



Preliminary Study
Sherburne School Workforce Housing
35 Sherburne Road

June 2023

Key Points

In response to a request by Mayor McEachern, the Portsmouth Housing Authority, and its affiliated non-profit PHA Housing Development Ltd., (Collectively known as Portsmouth Housing), has prepared this report reviewing the opportunity to build below market rate housing at the Sherburne School property at 35 Sherburne Road.

There is a strong, well documented need for additional housing to be built in Portsmouth. One of the most critical shortfalls in our housing supply is below market rate rental housing available to members of Portsmouth’s workforce.

The Sherburne School site meets key criteria qualifying it as an attractive site for the development of exactly the type of housing needed in Portsmouth. Among the criteria reviewed are the following:

- Economies of Scale
- Neighborhood Context
- Historic Preservation
- Environmental Conditions
- Traffic
- Sustainable Development Opportunities

Timing Matters. A large constituency of city residents and members of the local workforce frequently cite the urgent need for affordable workforce housing, but the development cycles for new housing can be slow. Permitting and constructing new housing in Portsmouth can take years. The proper policy response to the severe shortage of affordable housing calls for action now, in order for, to the maximum amount feasible, quality new housing units to be placed in service without delay.



The Portsmouth Housing Authority

The Portsmouth Housing Authority was created by the City of Portsmouth in 1953 for the purpose of providing safe, decent, affordable housing for low- and moderate-income citizens. The PHA owns and manages 12 properties with 668 rental apartments in the city at Gosling Meadows, Pleasant Street, State Street, Woodbury Manor, Feaster, Margeson, Atlantic Heights, Connors Cottage, Lafayette School, Betty's Dream, Wamesit Place and Ruth Lewin Griffin Place.

Since 1996, the PHA has used the federal Low-Income Housing Tax Credit program to finance new affordable housing development. In 1995, in order to take advantage of the LIHTC program, the PHA formed an affiliated non-profit entity, PHA Housing Development Ltd., providing an ownership structure that allows these properties to remain permanently affordable for Portsmouth residents.

In partnership with the City of Portsmouth, the PHA used the LIHTC program to create 60 new Senior Housing units in the Atlantic Heights School in 1996, Cottage Hospital in 2003, Lafayette School in 2010, and the 64 Workforce Housing units at Ruth Lewin Griffin Place in 2022. The PHA provides property management and asset management services to all properties in its portfolio, and from time to time, provides this service to other affordable housing developments in the city.

The PHA currently houses nearly 1,000 Portsmouth residents including families, seniors, people with disabilities, and members of the local workforce. The PHA also manages 459 Housing Choice Vouchers (Section 8) providing over \$3 million in annual subsidies to local landlords who agree to rent to low-income households. The PHA also hosts a Resident Services program, preschool, higher education incentive program, and after-school and summer programs for children and families.

The PHA and its properties are heavily regulated, requiring a high level of transparency and disclosure on a continual basis. The US Department of Housing and Urban Development, New Hampshire Housing, the Internal Revenue Service, and investors review and score financial statements, policies, property management metrics and physical condition of our properties.

The PHA is locally controlled by a six-member Board of Commissioners appointed by the Mayor of Portsmouth for five-year terms. The PHA appoints a six-member Board of Directors of PHA Housing Development Ltd. Two of these members serve on both boards. 100% of our leadership are volunteers and are residents of Portsmouth. To learn more about the PHA, please go to www.porthousing.org.



Purpose

In response to Portsmouth's ongoing affordable housing crisis, PHA Housing Development LTD., (LTD), a 501©3 non-profit affiliate of the Portsmouth Housing Authority (PHA), offered to study the potential redevelopment of the property at 35 Sherburne Road which is currently home to the Lister Academy. To conduct this study, Portsmouth Housing requested a 90-day Right of Entry, and further pledged to cover all costs associated with this study.

The following report reflects our preliminary analysis of the Sherburne School site. Given the strong community interest in this topic, any decision to further consider development of the site is subject to additional community conversations and further deliberations by the City Council. The Commissioners and Directors of the Portsmouth Housing Authority, PHA Housing Development Ltd., and the community stakeholders we represent, welcome this opportunity to present a factual analysis of the site and the policy context wherein the decision to proceed should be considered.

Policy Context

Expanding the supply of permanently affordable housing in Portsmouth is a long-standing and well-documented priority, as evidenced by the numerous committees, reports, studies, and plans that have been formally adopted by successive City Councils for decades (see Appendix), and more recently evidenced by the over 500 applicants to the new Ruth Lewin Griffin Place Workforce Housing at 160 Court Street. A recent statewide UNH Survey Center poll published in March 2023 shows that by far, the most important challenge facing New Hampshire is the lack of affordable workforce housing for our residents.

