as an area that includes the major office parks and excludes downtown, shows trends declining vacancy in recent years, with a slight uptick in 2017. Absorption has been strong in this subset, with a five-year average of 63,000 net absorption per year.

Vacancy – Suburban Portsmouth Office Survey

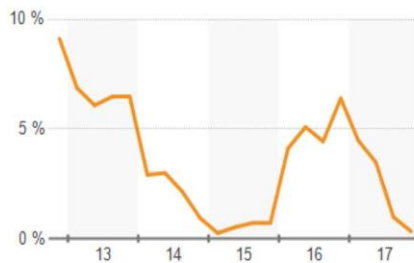


Source: CoStar

Information supplied by Colliers International surveying non-medical office space in buildings greater than 10,000 square feet indicates only approximately 538,000 square feet of product in downtown Portsmouth with very low vacancy of 1.44% as of 3Q17. This space includes 20 buildings, only four of which are buildings greater than 50,000 square feet.

A similar survey from CoStar of downtown Portsmouth office space in buildings above 10,000 square feet also demonstrates low vacancy, with much smaller absorption volume of only 14,131 square feet per year as a five-year average. Parking is somewhat scarce and expensive. At this historical rate, the McIntyre as all office could take over 3.5 years to lease up.

Vacancy – Downtown Portsmouth Survey



Source: CoStar

One could argue that the lack of availability has prohibited significant absorption, the “if you build it, they will come” argument. This is certainly possible; however, in the long run, demand needs to drive leasing for a sustainable project, and we fear the headwinds we have outlined, namely higher occupancy cost, parking, and traffic considerations along with the building design, will impede the success of the McIntyre as predominantly office.

Redgate/Kane

December 15, 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,
Follow-Up Questions for Proposers

Dear Nancy,

Redgate and The Kane Company are pleased to respond to the City of Portsmouth's Follow-Up Questions for Proposers as it relates to our Proposal for a development partnership with the City of Portsmouth for reuse & redevelopment of the Thomas J. McIntyre Federal Property at 80 Daniel Street.

In the document that follows we have addressed the questions posed, and as requested, we are attaching our financial analysis in excel format. This type of analysis is vital for the City's process and we believe that selecting a qualified developer will help the City and the Community make this important decision.

Again, we'd like to reiterate that we believe that the McIntyre site is a unique development opportunity and are excited about partnering with the City of Portsmouth on such a challenging and transformative project.

Sincerely,



Ralph Cox, Principal
Redgate
617-904-7109
ralph.cox@redgate-re.com



Michael Kane, CEO
The Kane Company
603-559-9628
mkane@netkane.com

Cc: John Kane, Steve Perdue

1. PROPOSED USES

We are intrigued by the council's suggestion to incorporate cultural, arts, community, business innovation/office uses. We agree that a variety of non-standard real estate uses can be incorporated into this development while still maintaining financial feasibility and that they have the potential to enrich our originally proposed development and create a more desirable outcome for the City. District Hall® in Boston, MA is one such use and has become a cherished addition to the highly desirable Boston Seaport neighborhood. We recommend a similar "gathering" space at McIntyre. As such, we have evaluated the inclusion of 10,000 square feet of gathering space in the McIntyre building and 10% workforce/affordable housing, both of which are outlined below.

Option a) There is a cost associated with providing community space initially, but the operating expenses for the space are commensurate with market and reasonable for a non-profit entity to operate. The financial tradeoff of including this non-revenue producing space is a decreased ground lease payment to the City. As outlined further in the section 1 table below, if the 10,000 square feet of community use space were to be placed on the 2nd floor of the McIntyre Building, replacing space that would otherwise be office use, the resulting ground lease payment would go from \$360,000 per year down to \$125,000 per year. In addition, if the 10,000 square feet of community use space were to be placed on the 1st floor of the McIntyre Building, replacing space that would otherwise be retail use, no resulting ground lease payment would be possible, but the project would still be viable. It should be noted that if it is a priority for the City to locate this space at the ground floor, we are confident that if the space were smaller than 10,000SF, it could serve the community's needs and produce a net positive ground payment. Our underwriting assumes "warm-white" core-shell conditions that the market typically expects and provides for a \$50/SF tenant improvement (TI) allowance which is slightly discounted from the office TI of \$60/SF. This allowance should provide for high quality finishes for the gathering space which is typically a lower-density open floor plan. Overall, we feel that it provides year-round vibrancy to the project, and complements the expansive public realm our original proposal envisioned for the City.

Option e) Additionally, we evaluated the inclusion of workforce/affordable housing in the development as another alternative use, since we understand that the inclusion of 10% affordable units would be of great benefit to the community. We analyzed these units being added in both our originally proposed condo scenario, as well as a new rental unit scenario. As outlined in further in question 1a below, the resulting ground lease payment in the condo scenario goes from \$360,000 per year down to \$150,000 per year. The resulting ground lease payment in the multifamily scenario (Direct Question B) goes from \$300,000 per year down to \$175,000 per year. These scenarios were calculated assuming 80% AMI, and the ground lease payments could increase or decrease based on affordability guidelines and percentage of affordable units included in the project.

To facilitate the City's ability to fairly evaluate proposers' responses on an apples-to-apples basis, we have provided the following underwriting scenarios:

- a. (Scenario 1) - 10,000 square feet of space for a community "gathering" place located at the **second floor** of the McIntyre Building (office), assuming such space would be provided in finished, turn-key condition, including high quality level finishes at no rent and with pro-rata operating expenses.

- a. (Scenario 2) - 10,000 square feet of space for a community “gathering” place located at the **ground floor** of the McIntyre Building (retail), assuming such space would be provided in finished, turn-key condition, including high quality level finishes at no rent and with pro-rata operating expenses.
- b. Not Applicable.
- c. Redevelopment of McIntyre Building for office/retail with no other major new development on site and an approx. 12,000 SF public open space oriented to Bow Street. Retains garage and plaza parking, eliminates at-grade parking. See [Appendix A](#) for diagram.
- d. Not Applicable.
- e. 10% of the proposed condominium units as affordable to families earning 80% of area median income (max. price for one bedrooms \$150,000 and two bedrooms \$200,000 at the same unit mix and size as market rate units).
- f. Redgate/Kane Question #2 – 63 Apartment units instead of 50 condominiums
- g. Redgate/Kane Question #2 – 63 Apartment units instead of 50 condominiums with 10% of the proposed apartments as affordable to families earning 80% of the area median income (max rent for studio is \$1,190; 1BR is \$1,275; 2BR is \$1,530) at the same unit mix and size as market rate units.

Please see [Appendix B](#) for Financial Detail by Scenario, also provided to Abramson & Associates in excel format. Please note that the first page in Appendix B includes a scenario comparison chart for your convenience.

2. SCALE, OPEN SPACE & STEEPLE VIEW

The location, footprint and height of our proposed 50-unit residential building optimizes the relationship between the desire for smaller scale at Bow St, the desire for a view corridor to St John’s and the desire for all ground level program to front open space and provide retail opportunities. In our proposed design, only 65 feet of frontage along Bow Street is three stories in height. The remainder of it is either zero or 1 story in height. Even though only a portion of the Bow Street frontage is multi-story, we have stepped the floors back significantly at the upper levels to eliminate the “street-wall” effect prevalent in the other proposals.

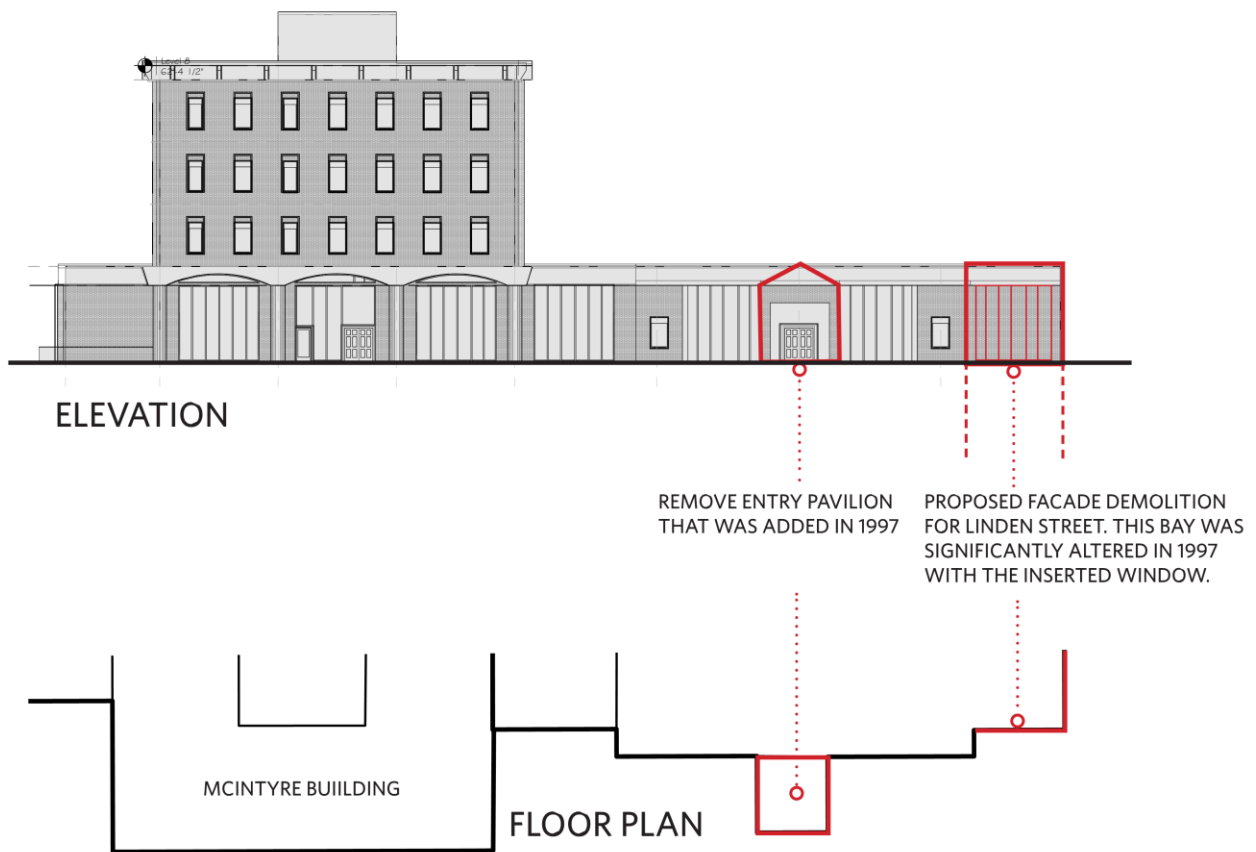
Our proposal frames St. John’s Church between the McIntyre building and the residential building and is accessible via a new “grand stair” leading up to Chapel Court and out onto Chapel Street. To specifically accommodate a view of St John’s from the corner of Bow Street and Penhallow Street would require stepping back the upper floors of the residential building further than we already have and it would significantly reduce the number of units. The tradeoff would require relocating these displaced units to the one-story post office space which would require that the post office be demolished. Given the current desire to preserve the one-story post office space, we feel that the tradeoff may not be as feasible, but we are willing to explore this further if we are selected.

3. HISTORIC MONUMENT PROGRAM

Our proposal assumes a limited and selective approach to the demolition of the one-story post office space. We thought it was important to retain the majority of the façade of this space along Daniel

Street, but there are elements of this portion of the structure that are less significant than others. The proposal removes only the eastern most end of the Daniel Street elevation and the 1997 brick vestibule. The portion of wall to be removed was altered in 1997 by the introduction of a full-height bay window. Under our proposal, the projecting concrete window surround and original full-height tripartite windows remain intact. The loss of this altered bay of the façade should be acceptable within the framework of values established by the Secretary of the Interior’s *Standards for Rehabilitation*. The diagram below demonstrates our approach graphically:

PROPOSED DEMOLITION TO THE EXISTING FACADE | ALONG DANIEL ST



Removal of the end bay and approximately 5,000 SF of space behind it allows for the reconstruction of Linden Street. Otherwise a connection from Daniel Street to the interior of the site is not feasible. Reduction of the plan area at the rear of the single-story east wing makes space for additional retail and/or townhouse units. It also facilitates retail service and residential parking access to the interior of the site. While it could be argued that it reduces the square footage of McIntyre building and negatively impacts the underwriting by eliminating valuable retail space, we believe that the space we are proposing to demolish is the least valuable area in the McIntyre building because it has not connection

to street frontage. We have replaced it with more valuable retail space at the base of the new townhouse buildings.

We think that the reintroduction of Linden St is such an important aspect of the development that it far outweighs the loss of this less significant area. However, if the City elects to leave the post office space as-is, we can balance the financial impacts by increasing the density of the residential building either through a modest increase to its footprint or by exploring the feasibility of some additional height. These alternatives will modestly impact the scale of the public realm and we will work with the City and the GSA to optimize this relationship.

4. ENVIRONMENTAL REMEDIATION

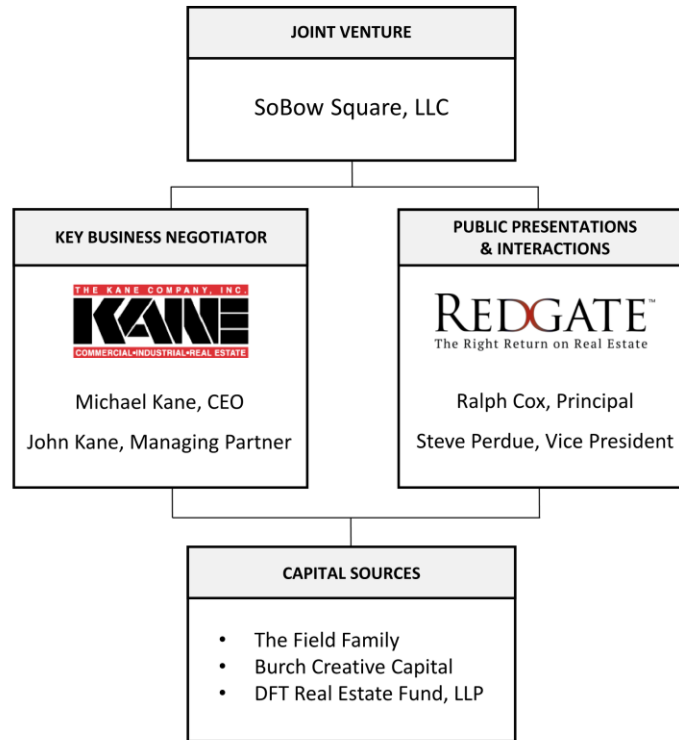
As mentioned in our presentation on November 29th, demolition and abatement costs for the proposed project are approximately \$4.3M. Of the \$4.3M, \$1.6M is attributable to demolition and \$2.7M to abatement. The abatement costs were estimated by the contractor using a report from our environmental consultant, hired to assess the City's available environmental reports (See Appendix D). Approximately \$1.2M in scope was identified in the reports. The contractor estimated an additional \$1.5M in potential issues: ACM in the roofing, PCB's in the window caulking which may have impregnated the concrete window frame/sills, UST's and the potential for additional ACM abatement in the post office space as well as the waterproof topping at the parking lot above the garage. Until we are given full access to the building and the ability to perform full due diligence, this estimate represents our best estimate based on what is known today.

5. ROLES IN DEVELOPMENT AND LONG-TERM INVOLVEMENT

As previously stated in our original proposal, 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. Redgate and The Kane Company are joint venture partners in SoBow Square, LLC with the intent to own and manage the property long-term. SoBow Square, LLC will have outside capital sources, including The Field Family, Burch Creative Capital and DFT Real Estate Fund, LLP.

Michael Kane and Ralph Cox will be responsible for business negotiation; Ralph Cox and Steve Perdue will be responsible for public presentations and community interactions; Steve Perdue and other Redgate staff will be responsible for the execution of the project through delivery. Dan Fallon of The Kane Company will be responsible for asset and property management.

We also have a talented team of design professionals who will assist in the presentations and community interactions, including Henry Moss and Lawrence Cheng of Bruner/Cott Architects and Lisa DeStefano and Joseph Almeida of DeStefano Architects who have extensive experience with project entitlements, historic preservation and community interface.



6. PUBLIC PARTICIPATION

Strategies for public participation:

- Engage residents, businesses, neighborhood organizations, and municipal entities immediately utilizing online community engagement platforms like coUrbanize (<https://courbanize.com/>), and Typeform.
- Conduct Charrette-style design meetings with the community to build consensus, sharing complex information back and forth between the developer, City officials and the community.
- Ensure that discussions about public space involve grassroots participation and include discussions of social values to achieve proposals that are supported by the community.
- Address concerns about traffic, shadow and construction impacts through engagement and education.
- Community engagement will not end with the permitting process, but will continue through the construction period and beyond.

Examples of Community Workshops:

- Urban Design and Open Space
- Traffic and Parking
- Infrastructure and storm water management
- Other impacts, Fiscal impacts

7. MARKET ANALYSIS

Office:

The office market in Portsmouth is thriving and viable for development, and we have compiled data to support this belief. Per the Portsmouth office supply table below, property vacancy is at 1.7%

Existing Downtown Portsmouth Office Market Summary:

Building Address	Year Built	Building Class	Rentable SF	Total Available SF	Percent Leased
195 Hanover St	2011	A	10,000		100%
99 Bow St	2011	A	21,679		100%
111 Bridge St	1978	C	32,000		100%
40 Congress St	1878	C	11,092		100%
126 Daniel St	1800	B	14,800		100%
28 Deer St	1999	B	12,554	1,391	89%
361 Hanover St	1850	C	29,106		100%
1 Harbour Pl	1986	B	69,055		100%
501 Islington St	1986	B	26,107	3,350	100%
25 Maplewood Ave	1974	B	12,802		100%
100 Market St	1999	B	51,999		100%
500 Market St	1980	B	10,500		100%
127 Parrott Ave	1952	C	13,490		100%
40 Pleasant St	1880	C	16,632		100%
117 Bow St	1890	B	25,494	1,699	100%
121 Bow St	1981	C	10,251		100%
82-86 Congress St	1920	C	26,228		100%
142-154 Congress St	1920	C	15,497		100%
127 Daniel St	1850	B	12,500		100%
155 Fleet St	1920	B	60,245		100%
53-55 Green St	1920	B	18,997		100%
56 Islington St	1954	B	17,135		100%
767 Islington St	1986	B	16,000	4,263	100%
855 Islington St	1880	C	45,000		100%
865 Islington St	1880	C	12,643		100%
865-871 Islington St	1880	C	31,126		100%
871 Islington St		C	20,000		100%
11 Jewell Ct	1900	C	30,000		100%
33 Jewell Ct	1800	B	18,000		100%
20-22 Ladd St	1895	C	13,739		100%
111 Maplewood Ave	1972	B	13,163		100%
30 Penhallow St	1891	B	28,635		100%
134 Pleasant St	1955	C	20,219		100%
1 Raynes Ave	1955	C	22,588		100%
31 Raynes Ave	1940	C	10,775		100%
325 State St	1994	C	11,040		100%
600 State St	1953	B	20,265	3,302	84%
			831,356	14,005	
			Total Available SF	1.7%	

When looking more granularly at the current office supply located within the downtown Portsmouth office market, there exist very few options for tenants desiring space larger than 3,500 SF, and there is a clear trend towards tenants requesting to be immersed in the live, work, play atmosphere that downtown affords them. Even with the addition of buildings such as 99 Bow Street, One Portwalk Place, 51 Islington Street, 30 Maplewood and 233 Vaughn Street, there is very limited vacancy in the downtown market today, and given that the McIntyre site is located at what we consider to be main and main, we feel that it would be in high demand.

The healthy downtown Portsmouth office market is further supported by the CBRE 2017 New Hampshire Market Outlook report indicating Portsmouth overall office vacancy was 4.3% heading into this year, which can be seen in [Appendix C](#). Additionally, we believe we have underwritten office assumptions that are supportable by the below lease comparables.

Lastly, we believe we have underwritten office assumptions that are supportable by recent lease transactions in the market. Our rental rate of \$27 NNN per square foot with \$60 per square foot in tenant improvements over a ten-year term equates to an effective rental rate of \$21 NNN per square foot. This is in line with the lease comparables listed in [Appendix D](#), which range from \$20.54 NNN per square foot up to \$27 NNN and \$35 gross, with tenant improvements ranging from \$0 to \$55 per square foot.

Pre-Leasing Requirements and Financial Impact:

Based on the above-mentioned strong economic fundamentals and prime location of the project, at this time, we believe that approx. 50% preleasing of office and retail may be required given that the underwriting assumes an 8.0% yield and an exit cap rate of 6.5% in today's capital markets.

Parking:

Given the location of the project and close proximity of available municipal and private parking, we do not believe that lack of proposed parking for the office and retail space poses a challenge to leasing at the underwritten rental rates.

PARKING LOTS WITHIN A .25 MILE RADIUS



PARKING LOTS AVAILABLE WITHIN A .25 MILE RADIUS(5 MIN WALKING DISTANCE) FROM THE SITE

Retail:

Please see below for recent retail lease transactions which support our retail underwriting assumptions. Our rental rate of \$45 NNN per square foot with \$90 per square foot in tenant improvements over a ten year term equates to an effective rental rate of \$36 NNN per square foot. This is in line with the lease comparables listed in [Appendix E](#), which range from \$32 NNN per square foot up to \$40 NNN and \$50.40 Gross, with no tenant improvements offered.

Condo:

Please see [Appendix F](#) for sales comparables supporting our condominium underwriting assumptions. Our sales price of \$782,000, or \$753 per square foot is well in line with the sales comparables listed, which range from \$742 to \$802 per square foot. Additionally, our unit mix, which includes one bedroom/one bathroom units, two bedroom/two bathroom units, and two bedroom/two and a half bathroom town homes allows for a lower price point than competing properties given the creation of smaller sized unit offering.

Multifamily Rental:

Please see Appendix G for a summary of Portwalk Place's rental rates as support for our multifamily rental scenario underwriting assumptions. Our rental rates average \$2,829 per month, which are below Portwalk Place's rents which average \$3,225 per month. This is primarily due to the fact that we have smaller units, designed efficiently and purposefully smaller to generate a lower price point for the market.

Please see Appendix B for more of the detailed underwriting assumptions used in our multifamily rental scenario.

8. MINIMUM LEASE TERM

75-99 years is the minimum lease term that would be required to finance the project.

QUESTIONS SPECIFIC TO REDGATE/KANE

As stated in our presentation on November 29th, if fee simple ownership of land cannot be accommodated and the proposed condominiums would be required to remain on a ground lease, given the desirability of this market, we believe there is likely to be a discount on the sales prices of the condominium units which would need to be evaluated in greater depth.

If the residential component were to be switched from condominiums to rental for the above reason or due to City preference, we would propose to provide 63 market-rate apartments within the same volume of space originally proposed consisting of 13% Studios (450 SF), 48% One Bedrooms (695 SF), 8% One Bedroom + Den (775 SF), 31% Two Bedrooms (1,050 SF). We will provide a 1.5 parking ratio in the garage for a total of 95 spaces by utilizing 10 car stackers.

Unlike condominiums which targeted a 30% gross profit margin, the apartments would target a 6.3% untrended yield on cost with a 65% LTC to be feasible. We anticipate average apartment rents of \$2,829 per month and a ground lease payment of \$300,000 per year.

APPENDIX A: SCENARIO C DIAGRAM

Redevelopment of McIntyre Building for office/retail with no other major new development on site and an approx. 12,000 SF public open space oriented to Bow Street. Retains garage and plaza parking, eliminates at-grade parking.