If the city fails to address the shortage of affordable housing here, it risks losing the social and economic vitality it treasures – vitality driven, in part, by those who are employed in public services, our thriving creative economy, world-class hospitality industry and many other sectors. Notwithstanding this broad community consensus that there is a serious housing shortage in the city, only 60-units of permanently affordable housing have been built in the past half-century, until the introduction of the 64 new rental units at Ruth Lewin Griffin Place in 2022. Despite explosive growth in luxury housing and commercial development within the community, our affordable housing inventory has not kept up.



The Critical Need for Housing

In August 2022, PHA Housing Development Ltd. commissioned an independent analysis of housing market conditions for Portsmouth. The results were entirely consistent with the policy direction embraced by City Councils over the past several decades, added important new context to the discussion.

Portsmouth’s population has steadily increased since 2000; the Millennial generation, a key component of the community workforce, comprises the largest segment of this population. However, the growth in recent years has been driven by high-income households, leaving little to no housing options for more moderate-income members of our workforce. **In other words, Portsmouth continues to gentrify, while the vast majority of our workforce including current and often long-term members of our community must find other housing options outside of the city.**

The New Hampshire Office of Energy and Planning estimates that between now and the end of this decade, subject to variables in job growth, Portsmouth could support 1,500 new rental units affordable to people making under 80% of the area median income. Vacancy rates for both owner and rental housing remain exceptionally low (<2%) and with high demand from higher income households, prices have risen sharply since 2019. Millennials (25–34), who represent a higher share of renters, are facing higher percentage increases in rents compared to home prices in a tightening market.

These trends are causing younger residents to seek housing options outside Portsmouth. Indeed, according to data provided by the US Department of Housing and Urban Development, nearly 38% of renter households and 28% of homeowners, are considered “cost burdened”, spending more

than 30% of their household income on rent. Fifteen percent (15%) of these renters are spending more than 50% of income on housing. The demand for affordable workforce housing is perhaps best illustrated by this chart which quantifies the number of persons employed in Portsmouth with annual earnings which would qualify them for affordable workforce housing such as that proposed for the Sherburne School site (or equivalent).

Ten Largest Occupation Categories, Portsmouth 2021*

Position	# Positions	Adj Median Earnings **
Office/Administrative Support	4,787	\$31,988
Sales	3,890	\$25,623
Food Preparation and Serving	2,804	\$20,561
Transportation/Moving	2,389	\$26,150
Management	2,149	\$92,892
Computer/Mathematical	1,832	\$70,311
Business/Financial Operations	1,769	\$57,297
Production	1,718	\$32,818
Healthcare Practitioners/Technical	1,685	\$60,936
Healthcare Support	1,350	\$25,392

*(EMSI 2022.1-QCEW Employees)

**Median earnings below 80% Area Median Income highlighted in yellow



Site Analysis

When evaluating sites for new construction of affordable housing, Portsmouth Housing considers the following site characteristics to ensure the proposed development will respond to the needs of future residents, existing neighbors, and financial feasibility.

Economies of Scale - With all new developments, Portsmouth Housing seeks to identify sites that will accommodate 40 or more units of housing. This scale of development is responsive to the extraordinary housing need, and offers economies of scale in development and operation, thereby enabling Portsmouth Housing to develop, own and manage to the highest possible standard. Based upon our initial site review, the 5 acres of land at Sherburne School offers a potential opportunity to develop greater than 40 units of affordable housing, and therefore is an attractive candidate.

Neighborhood Context - The Sherburne School parcel abuts Interstate 95, a densely developed office and industrial complex, and a small neighborhood of approximately 19 single-family homes to the south. The Pannaway Manor neighborhood sits to west of the site, on the opposite side of I-95, and is largely screened from the Sherburne School site. Portsmouth Housing believes the development of a four-story multifamily housing structure provides a reasonable land use transition between the high-density commercial development to the north, and the single family homes to the south and west. The design of a multifamily housing development at Sherburne School site would necessitate a careful evaluation of the local design context, height, massing, and materials.

The portion of the site identified for the proposed multifamily building(s) behind the school building is located approximately 13 feet below the street grade, which would enable a 4-story building to “read” like a 3-story structure, largely obscured by the existing Sherburne School building, and designed to standards of the Noise Overlay District. Should the Council decide to proceed with a housing development at the site, Portsmouth Housing will ensure the development is consistent with the neighborhood context.

Sherburne School Building Historic Preservation – According to City records, the Sherburne School building is approximately 17,000 s.f single-story structure built around 1942 and is currently home to the Lister Academy. The school building is well suited for adaptive reuse in its current form, and will provide an important bridge between the history of the site and any new development. If the City or any other entity does not wish to adequately fund the redevelopment and operations for a mix of uses at the site, including the use of the school building for something other than housing, Portsmouth Housing recommends the preservation and adaptive reuse of the building for housing.