APPENDIX B: FINANCIAL DETAIL BY SCENARIO

APPENDIX C: CBRE 2017 NEW HAMPSHIRE MARKET OUTLOOK REPORT

APPENDIX D: PORTSMOUTH DOWNTOWN OFFICE LEASE COMPARABLES

Office Lease Comparables

Status	Address	Submarket	Deal SF	Lease Commenceme	Term (months)	Year 1 Rent	Escalation	Rent Type	Tenant Improvements
Redgate/Kane Underwriting	McIntyre Building	Downtown	N/A	N/A	120	\$21.00	3.0%	NNN	\$27 face rate with \$60/SF in TIs
Signed	1 Harbour Place	Downtown	1,805	September-14	24	\$26.00	Fixed	NNN	\$0
Signed	18 Congress Street	Downtown	1,095	January-16	24	\$27.40	Fixed	Modified Gross	\$0
Signed	195 Hanover Street	Downtown	2,489	September-14	60	\$27.00	2.50%	NNN	\$55
Signed	111 Maplewood Ave	Downtown	2,777	N/A	N/A	\$26.20	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	3,780	N/A	N/A	\$24.04	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	4,760	N/A	N/A	\$23.20	Fixed	NNN	N/A
Signed	100 Market Street	Downtown	3,228	December-15	63	\$23.00	Fixed	NNN	New Paint & Carpet
Signed	111 Maplewood Ave	Downtown	3,214	N/A	N/A	\$23.00	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	3,239	N/A	N/A	\$21.63	Fixed	NNN	N/A
Signed	111 Maplewood Ave	Downtown	2,116	N/A	N/A	\$20.54	Fixed	NNN	N/A
Asking	195 Hanover Street	Downtown	10,000	June-16	N/A	\$35.00	N/A	Gross	N/A
Asking	22 Deer Street	Downtown	2,556	August-17	N/A	\$30.50	N/A	Modified Gross	N/A
Asking	99 Bow Street	Downtown	5,675	January-17	N/A	\$25.00	N/A	NNN	N/A
Asking	104 Congress Street	Downtown	2,717	August-17	N/A	\$24.50	N/A	Modified Gross	N/A

Note that tenant names have not been provided due to confidentiality.

APPENDIX E: PORTSMOUTH DOWNTOWN RETAIL LEASE COMPARABLES

Retail Lease Comparables

Status	Address	Submarket	Deal SF	Lease Commencement	Term (months)	Year 1 Rent	Escalation	Rent Type	Tenant Improvements
Redgate/Kane Underwriting	McIntyre Building	Downtown	12,667	N/A	120	\$36.00	3.00%	NNN	\$45 face rate with \$90/SF in Tis
Asking	15-21 Congress Street	Downtown	3,160	January-18	Not Available	\$40.00	N/A	NNN	N/A
Signed	15-21 Congress Street	Downtown	2,630	September-15	120	\$38.00	Fixed Step	NNN	Not Available
Asking	99 Bow Street	Downtown	3,043	November-16	Not Available	\$32.00	N/A	NNN	N/A
Asking	143 Daniel Street	Downtown	3,600	July-16	24	\$33.00	N/A	N/A	N/A
Asking	77 State Street	Downtown	1,100	N/A	N/A	\$36.00	N/A	NNN	N/A
Asking	40 Bridge Street	Downtown	3,727	November-17	N/A	\$40.00	N/A	NNN	N/A
Asking	28 Deer Street	Downtown	1,391	N/A	N/A	\$32.50	N/A	NNN	N/A
Signed	24 Congress Street	Downtown	1,192	October-16	N/A	\$50.34	NA	Modified Gross	Not Available

Note that tenant names have not been provided due to confidentiality.

APPENDIX F: PORTSMOUTH DOWNTOWN CONDO SALES COMPARABLES

Condo Comps

Address	Price	Year Built	Bedrooms	Baths	Date Closed	SF	Price/SF	Garage Type
Redgate/Kane Underwriting	\$782,000	TBD	1-2	1-2.5 (2.5 in townhomes)	NA	1,039	\$753	Adjacent
143 Daniel Street	\$2,289,000	2015	3	4.0	8/10/2017	3,086	\$742	Under
143 Daniel Street	\$1,389,000	2015	2	2.0	6/21/2016	1,733	\$802	Under
143 Daniel Street	\$1,289,000	2015	2	3.0	10/6/2016	1,637	\$787	Under
135 Bow Street	\$1,250,000	1987	2	2.0	10/3/2015	1,632	\$766	Under

APPENDIX G: PORTSMOUTH DOWNTOWN MULTIFAMILY RENT COMPARABLES

Expanded							Actual Rent	
Unit Type	Phase	No. of Units	% of Total	Unit Size	Total Size	Rent per Unit	Rent Per SqFt	
One Bedroom/Alcove	II	1	0.67%	561	561	\$2,022	\$3.80	
One Bedroom/Alcove	II	3	2.01%	634	1,902	\$2,183	\$3.44	
One Bedroom/Alcove	II	3	2.01%	656	1,968	\$2,468	\$3.76	
One Bedroom/Alcove	II	4	2.68%	684	2,736	\$2,027	\$2.96	
One Bedroom	I	4	2.68%	720	2,880	\$2,198	\$3.05	
One Bedroom	I	12	8.05%	765	9,180	\$2,903	\$3.79	
One Bedroom	II	4	2.68%	677	2,708	\$2,201	\$3.25	
One Bedroom	II	3	2.01%	709	2,127	\$2,203	\$3.11	
One Bedroom	II	4	2.68%	732	2,928	\$2,813	\$3.84	
One Bedroom	II	3	2.01%	742	2,226	\$2,568	\$3.46	
One Bedroom	II	3	2.01%	746	2,238	\$2,653	\$3.58	
One Bedroom	II	3	2.01%	768	2,304	\$2,568	\$3.34	
One Bedroom	II	4	2.68%	810	3,240	\$2,592	\$3.20	
One Bedroom	II	4	2.68%	818	3,272	\$3,172	\$3.88	
One Bedroom	II	4	2.68%	864	3,456	\$2,702	\$3.13	
One Bedroom/Den/One Bath	II	4	2.68%	975	3,900	\$3,193	\$3.27	
One Bedroom/Den/One Bath	II	3	2.01%	985	2,955	\$3,003	\$3.05	
One Bedroom/Den/One Bath	II	4	2.68%	1,002	4,008	\$3,024	\$3.02	
One Bedroom/Den/One Bath	II	4	2.68%	1,194	4,776	\$3,269	\$2.74	
Two Bedroom/Two Bath	I	4	2.68%	1,015	4,060	\$3,004	\$2.96	
Two Bedroom/Two Bath	I	4	2.68%	1,055	4,220	\$3,493	\$3.31	
Two Bedroom/Two Bath	I	4	2.68%	1,085	4,340	\$3,404	\$3.14	
Two Bedroom/Two Bath	I	4	2.68%	1,130	4,520	\$3,685	\$3.28	
Two Bedroom/Two Bath	I	4	2.68%	1,170	4,680	\$3,352	\$2.88	
Two Bedroom/Two Bath	II	4	2.68%	1,034	4,136	\$3,269	\$3.16	
Two Bedroom/Two Bath	II	4	2.68%	1,075	4,300	\$3,570	\$3.32	
Two Bedroom/Two Bath	II	3	2.01%	1,087	3,261	\$3,603	\$3.31	
Two Bedroom/Two Bath	II	4	2.68%	1,118	4,472	\$3,655	\$3.27	
Two Bedroom/Two Bath	II	16	10.74%	1,127	18,032	\$4,295	\$3.81	
Two Bedroom/Two Bath	II	4	2.68%	1,138	4,552	\$3,695	\$3.25	
Two Bedroom/Two Bath	II	4	2.68%	1,176	4,704	\$3,694	\$3.14	
Two Bedroom/Two Bath	II	1	0.67%	1,201	1,201	\$3,794	\$3.16	
Two Bedroom/Two Bath	II	5	3.36%	1,248	6,240	\$3,469	\$2.78	
Two Bedroom/Two Bath	II	1	0.67%	1,289	1,289	\$3,694	\$2.87	
Two Bedroom/Two Bath	II	1	0.67%	1,389	1,389	\$3,994	\$2.88	
Three Bedroom/Two Bath	II	1	0.67%	1,476	1,476	\$4,220	\$2.86	
Three Bedroom/Two Bath	II	4	2.68%	1,515	6,060	\$4,306	\$2.84	
Three Bedroom/Two Bath	II	3	2.01%	1,528	4,584	\$4,331	\$2.83	
		149	100.00%	986	146,881	\$3,225	\$3.27	

Scenario # Description

Scenario #	Description	
0	Basecase	
1.a	Office/Retail w/ 10K community space (office/2nd floor), Condo	*Basecase Condo Pro Forma
1.a	Office/Retail w/ 10K community space (retail/1st floor), Condo	*Basecase Condo Pro Forma
1.c	McIntyre Office Only	
1.e	Office/Retail, Condo with affordable	
1.f	Office/Retail, Multifamily	
1.g	Office/Retail, Multifamily with affordable	

Portsmouth Scenario Summary

12/15/2017

Description	Original Proposal	1.ao	1.ar	1.c	1.e	1.f	1.g
	Condo and Office w/Retail addition	Condo and Office w/Retail addition Includes 10k SF of \$0 rent community space(office/2nd floor)	Condo and Office w/Retail addition Includes 10k SF of \$0 rent community space(office/1st floor)	Office Only Redevelopment of McIntyre Building for office, no other development on	Condo and Office w/Retail addition 10% of condo units as affordable (80% AMI)	Multifamily Rental and Office/Retail w/Retail addition	Multifamily Rental and Office/Retail w/Retail addition 10% of rental units as affordable
Office GSF	55,575	55,575	55,575	55,575	55,575	55,575	55,575
Retail GSF	45,330	45,330	45,330	30,820	45,330	45,330	45,330
Rental GSF	0	0	0	0	0	61,100	61,100
Condo GSF	61,100	61,100	61,100	0	61,100	0	0
Total GSF	162,005	162,005	162,005	86,395	162,005	162,005	162,005
Units	50	50	50	0	50	63	63
Open Space	30%	30%	30%	60%	30%	30%	30%
Soft Costs (Incl. Closing & Taxes)	\$9,987,139	\$9,948,588	\$9,905,272	\$3,875,767	\$9,987,139	\$9,684,665	\$9,694,558
Tenant Improvements	\$6,664,200	\$6,564,200	\$5,764,200	\$5,158,300	\$6,664,200	\$6,664,200	\$6,664,200
Leasing Commissions	\$1,060,860	\$940,860	\$940,860	\$886,740	\$1,060,860	\$1,060,860	\$1,060,860
Hard Costs	\$45,474,990	\$45,457,060	\$45,391,860	\$15,762,746	\$45,474,990	\$45,614,432	\$45,614,432
Total Project Cost	\$63,187,190*	\$62,910,709	\$62,002,192	\$25,683,553	\$63,187,190	\$63,024,158	\$63,034,050
/GSF	\$390	\$388	\$383	\$297	\$390	\$389	\$389
Construction Cost-Finish	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF Community Tls=\$50/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF Community Tls=\$50/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF	Office Tls=\$60/RSF Retail Tls=\$90/RSF
Commercial Rent	Spec Office \$27 NNN Spec Retail \$45 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN Community: \$0 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN Community: \$0 NNN	Spec Office \$24 NNN Spec Retail \$40 NNN	1 Bed: \$150,000 2 Bed: \$200,00	Spec Office \$27 NNN Spec Retail \$45 NNN	Spec Office \$27 NNN Spec Retail \$45 NNN
Residential Sale Price/ Monthly Rent	\$782,000	\$782,000	\$782,000	\$0	\$725,000	\$2,823	\$2,663
Estimated Real Estate Taxes (per annum)	\$1,000,000	\$1,000,000	\$1,000,000	\$400,000	\$950,000	\$589,000	\$589,000
Ground Lease Payment-Annual	\$360,000	\$125,000	\$0	\$75,000	\$125,000	\$300,000	\$100,000
Ground Lease Payment-PSF	\$2.22	\$0.77	\$0.00	\$0.87	\$0.77	\$1.85	\$0.62
Ground Lease Escalation	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years	10% every 5 years
Notes	*Excludes upfront land payment originally proposed and instead incorporates equivalent annual ground lease payment as ongoing cost to project.			Retail reduced by \$5/RSF. Office reduced by \$3/RSF since scope of this project is less comprehensive/presumed less desirable for tenants	Affordable condo prices were assumed based on equating the monthly payments to the BPDA affordable rent/sale table.	Replaced townhouse units with typical rental units. Ground rent is assigned in both multifamily and commercial pro formas.	Replaced townhouse units with typical rental units

2017

New Hampshire

MARKET OUTLOOK



A MESSAGE FROM CBRE/NEW ENGLAND...

Welcome to CBRE/New England's 2017 New Hampshire Market Outlook. This publication seeks to explain the changing dynamics of commercial real estate throughout Southern New Hampshire. It features a summary of annual market performances and future projections and provides clients with accurate, insightful and up-to-date information regarding the New Hampshire commercial real estate market.

We are committed to a strong business climate in New Hampshire by achieving world-class outcomes for our clients each year. Based on strategic insight and real estate expertise, the New Hampshire Market Outlook is one of CBRE/New England's signature publications that showcase our industry-leading data, analysis and foresight.

We are proud of this publication and hope you find it useful as you make your key real estate decisions in the coming year.

We would like to thank all of our clients for our success in 2016 and we look forward to partnering with you in 2017!

Sincerely,



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Portsmouth

MEET OUR PROFESSIONALS:

MANCHESTER • NEW HAMPSHIRE



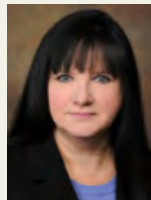
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PORTSMOUTH • NEW HAMPSHIRE



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NEW HAMPSHIRE

2016 SNAPSHOT

VACANCY:



2015: 11.9%

2016: 10.4%

RENTS (NNN):



2015: \$12.52

2016: \$11.31





INTERSTATE 93/ROUTE 3 CORRIDOR OFFICE MARKET

by Roger Dieker, (roger.dieker@cbre-ne.com)

The Interstate 93/Route 3 Office market continued to improve in 2016, as the overall vacancy rate decreased by 150 basis points from 11.9% to 10.4%, which was helped by the redevelopment of several large properties from office to multifamily and the steady expansion of existing office users. The disruption created by the use of mobile technology continues to reshape the 'typical' office configuration. As existing office spaces are reconstructed by relocating tenants, the employee per sq. ft. utilization continues to shrink.

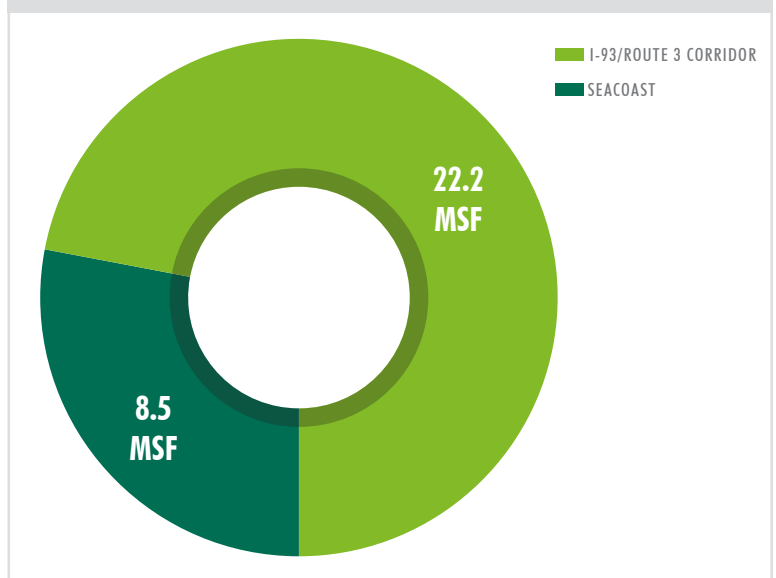
MARKET HIGHLIGHTS:

- Overall vacancy statistics were helped by the conversion of **130,000 sq. ft. of office at 875 Elm Street in Manchester** (Citizens Bank building) to 91 high-end apartment units and first floor retail.
- BAE Systems continued to expand their footprint in Nashua by taking **35,000 sq. ft. at 10 Tara Boulevard** at Exit 1 on the F.E. Everett Turnpike.
- A major financial services firm announced in September that it would relocate 600 jobs from its three-building, 126,000 sq. ft. campus on Northeastern Boulevard in Salem to other facilities in Texas, Florida, Arizona and Delaware. The transition is scheduled to be completed in 2018.
- The continued uncertainty in the health insurance business resulted in **United Healthcare** downsizing from 120,000 sq. ft. to 60,000 sq. ft. at **14 Central Park Drive in Hooksett**.

Vacancy dropped
150 basis points
year-over-year as
the market continued
to strengthen.

NEW HAMPSHIRE

TOTAL OFFICE SQUARE FOOTAGE BY SUBMARKET



Source: CBRE Research

2017 FORECAST

The Southern New Hampshire Office market will remain steady in 2017, as office employment continues to stabilize and the remaining vacant spaces left by consolidating tenants are slowly absorbed in a strengthening economy. Lease rates should experience upward pressure across the board as this vacancy decreases. Lease terms should lengthen as companies gain confidence to lock up attractive rates within an improving economy and spread the amortization of newer efficient office construction over a longer term. Challenged office properties will need to find creative solutions, which may include savvy developers converting them into multifamily properties in order to acclimate themselves in a red-hot residential market.



NEW HAMPSHIRE SEACOAST OFFICE MARKET

by Kent White, (kwhite@cbre-portsmouth.com)

2016 has seen another year of positive absorption, with vacancy rates declining to 8.3%. This is the seventh consecutive year of decreasing vacancy rates from the historically high level of 20.3% in 2009. Unlike previous years when new construction added much-needed available space to the market, the Seacoast did not see any new construction in 2016. This contributed to driving down the vacancy rate even further and putting more pressure on the market.

Although there are submarkets within the Seacoast that continue to be stagnant, **the overall market is extremely healthy**. To illustrate this point, one can look at the Pease Tradeport, which is considered to be the economic engine of the Seacoast. The vacancy rate decreased from 6.9% at the end of 2015 to 4.7% in 4Q 2016. Although there are rumors of various new construction projects, only one 30,000 sq. ft. project at 85 New Hampshire Avenue will be an available option in 2017.

TRENDS & MARKET CONDITIONS

Are vacancy rates too low? Is the New Hampshire Seacoast Office market too healthy? The answer depends on who you ask. Landlords are happy because most buildings are experiencing low vacancy rates and increasing rents. Tenants, however, are frustrated with the lack of quality options and aggressive lease rates and terms.

This lack of supply has placed pressure on office tenants looking for space in the market, particularly large users who require 15,000 sq. ft. or greater. Wheelabrator Industries and Planet Fitness are two examples of this scenario. Both Wheelabrator and Planet Fitness effectively had only one option among existing availability that would accommodate their space needs, and that one option was dependent on the other's move. Wheelabrator decided to relocate their corporate offices from 4 Liberty Lane in Hampton to 100 Arboretum Drive at the Pease Tradeport. Planet Fitness recently leased the building that Wheelabrator vacated, as this was the only existing option in the entire Seacoast to accommodate their expansion.

2016 SNAPSHOT

VACANCY:



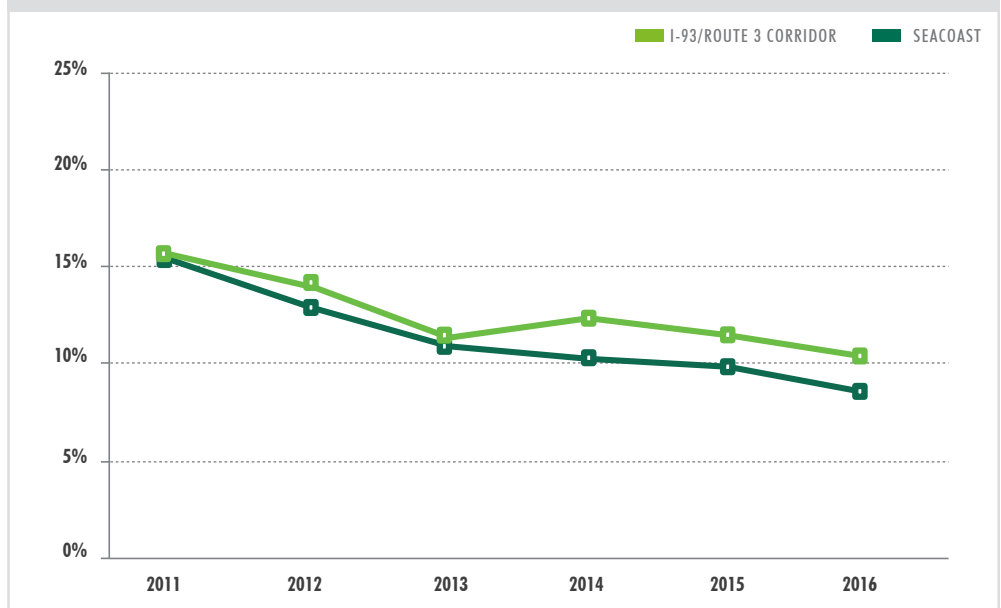
2015: 9.8%
2016: 8.3%

RENTS (NNN):



2015: \$11.42
2016: \$11.92

NEW HAMPSHIRE
HISTORIC OFFICE VACANCY RATE



Source: CBRE Research

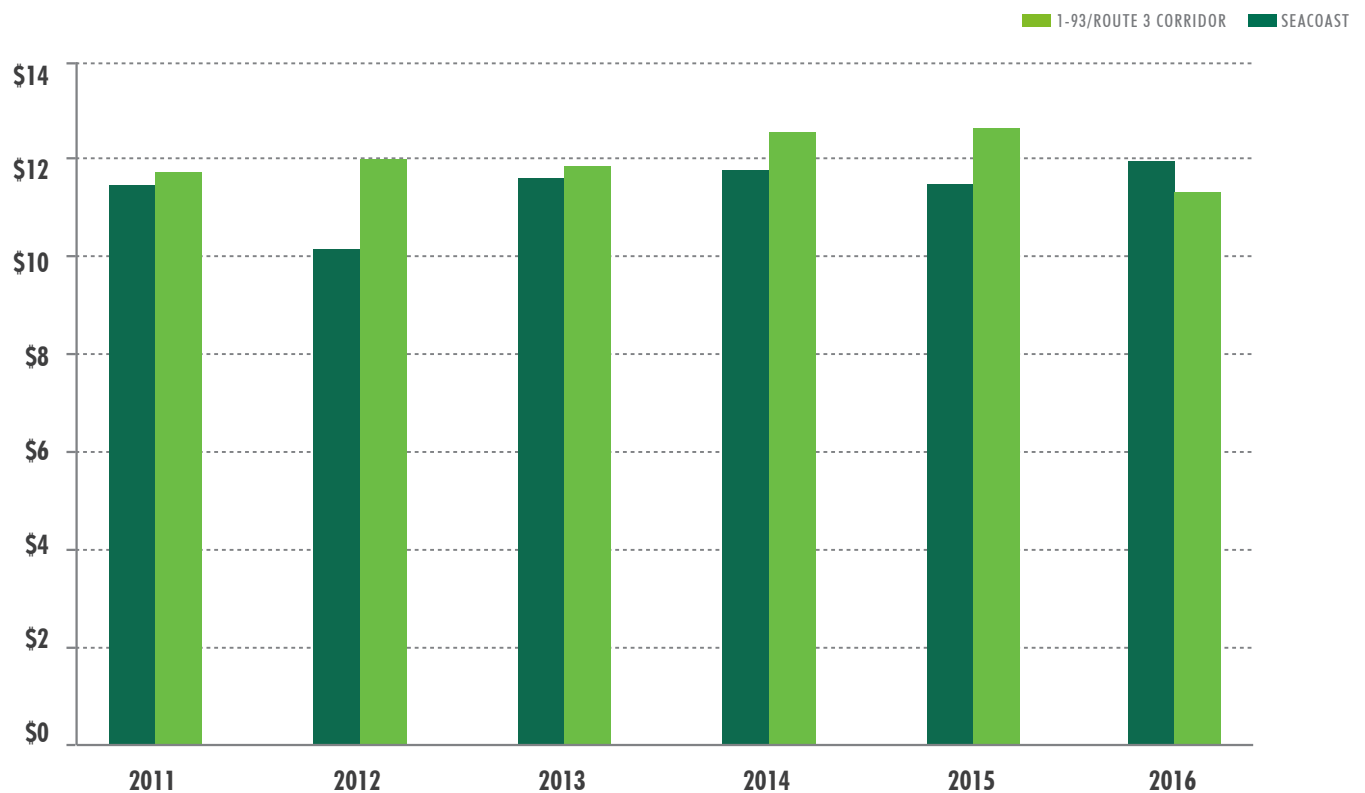
PORTSMOUTH/PEASE VS. THE REST OF THE MARKET

The New Hampshire Seacoast Office market consists of two independent submarkets—Portsmouth/Pease and the rest of the Seacoast. Following are a few facts that emphasize the Portsmouth/Pease market's impact on the overall Seacoast market:

- Portsmouth/Pease comprises 48% of the total Seacoast Office market
- Average asking lease rates in Portsmouth/Pease are \$5.00 per sq. ft. higher than surrounding communities
- NNN expenses are higher, especially property taxes, in Portsmouth/Pease
- Higher rents should spur new construction in Portsmouth/Pease



NEW HAMPSHIRE
HISTORIC OFFICE AVERAGE ASKING RENT (NNN)



Source: CBRE Research

PEASE TRADEPORT... ALMOST FULL?

The New Hampshire Seacoast Office market explosion over the past 20 years can be directly attributed to the growth of the Pease Tradeport. Since the former military base closed in 1991, over **4,000,000 sq. ft. of commercial real estate has been developed, creating more than 9,500 high-paying jobs.** There is the impression that there is an unlimited amount of developable land at Pease to accommodate future demand, however, this is not the case. There are currently nine lots available for commercial/industrial development at Pease. Of those nine, seven are formally under option to developers or abutting businesses looking to protect their future growth needs. Although Pease still has room for growth, this could change in the not-too-distant future as demand continues to increase.

2016 was the seventh consecutive year of decreasing vacancy rates in the Seacoast market.



2017 FORECAST

The Seacoast Office market should remain stable in 2017. Portsmouth/Pease will continue to be the engine of the Seacoast, however, with limited vacancy in existing inventory and minimal new construction planned for 2017, companies that want to be in Portsmouth may be forced to consider surrounding areas. This was the case when Planet Fitness expanded and relocated their corporate headquarters from Portsmouth to Hampton.

Landlords and tenants should consider the following as they plan for 2017 and beyond:

TENANTS

- Tenants will continue to see limited options, increasing lease rates and fewer landlord concessions.
- It is important for tenants to understand their budget. Many tenants may want to lease space in Portsmouth/Pease, but the cost savings can be substantial if they consider surrounding communities.
- Tenants should start looking early. With so few options, a tenant may be forced into making a poor decision if they wait too long.
- Hire a commercial broker to represent the company. Having an experienced broker on call will help prospective tenants navigate the competitive market.

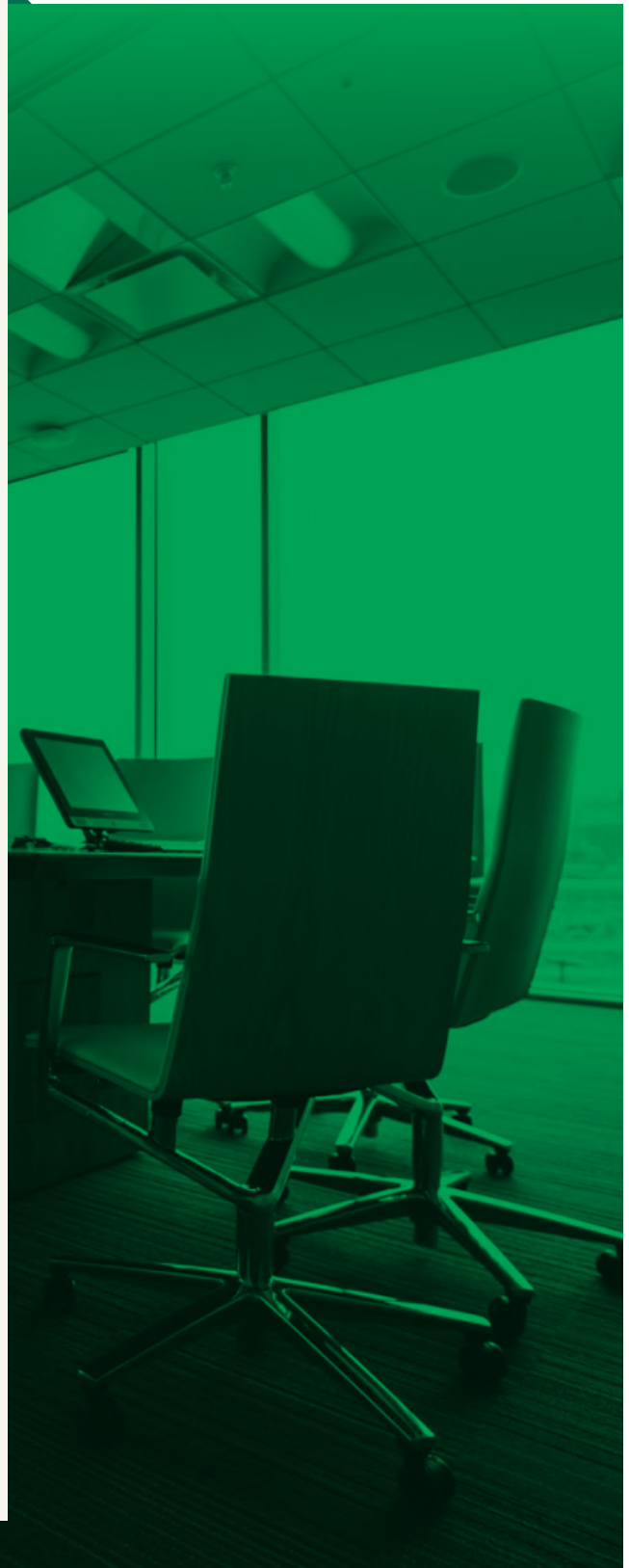
LANDLORDS

- With vacancy rates down and demand high, rents will continue to increase. This is an excellent time for owners to add value to their portfolio.
- It is a landlord's market. The days of landlords offering free rent periods, generous tenant improvement (TI) allowances and other concessions are over.
- Consider selling. The appetite for investment properties is at an all-time high in the Seacoast. If a building is more than 70% occupied, it is a great time to consider putting it on the market.
- Refinance. Commercial interest rates are still at all-time lows, but it is predicted rates will increase in 2017, so now is the time for landlords to refinance their properties.

NEW HAMPSHIRE

NEW HAMPSHIRE OFFICE MARKET SNAPSHOT

Submarket	Total Sq. Ft.	Vacant (Sq. Ft.)	Vacancy (%)	Avg. Asking Rent (NNN)
Amherst	267,263	2,400	0.9	9.75
Auburn	60,600	8,256	13.6	8.60
Bedford	1,898,427	205,362	10.8	13.50
Bow	79,155	25,000	31.6	9.00
Concord	2,442,191	295,771	12.1	13.50
Derry	228,162	54,146	23.7	12.00
Hooksett	321,472	20,868	6.5	9.00
Hudson	41,091	-	0.0	8.50
Londonderry	631,217	25,271	4.0	12.50
Manchester	7,778,168	879,237	11.3	12.75
Merrimack	2,144,014	113,514	5.3	12.25
Nashua	3,937,913	434,101	11.0	12.50
Salem	2,122,148	206,008	9.7	12.50
Windham	232,579	34,493	14.8	12.00
Total I-93/Route 3	22,184,400	2,304,427	10.4	11.31
Dover	1,674,535	137,043	8.2	10.00
Durham	184,688	0	0.0	8.50
Exeter	506,692	32,988	6.5	12.50
Greenland	70,947	3,200	4.5	11.50
Hampton	444,926	35,457	8.0	12.00
Newington	128,196	33,176	25.9	16.00
Newmarket	40,064	800	2.0	8.00
North Hampton	93,459	17,795	19.0	10.50
Pease	1,990,012	93,916	4.7	16.50
Portsmouth	2,142,625	93,107	4.3	18.00
Rochester	582,419	166,545	28.6	7.50
Seabrook	76,149	0	0.0	9.00
Somersworth	213,370	14,400	6.7	8.50
Stratham	393,818	80,000	20.3	11.00
Total Seacoast	8,541,900	708,427	8.3	11.92
Overall NH Office	30,726,300	3,012,854	9.8	11.62





875 Elm Street • Manchester, NH



100 Market Street • Portsmouth, NH



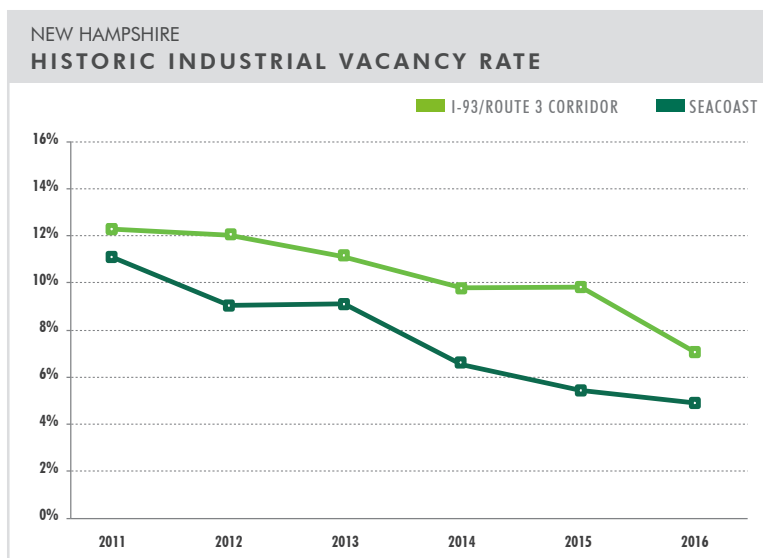
INTERSTATE 93/ROUTE 3 CORRIDOR INDUSTRIAL MARKET

by Chris Healey, (chris.healey@cbre-ne.com)

Clients looking for industrial space in 2016 experienced firsthand the surplus in demand and shortage of on-market opportunities for purchase or lease. For investors, users and tenants alike, securing industrial real estate in southern New Hampshire proved to have its fair share of challenges. A similar story to what was seen in 2015, absorption of existing property progressed and rates further stabilized in response to increased demand and extremely limited supply. The vacancy rate in 2016 was 7.0% which, compared to a rate of 9.9% in both 2014 and 2015, was a decline of 290 basis points. Despite the lack of available inventory in local markets, there was still some notable activity, including the following highlights:

- **200 Perimeter Road**, a 67,500 sq. ft. warehouse located at Manchester-Boston Regional Airport, was acquired by Amber Properties for \$2.6 million.
- The 157,000 sq. ft. General Electric building at **31 Industrial Park Drive** in Hooksett was acquired for \$25.8 million.
- Law Logistics signed a long-term lease and will occupy 132,200 sq. ft. at **59 Daniel Webster Highway** in Merrimack.
- A heavy equipment company sold **780 Route 103 West**, a 50,000 sq. ft. asset located on 90 acres in Warner, NH, to a user for \$2.5 million.

With heightened demand and limited supply, vacancy rates declined significantly from 2015.



Source: CBRE Research



2017 FORECAST

Looking ahead, industrial rates should see continued stabilization—and room for potential increases—with further absorption of existing inventory. Speculators suggest with the election over, there may be improvement with regard to the industrial and manufacturing sectors of our economy, resulting in a demand for more space of that variety.

The Manchester-Boston Regional Airport area has continued to see increased development with notable in-state movement from companies like FW. Webb (relocating from Amherst to Manchester into 1,000,000 sq. ft.) and EFI-Vutek (relocating from Meredith to Manchester into 240,000 sq. ft.) seeking to improve not only their facilities, but their location and access to a larger workforce. This

momentum and commitment to the area will continue to attract more in-state and out-of-state companies as they look for solid, long-term relocation opportunities and modern, state-of-the-art facilities.

Creating new inventory on speculation has not been as economically feasible for developers over the past several years, as the cost of construction has been prohibitive when compared to market rental rates and their return on investment. Inventory will remain tight in the Interstate 93 South corridor through Salem, as well as along Route 3 through Nashua, with less time on market across the region for both existing inventory and newly available industrial space.

VACANCY:

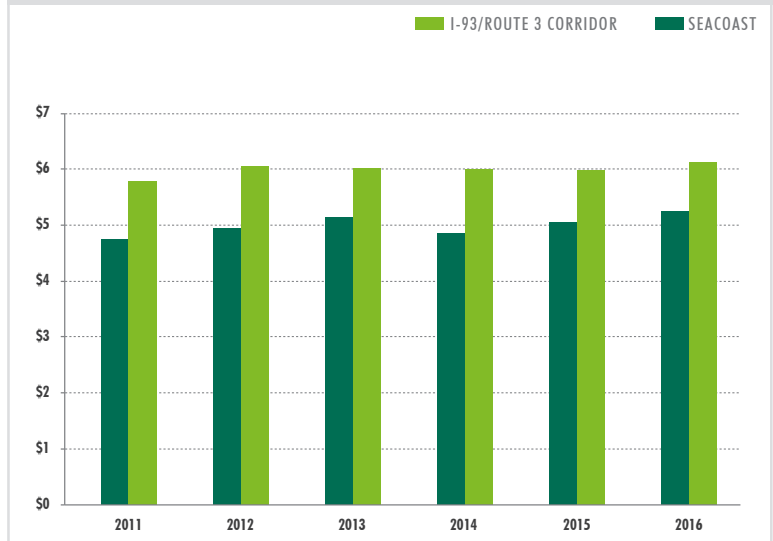
2015: **9.9%**
2016: **7.0%**

RENTS (NNN):

2015: **\$5.98**
2016: **\$6.09**

NEW HAMPSHIRE

INDUSTRIAL AVERAGE ASKING RENT (NNN)



Source: CBRE Research



NEW HAMPSHIRE SEACOAST INDUSTRIAL MARKET

by Christian Stallkamp, (cstallkamp@cbre-portsmouth.com)

For industrial users of all sizes, 2016's lack of quality industrial product continued to edge industrial rents and sale prices higher in the Seacoast market. A good economic bellwether for the Seacoast can be seen at an industrial/flex complex in Greenland that is comprised of 44 units, with sizes ranging from 1,200–2,400 sq. ft. Currently, and over the course of the year, there have been limited to no spaces available. Five years ago, a small industrial user could easily have had close to five or six options. This limited supply

shows the economy's strength in the Seacoast and the growth and confidence of small businesses.

Other key factors affecting the market are the repositioning of some of the larger industrial buildings and the lack of available developable land. In response to these market conditions, the Seacoast has seen growing industrial users looking at new construction or expanding their existing footprints.

TRENDS & MARKET CONDITIONS

NEW CONSTRUCTION/EXPANSION

Over the past year, businesses looking to expand in the Seacoast have had limited options, thus forcing them to consider new construction. In fact, most of the noteworthy moves within the Seacoast Industrial market in 2016 involved new construction:

- **GourmetGiftBaskets.com** will be moving into a new 107,000 sq. ft. warehouse/distribution facility in January. This build-to-suit at 12 Continental Drive in Exeter will allow the growing business to meet customer demand.
- **Insurcomm**, a fire damage and restoration services company, recently moved into a new 35,000 sq. ft. facility in Portsmouth, doubling its size to meet the business's strong growth and support its expansion into other markets.
- **C3i, Inc.**, which has been based in Hampton for over 20 years, is relocating to Exeter to a new state-of-the-art 11,000 sq. ft. facility to create a more efficient workplace.
- Other businesses looking to meet their growing customer demand have looked at on-site expansion, such as **LAARS** and **Eastern Propane**, both located in Rochester, New Hampshire.
- **Stonewall Kitchen** and **Rand Whitney** are examples of large tenants with ground-up deals signed in 2015 that have now occupied their space in 2016. Both companies are located in Dover, with Stonewall Kitchen's new space consisting of 75,000 sq. ft. and Rand Whitney now occupying 129,000 sq. ft.

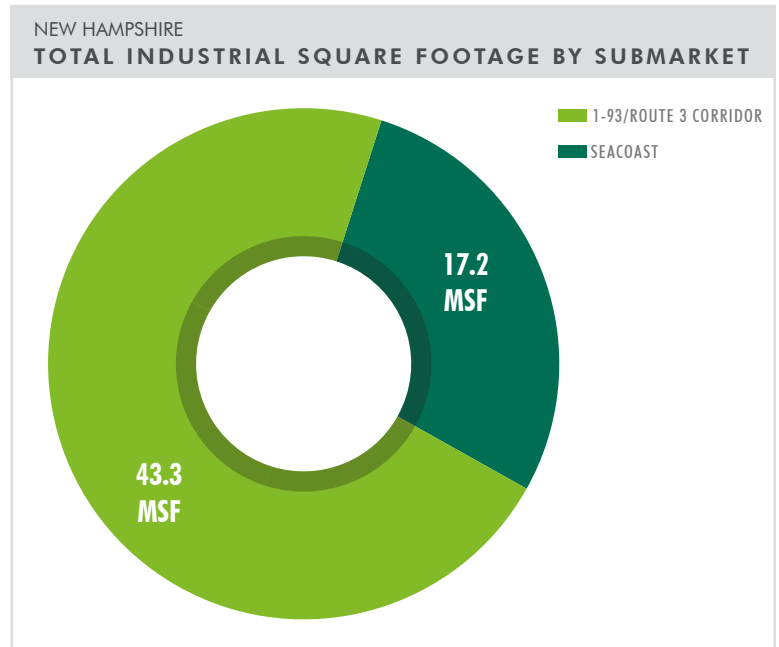




INDUSTRIAL REPOSITIONING

The Seacoast Industrial market is comprised of approximately 17.2 million sq. ft., which is very small when compared to a market such as Boston’s approximately 143 million sq. ft. That means when larger buildings are repositioned in this market, the change in metrics stands out. One trend in repositioning that dramatically affected traditional industrial inventory was the repurposing of industrial warehouses into self-storage facilities. Two industrial buildings—72 New Zealand Road in Seabrook (51,000 sq. ft.) and 125 Ocean Road in Greenland (48,000 sq. ft.)—have both been converted to self-storage facilities, contributing to the unbalanced supply vs. demand issue for industrial users.

High demand and a shrinking amount of available land for new construction has resulted in historically high sale prices.



Source: CBRE Research

2016 SNAPSHOT

VACANCY:



2015: 5.6%
2016: 4.9%

RENTS (NNN):



2015: \$5.04
2016: \$5.26

LACK OF LAND/HIGHER SALE PRICES

Layered on top of the need for new construction is the lack of available industrial land in the Seacoast market. One example of how far the Seacoast market has filled in over the course of time can be seen at the Pease International Tradeport in Portsmouth/Newington. This former U.S. Air Force Base is home to over four million sq. ft., with only two available lots remaining for development (those without existing options). For pricing data points outside of Portsmouth, but still in the Seacoast, historic sale prices would typically be \$55–65 per sq. ft. In 2016, the price range hit \$74 per sq. ft. up to \$94 per sq. ft. for an older 46,000 sq. ft. industrial building with Interstate 95 visibility.

2017 FORECAST

In 2017, we expect industrial vacancy to continue to be tight, with continued pricing increases occurring as a reflection of the lack of product. This trend should continue as long as product remains in short supply in a low interest rate environment. Submarkets outside Portsmouth—such as Exeter, Dover, Rochester and Epping—will continue to see more ground-up deals due to more available land options with lower acquisition costs.

NEW HAMPSHIRE

NEW HAMPSHIRE INDUSTRIAL MARKET SNAPSHOT

Submarket	Total Sq. Ft.	Vacant (Sq. Ft.)	Vacancy (%)	Avg. Asking Rent (NNN)
Amherst	1,183,846	5,547	0.5	5.80
Auburn	247,019	11,200	4.5	5.50
Bedford	962,037	161,836	16.8	6.25
Bow	455,383	14,800	3.3	6.60
Concord	2,750,613	340,606	12.4	6.25
Derry	1,233,117	65,972	5.4	6.00
Hooksett	1,506,687	23,114	1.5	6.00
Hudson	3,828,304	324,452	8.5	6.00
Londonderry	5,579,543	224,342	4.0	6.50
Manchester	8,889,967	408,869	4.6	6.25
Merrimack	3,836,086	184,360	4.8	5.20
Nashua	9,720,865	1,051,407	10.8	5.90
Salem	2,791,986	228,801	8.2	6.50
Windham	348,200	0	0.0	6.50
Total I-93/Route 3	43,333,653	3,045,306	7.0%	6.09
Dover	2,404,252	257,697	10.7	5.25
Durham	310,000	0	0.0	4.75
Exeter	1,060,087	46,482	4.4	5.50
Greenland	820,865	0	0.0	6.00
Hampton	906,170	19,962	2.2	5.50
Newington	1,249,135	96,624	7.7	5.50
Newmarket	140,204	0	0.0	5.25
North Hampton	173,452	0	0.0	5.25
Pease	1,548,849	0	0.0	6.50
Portsmouth	2,080,442	56,643	2.7	6.25
Rochester	2,151,611	124,050	5.8	4.75
Seabrook	1,597,010	69,400	4.3	6.00
Somersworth	1,865,697	137,900	7.4	4.50
Stratham	893,510	33,450	3.7	6.00
Total Seacoast	17,201,284	842,208	4.9	5.26
Overall NH Industrial	60,534,937	3,887,514	6.4	5.68





218 Griffin Road • Portsmouth, NH



780 Route 103 West • Warner, NH

CBRE/NEW ENGLAND PLATFORM

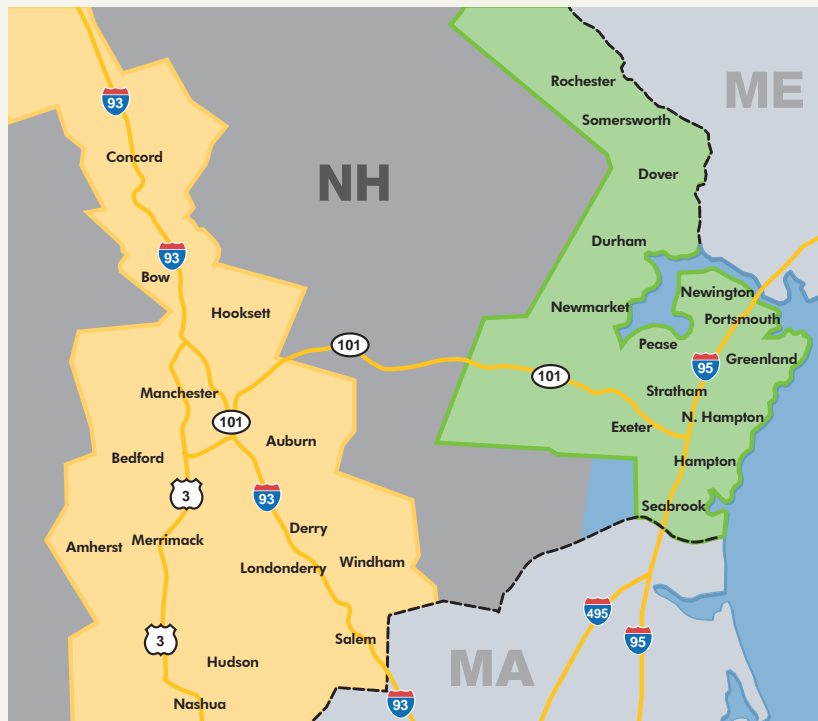
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METHODOLOGY

To the best of our knowledge we have included all Class A and B office and industrial properties that are greater than 10,000 sq. ft. and are considered investment-grade quality. We do not include retail, hotels, car dealers, churches, municipal buildings or schools in our survey. The total average asking NNN lease rate is the weighted average of the submarket average asking NNN lease rate to the total sq. ft. within each submarket. This survey was completed on December 1, 2016. The represented vacant (sq. ft.) includes both vacant and available space.



For additional information, please contact one of our New Hampshire offices:

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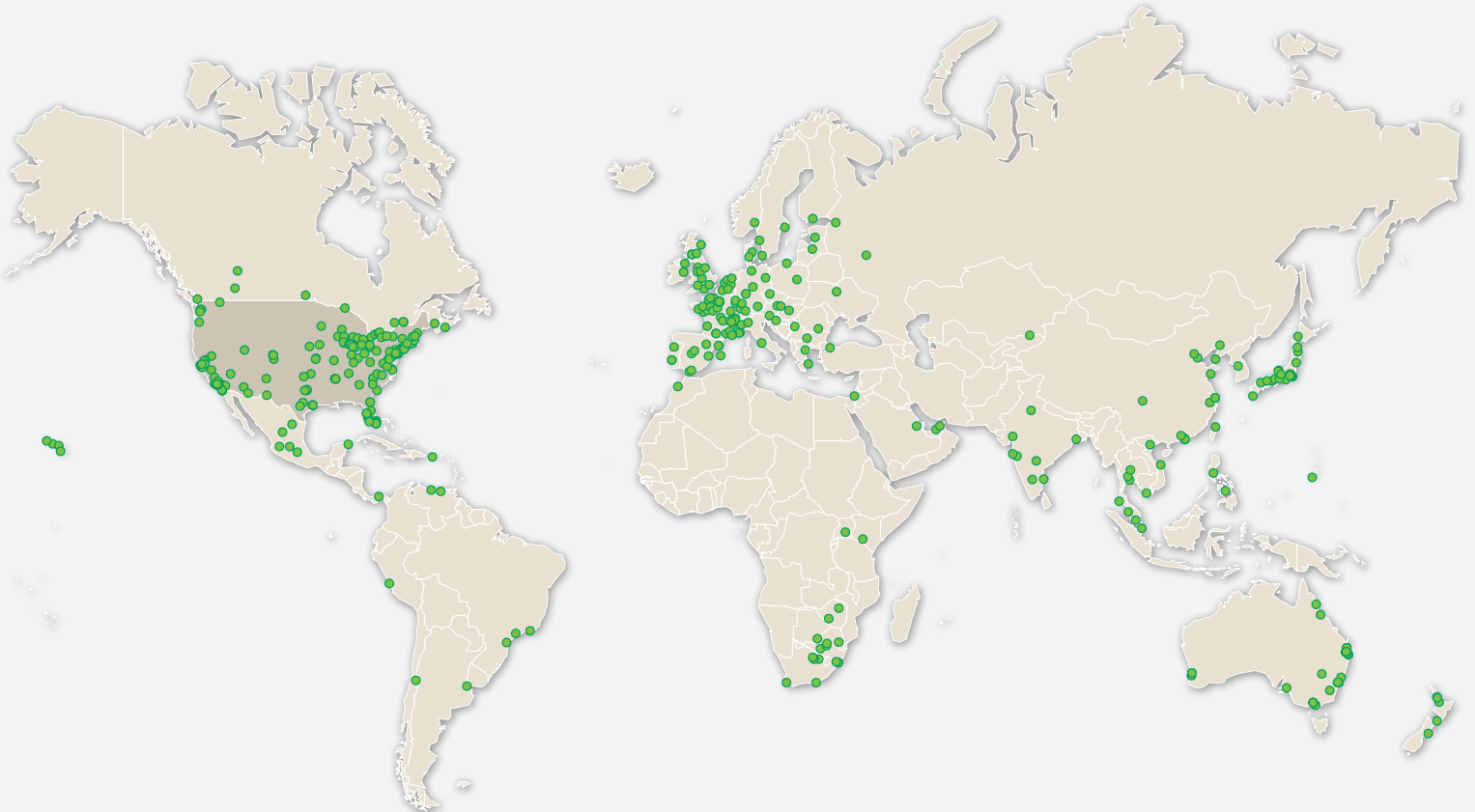
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Consulting
Engineers
and Scientists

October 23, 2017

Project 171.05036

Mr. Michael Kane
The Kane Company
210 Commerce Way, Suite 100
Portsmouth, New Hampshire 03801

Re: Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire

Dear Mr. Kane:

Ransom Consulting, Inc. (Ransom) has prepared this correspondence at your request to summarize key findings arising out of our October 16, 2017 review of environmental reports available at the City of Portsmouth (City) Planning office for the Thomas J. McIntyre Federal Building Property (Site, Site Building).

The work was conducted in accordance with our October 16, 2017 Proposed Scope of Work and as authorized in email from Dan Fallon of The Kane Company on the same date.

Please note that due to federal security requirements, no copies or photographs of the review materials could be made by Ransom. City Planners Peter Stith and/or Nick Cracknell were present during Ransom's review of files.

The following reports were viewed at City Hall:

1. Environmental Audit, dated November 2, 2011;
2. Tier II reporting forms for diesel fuel and heating oil, dated 2011;
3. Asbestos Survey Report, dated March 21, 2012;
4. Asbestos Management Plan, dated October 13, 2013;
5. Lead-Based Paint Operation & Management Plan, dated November 4, 2013;
6. Annual Underground Storage Tank (UST) Inspection, dated July 28, 2014 (Lakes Region Environmental);
7. Asbestos Shipment Records, dated March 11, 2015; and
8. Results of potable water sampling and analyses for the presence of lead and copper.

Pease International Tradeport, 112 Corporate Drive, Portsmouth, New Hampshire 03801, Tel (603) 436-1490, Fax (603) 436-6037
400 Commercial Street, Suite 404, Portland, Maine 04101, Tel (207) 772-2891
12 Kent Way, Suite 100, Byfield, Massachusetts 01922-1221, Tel (978) 465-1822
60 Valley Street, Building F, Suite 106, Providence, Rhode Island 02909, Tel (401) 433-2160
2127 Hamilton Avenue, Hamilton, New Jersey 08619, Tel (609) 584-0090

www.ransomenv.com

Mr. Michael Kane
The Kane Company

CITY FILE REVIEW RESULTS

The following summary is provided for each report listed above:

1. Environmental Audit. The focus of the report was evaluating compliance with environmental regulation and policies, namely: the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-to-Know Act (EPCRA), Occupational Safety and Health Administration (OSHA), Safe Drinking Water Act, Resource Conservation and Recovery Act (RCRA) Subtitle C (pertaining to Hazardous and Universal Waste, Used Oil), RCRA Subtitle D (pertaining to solid waste and recycling), RCRA Subtitle I (pertaining to USTs), Toxic Substances and Control Act (TSCA; pertaining to polychlorinated biphenyls (PCBs), asbestos, lead, etc.), Executive Order 13423 “Strengthening Federal Environmental, Energy, and Transportation”; and Executive Order 13514 “Federal Leadership in Environmental, Energy, and Economic Performance.”

Key findings:

- a. At the time of the report, building occupants were United States Postal Service, Internal Revenue Service, Social Security, Federal Bureau of Investigation, Homeland Security, and California Analyses Center, Inc. Accessible portions of the building were viewed by the auditor(s).
- b. The General Services Administration (GSA) building maintenance contract was with Done Right Building Services, Inc. and Otis Elevator.
- c. Two USTs: a 1,000 gallon diesel fuel tank (and an associated 50-gallon day tank (an aboveground storage tank (AST)) located in the basement) to fire a 155 KW generator; and a 10,000 gallon heating oil tank as a back-up to natural gas for the two boiler hot water heating system. The report cited no requirement for air permitting. The diesel fuel AST was noted as being out of compliance.
- d. Two chillers with 70 lbs. of hydrochlorofluorocarbon (HCFC) refrigerant; record keeping violation noted.
- e. Asbestos containing materials (ACM) noted, survey report on site and available, quarterly air monitoring conducted, warning signs posted.
- f. Water samples collected annually at each fountain. Lead less than 0.005 milligrams per liter (mg/L) at all samples locations.
- g. Types of Site Operations do not require storm water runoff permit or testing. However, diesel fuel and heating oil UST fill ports in the sidewalk near the front door are unsecured, and piping for the AST and two USTs noted in the basement does not have secondary containment, and a floor drain is present. Risk of release to surface water via the floor drain noted.
- h. PCBs and mercury. Reportedly, there are no transformers or capacitors [no mention of consideration of PCBs if elevator mechanism relies on hydraulic oil (?)]; fluorescent lights have ballasts and most of the fixtures were “re-lamped” in 1993, with the exception of the Post Office and

“some other areas”; the implication being that these older fixtures may contain PCBs. Lamps are temporarily collected and stored and disposed of by Universal Recycling Technologies (violations: need labelling to document lamp storage of less than 1 year; need clean-up plan and training for lamp breakage).

- i. Hazardous wastes and manifests. A North American (NA) ID number was identified; used oil, used antifreeze, batteries generated during maintenance of emergency generator, chillers, boilers, etc. are transported/disposed of by subcontractors after tasks completed. Universal Wastes are temporarily stored and then collected by a disposal contractor. Improper shelf storage of materials and inadequate labelling were noted as violations. Other issues noted: EPCRA Material Safety Data Sheets and reporting deficiencies, need small quantity generator certification every three years, no hazard communication plan.
- j. Solid Waste. No diversion program was noted. A GSA recycling program was noted.
- k. USTs. The regulated diesel fuel and heating oil tanks were noted and were noted to have leak detection and GSA has monitoring and maintenance records.

The report listed a range of violations (including but not limited to: chiller leak rate documentation, need for UST locks, non-compliant diesel fuel AST, reporting requirements for chemical storage under EPCRA, need for heating oil inventory records, and hazard communication deficiencies, and improper flammables storage).

- 2. Tier II reporting forms. These forms list information on the storage of diesel fuel and heating oil, likely in response to Environmental Audit reporting deficiencies.
- 3. Asbestos Survey Report. This March 2012 reported noted that it identified no previous reports pertaining to ACM. A total of 97 samples of suspect ACM were collected for analyses and of these 35 samples tested positive for asbestos. A table of the materials and quantities listed as ACM in the report is attached and included floor tiles, ceiling tiles, carpet mastic, boiler room flue stack insulation, and spray-on fireproofing. [At least some of this asbestos has presumably been abated; see item 7, below].
- 4. Asbestos Management Plan. Plans show the locations, by floor, of the identified ACM. As of the 2013 date of the plan, the condition of the ACM was noted as being in good condition.
- 5. Lead-Based Paint (LBP) Operation & Maintenance (O&M) Plan. The plan states that 109 sample locations were screened “throughout the building”; of these, 14 tested positive (with a concentration above the HUD definition of lead based paint (LBP) of 1 mg/cm² lead) for lead as screened with and x-ray fluorescent analyzer. Detected concentrations of lead in painted surface testing ranged from 1 to 5 gm/cm², with the LBP detections greater than 1 mg/cm² noted for various surfaces including: the parking garage concrete dock, mechanical room floor and handrail, brick wall/south wall of the basement

Mr. Michael Kane
The Kane Company

hallway, door step to the mechanical room B3, plaster walls of rooms 102, 103, 109 115, and the metal garage door.

6. Annual UST Inspection. Passing tightness testing of secondary containment was noted by Lakes Region Environmental as part to the 2014 Annual UST Inspection for the No. 2 heating oil tank and the diesel fuel tanks and 20 foot runs of supply and/or return lines for the tanks. [Recent records of noncompliance for the 50-gallon day tank (an AST) associated with the diesel fuel tank system are noted below in New Hampshire Department of Environmental Services (NH DES) files reviewed.]
7. Asbestos Shipment Records. A March 2015 shipment record was included in the file for 35 bags of ACM waste for materials shipped by EnviroVantage from the McIntyre Building to Turnkey landfill in Rochester, New Hampshire. Ransom contacted EnviroVantage (the shipper) on October 23, 2017 and learned that the scale of asbestos abatement that they have been involved with at the Site Building was limited to small renovation scopes.
8. Potable water sampling. "First draw" water samples, as well as samples after 30 seconds of purging, were collected for lead and/or copper analyses over several years. The only documented exceedance of a drinking water standard was for copper in the Post Office water fountain which was then taken out of service. Samples collected from up to 13 sources (fountains, spigots, etc.) in the McIntyre Building otherwise met drinking water standards for lead and copper for the sample round reports reviewed (2013, 2104, and 2015).

Other reports/plans not specifically reviewed (and reportedly available to be printed by the City) included Architectural Plans, Structural Plans, and Mechanical Plans. These reports were not environmental reports. Ransom did briefly look at boring logs included in the Architectural Plans and these logs did not include any notes relative to environmental observations (such as indications of coal combustion residues, petroleum or chemical odors, staining, sheen, and field screening results); the descriptions appeared to be limited to geotechnical observations and did not include environmental observations. The borings, advanced in 1964, did include the descriptor of "fill" in at least 6 of 23 borings, which, where observed, ranged in thickness from 3 to 13.6 feet.

NH DES ONESTOP DATABASE ON-LINE REVIEW RESULTS

Although not included in the City records, records available on-line at the NH DES OneStop data base indicated past history of UST removal. Specifically, one 1,500 gallon diesel fuel UST and one 15,000 gallon No. 2 heating oil UST were removed in 1992 and replaced with the current Site active, registered USTS in 1993. At the time of removal, petroleum contaminated soils (a total of approximately 140 tons) were excavated from each tank bed and ultimately disposed off-site. Apparently due to contractor payment issues, the closure assessment report was not released by the removal contractor until 1997. The leaking underground storage tank (LUST) Site was then "closed" by the NH DES in correspondence issued in July 1997.

Mr. Michael Kane
The Kane Company

Records of pending administrative fines were contained in the file related to noncompliance with the applicable rules for installation of the tanks in 1993. It is unclear whether these fines were eventually levied.

The 50 gallon day tank that is part of the diesel-fired emergency generator system was stated to be “out of compliance”, based on NH DES records reviewed on line (July 7, 2017 NH DES compliance inspection, as well as in an earlier 2016 inspection report correspondence). In addition, in 2016 the NH DES requested UST facility operator training documentation per the requirements of the applicable rules. No record of response was noted in the files for the noted compliance issues.

DISCUSSION

Based on the above records reviewed, Ransom provides the following discussion relative to potential identified environmental issues as they pertain to redevelopment concerns:

1. Asbestos. It is our understanding that extensive renovations are planned for the building. In response to your request Ransom solicited an order-of magnitude cost estimate from a local abatement contractor, EnviroVantage (attached), for those materials listed in the 2012 asbestos report. Note that neither Ransom nor EnviroVantage has observed the facility to verify the previously documented ACM locations and amounts documented by others. Records reviewed above indicate that at least a portion of the ACM has been abated.

The order-of magnitude cost estimate for abatement and disposal of the ACM listed in the report is as follows:

- Flue Stack: \$13,750
- Flooring and Mastic: \$338,000
- Spray-on Fireproofing: \$617,750
- Ceiling Tile and Grid: \$235,000

2. PCBs. The records reviewed did not reference assessment of PCBs in caulk or paint. During this era of construction (circa 1967), caulk containing PCBs was often used in schools, hospitals, and institutional buildings. The caulk was often used between masonry surfaces such as joints between bricks and concrete, joints between concrete and concrete, and joints between windows and masonry, etc. Abatement of the caulk and of PCBs that may have leached into adjoining materials can be expensive. PCBs leach into masonry and sometimes soils beneath caulked areas; and caulk “dust” can cause indoor air problems. The regulated concentration of PCBs in caulk (or paint) is 50 parts per million (ppm), the clean-up standard for those materials (such as adjoining concrete, for example) impacted by the PCBs is 1 ppm. Removed PCB caulk is “PCB bulk product waste” and can be disposed of at a lesser cost, often at a Subtitled D landfill, but the materials the PCBs leached into, if removed as part of clean-up, are considered “PCB remediation waste” and have to be shipped to specific facilities authorized to accept the waste, typically at a higher unit cost. The affected substrate can be encapsulated rather

Mr. Michael Kane
The Kane Company

than removed, with the tradeoff being the cost of labor and disposal (for the disposal option) vs. the cost of labor and ongoing management (for the encapsulation option). If encapsulation is the selected management approach, then the United States Environmental Protection Agency (U.S. EPA) requires review and approval of a risk-based plan. Review times can exceed 6 months. Either remediation/abatement approach requires significant sampling and analyses to support clean-up outcomes and/or management strategy.

Costs associated with PCB caulk removal and affected media remediation, or caulk removal and media encapsulation, can run into multiple \$100,000s.

At present, Ransom has identified no data to indicate whether PCBs are present in the caulk (or in paint), but if PCBs are present in the caulk they typically are present at high concentrations to meet the purpose of maintaining caulk pliability.

For two publicly accessible building exterior caulk application areas, the caulk bead was observed by Ransom to be pliable to the touch, but it is unclear if the caulk observed was original (dating to 1967), or a replacement caulk.

3. LBP. LBP at fairly low concentrations but above the Housing and Urban Development (HUD) LBP definition of 1 mg/cm² was noted in the building. Appropriate construction practices and precautions will be necessary to mitigate potential lead exposure risks. Pre-disposal characterization may be required by the receiving facility for generated waste, depending on the characteristics of that waste. Wastes determined to have a hazardous characteristic for lead will require disposal as a hazardous waste.
4. Petroleum Storage Tank Systems. The 50 gallon day tank that is part of the diesel-fired generator system is listed as out of compliance, based on NH DES records reviewed on line. Also, the NH DES had requested operator training documentation per rules requirements in 2016 and it is unclear whether that was provided. In addition, the facility was subject to administrative fines due to issues on non-compliance during tank installation in 1993. Non-compliance with the applicable rules jeopardizes petroleum fund eligibility; fund eligibility provides the necessary financial assurance mechanism (\$1,000,000) required to operate a UST facility as well as funds for clean-up in the event of an eligible release. It is unclear whether past or current non-compliance issues have jeopardized the availability of petroleum funds as a financial assurance mechanism.

Please note that this correspondence and our review of these limited available documents ***does not*** fulfill the requirements for a Phase I Environmental Site Assessment conducted in accordance with the requirements provided by the ASTM International Designation: E 1527-13, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process, 2013* (ASTM E 1527-13), or the requirements of the U.S. EPA All Appropriate Inquiries (AAI), 40 CFR Part 312. Note that by performing a Phase I ESA prior to property acquisition on a parcel of commercial real estate with respect to the range of contaminants within the scope of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 U.S.C. §9601) and petroleum products, a user satisfies one of the requirements to qualify for the innocent landowner, contiguous property owner, or bona fide

Mr. Michael Kane
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prospective purchaser limitations on CERCLA liability, which also preserves the opportunity to apply for protections afforded through the NH DES Brownfields Program for Sites requiring remediation, and the potential to be eligible of assessment or grant clean-up funds through the U.S. EPA, for eligible Sites and owner entities.

Thank you for the opportunity to be of assistance on this project. If you have any questions regarding this correspondence, please contact Steve Rickerich.

Sincerely,

RANSOM CONSULTING, INC.



John Ouellette
Project Manager

Steven F. Rickerich, P.G.
Vice President

JMO/SFR:jar
Attachments (Table and EnviroVantage Proposal)

ATTACHMENT A

ACM Table

Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire

McIntyre Building - Summary of Types of Asbestos-Containing Materials included in 2012 Asbestos Survey (from notes)

ACM	Sample Location	Result	Area
Flue Stack	Boiler room	30-40% Amosite	1,200 SF
9"x9" Floor tile with black mastic	Basement Restrooms (2), B6	4-6%/8-10% Chrysotile	250 SF
12"x12" Gray speckled tile with black mastic	Basement hallway	2-4% / 3-5% Chrysotile	2,400 SF
9"x9" White tile with black mastic	Rm. 107, 116 & 109	4-6% / 8-10% Chrysotile	2,200 SF
Black and tan carpet with mastic	Rm. 103	4-10% Chrysotile	750 SF
1'x2' Black floor tile	Rm. 130, 159 & ???	30-45% Chrysotile	5,250 SF
9"x9" White floor tile with black mastic	2nd floor hallway	4-6% / 8-10% Chrysotile	9,450 SF
Black and tan carpet	3rd floor hallway	10-13% Chrysotile	2,750 SF
9"x9" White floor tile with black mastic	3rd floor hallway	3-5% / 6-8% Chrysotile	7,360 SF
9"x9" White floor tile with black mastic	3rd floor hallway	3-5% / 6-8% Chrysotile	8,500 SF
12"x12" White floor tile with black mastic	Rm. 301	2-3% Chrysotile	410 SF
Spray-on fire proofing	Penthouse	25-30% Chrysotile	4,000 SF
2'x5' White ceiling tile	Rm. 430	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	Rm. 430	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	3rd floor outside Rm. 320	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	3rd floor outside Rm. 320	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	2nd floor hallway	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	2nd floor main hallway	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	1st floor Rm. 130	3-5% Chrysotile	12,000 SF
Spray-on fire proofing	1st floor Rm. 130	25-30% Chrysotile	12,000 SF
2'x5' White ceiling tile	Basement Rm. 32	ND	6,000 SF
Spray-on fire proofing	Basement Rm. 32	ND	12,000 SF

* ND=not detected [not sure why it was included in their survey table]; SF=square feet

ATTACHMENT B

EnviroVantage Proposal

Environmental Consulting Services
McIntyre Federal Building
Portsmouth, New Hampshire



October 20, 2017

Steven F. Rickerich
RANSOM ENVIRONMENTAL CONSULTANTS
400 COMMERCIAL ST.
SUITE 404
PORTLAND, ME 04101

Re: McIntyre Federal Building-Post Office, Portsmouth

Dear Steven,

Thank you for the opportunity to bid on the McIntyre Federal Building-Post Office, Portsmouth project for your firm. Please review the following quote and contact me with any questions you may have.

Our budget proposal is for the abatement identified on McIntire Asbestos Table you sent us. Our pricing is based on the summary quantities as follows:

- Flue Stack: 1,200 SF
- Flooring and Mastic: 39,320 SF
- Spray-on Fireproofing: 64,000 SF
- Ceiling Tile and Grid: 54,000 SF

Our budget value:

Cost of labor, materials, equipment and disposal: \$1,204,500.00

Break out values:

- Flue Stack: \$13,750.00
- Flooring and Mastic: \$338,000.00
- Spray-on Fireproofing: \$617,750.00
- Ceiling Tile and Grid: \$235,000.00

Please note that we have evaluated these items individually. As an economy of scale we believe it would be reasonable to assume that most of these scopes will occur in common space, enabling us to use the same containment for Tile and Mastic, Ceiling Tile and Grid and Fireproofing. This would represent about a 10% savings on each of these items.

Description of work to be performed: Asbestos:

- Send in State Notification (10-day period)
- Supply properly trained and licensed asbestos supervisor and workers with personal protective equipment
- Set up containment barriers and decontamination chambers
- All items will need to be removed from the work area by owner prior to set up
- Place work zone under negative air as necessary using HEPA filtered equipment
- Remove asbestos containing materials as defined in scope
- Double bag and label asbestos waste for proper disposal
- HEPA vac and clean containment for visual and air clearance by Industrial Hygienist



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- Industrial Hygienist to be provided by GC/Owner
- Remove containment and properly dispose of materials generated
- Supply proper documents

Quotation Notes:

- There is a 10 day working day notification period with the state
- Owner/GC responsible for any additional city and town permits
- Owner/GC to supply access to work area, water, and electricity throughout duration of project (20 AMPS per 1,000 SF is minimum requirement)
- All items will need to be removed from the work area by owner prior to start of work
- No entry into work area by persons other than licensed/trained personnel while work is being performed
- Some damage to the paint or finishes may result from the use of tape during the construction or removal of the containment barriers. Please be advised we are not responsible for repainting if such damage occurs
- Excludes all hazardous materials other than asbestos unless otherwise specified
- No put back of any items removed
- All MEP's associated with work to be made safe by appropriate trades
- EnviroVantage carries standard \$6 million pollution insurance
- No performance and payment bond included, Performance and Payment Bonds would add 2.5% to the total contract value
- Not based on Davis Bacon rates
- Work will be scheduled after the 10-day notification is filed
- Lock out tag out by Owner/GC
- Excludes any/all winter conditions

Quotation Exclusions:

- This quote is based on doing our scope of work in one mobilization
- This quote is based on straight time
- If additional mobilizations are required there will be an additional charge of \$1,800.00 per mobilization
- This quote is based on project schedule represented at bid time
- Any project schedule changes made after the date of this proposal will require a review of our estimated cost

General Information

EnviroVantage is an award winning Specialty and licensed Environmental Contractor with over 30 years of experience and success with projects of this nature, including many of New England's most recognizable landmark projects. We've achieved that level of accomplishment through our continued desire to go above and beyond the expectations of our clients with high quality workmanship, teamwork, communication, dedication to safety and environmental responsibility. We are committed to doing what it takes to get the project done right the first time. For further information on the benefits of working with us, I encourage you to visit our website at www.envirovantage.com.

I appreciate your interest in doing business with EnviroVantage and thank you for your consideration. We look forward to working with you and being a valuable part of your project team.

Feel free to contact me with any questions.



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Sincerely,

Vince

Vincent L. Marcisso Jr.

Director of Business Development

& Senior Account Manager



Asbestos-Demolition-Lead-Mold-PCBs

24/7 Emergency Services

Office: 603-679-9682

Cell: 207-749-9393

Toll-Free: [1-800-640-5323](tel:1-800-640-5323)

www.EnviroVantage.com

vincentm@EnviroVantage.com

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Terms and Conditions:

The above price(s), specifications and conditions are satisfactory and are hereby accepted.

EnviroVantage is authorized to perform the work as of _____, 2017

Payment Terms: Net 30

Overdue payments will bear interest at two (2) percent per month. Costs of collecting overdue invoices, including reasonable attorney's fees will be added to the invoice for collection.

Authorized Signature: _____

*Price quoted is only valid for 30 days after date of proposal. Signature required prior to start of project.

QID: 17701



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