Site Analysis

Environmental conditions - Portsmouth Housing is committed to expending significant resources to confirm the sufficiency of soils and the absence of incompatible environmental conditions. Initial observations by our Architecture and Engineering team suggest that there are no subsurface conditions that would render the site incompatible with multifamily residential use, providing that the design will carefully evaluate and mitigate roadway noise conditions. The site is well served by municipal services (e.g., public water, sewer, gas, electric) but a more detailed evaluation of public infrastructure will occur if the Council elects to proceed with consideration of the site. (See Appendix)

Traffic - Portsmouth Housing engaged traffic engineers to conduct a full traffic study of potential impacts the site and its surroundings. (See Appendix) This study shows that traffic from this proposed housing development is all primary trips and adds 9 new trips in the AM Peak Hour and 42 new trips during the PM Peak Hour. That is less than one new trip per minute during peak hours. Therefore, only minor impacts are caused to the study area intersections. The existing intersections will operate acceptably with adequate reserve capacity in opening and future years.

Sustainable Development Opportunity - Portsmouth Housing is committed to the highest possible sustainability standards. The recently developed Ruth Lewin Griffin Place was named Building of the Year by the US Green Building Council's NH Chapter as the highest scoring LEED project in NH in 2022. In considering the Sherburne School site, Portsmouth Housing has directed its team to pursue an even higher standard for the development, such as Passive House or Net Zero development. The site offers excellent solar access, and the team is well qualified to achieve these goals.

Recreational Opportunities - The developable portion of the site is currently improved by a softball field. While new, less land intensive recreational opportunities can be included in a new development, this field will need to be relocated in order to allow a viable scale of housing to be built. Recently, the City Council adopted a new Capital Improvement Plan which reprioritized \$100,000 to FY24 and \$3,000,000 to FY25 for construction of additional turf fields in the city.

Property Taxes - Any workforce housing developed by Portsmouth Housing will contribute payments to the City consistent with NH RSA 72:23-k.



Answers to Additional Questions

Workforce Housing Defined – Consistent with the high demand in for workforce housing in the city, Portsmouth Housing recommends workforce housing be developed at the site. NH Housing defines workforce housing, in part, as permanent housing, intended as a primary year-round residence that is available to households regardless of age, and is best provided near places of employment. Workforce housing can include, but is not limited to, subsidized housing, affordable housing, and mixed-income housing. It refers to a broad range of places to live, meeting the needs of families and individuals that represent the majority of New Hampshire’s diverse workforce. The term affordable housing is generally used to describe housing in which the cost of rent and utilities is at or below 30% of gross income of a household.

Permanent Affordability – Any new rental housing development sponsored by Portsmouth Housing will utilize the federal Low-Income Housing Tax Credit program to fund the project. The LIHTC program is highly regulated by NH Housing and will require a 60-year affordability covenant.* In Portsmouth Housing’s 70-year history, none of the housing we own and manage has been converted into market rate housing.

Management – All PHA management and operations are locally controlled. The PHA serves as property manager and asset manager for all properties in PHA’s owned and managed portfolio. The physical condition of our properties is subject to routine inspections by our regulators, including the accounting and use of capital reserve funds and maintenance operating budgets. Our regulators also approve and monitor admissions policies, compliance, financial statements, and budgets associated with managing these assets.

Zoning – As is the case for other Portsmouth Housing developments on City owned properties at Connors Cottage and Lafayette School, the Sherburne School property is in a Municipal (M) zone. The zoning designations for the abutting parcels to the Sherburne School site include Industrial (I), Office Research (OR), and Single Residence B (SRB).

Project Funding - The PHA and its properties are funded by rental income, federal contracts, fees, and grants, not by Portsmouth taxpayers. Any housing developed at Sherburne School will be paid for, financed, leased and managed by Portsmouth Housing.

Conveyances – The PHA anticipates that a new housing development at Sherburne School will be best served by the City maintaining ownership of the property, and granting a land lease to the development.



Process – Timing

As explained before, the only way to produce affordable housing is by utilizing the federal Low-Income Housing Tax Credit Program. This is the same program Portsmouth Housing used to bring \$7.8 million to the city for the Ruth Lewin Griffin Place Workforce Housing which opened in June 2022, and could bring as much as \$16 million in outside funds to the city for a housing development at Sherburne School.

Given the limited supply of these LIHTC, and the strict deadlines in which to apply for them, the earliest opportunity for the city to produce new affordable housing is late 2026. Because of these rigid deadlines, this can only be achieved if building permits and entitlements are in hand by August 2024. **Delay beyond this date will cause people in Portsmouth’s workforce to spend an additional year being cost – burdened, impairing their ability invest in education, build assets, and become productive members of our community.**

Additionally, further delaying new housing development now also delays subsequent projects. Our severe shortage of affordable workforce housing is a result of our underbuilding housing for decades. Correcting this shortage will require more than one new affordable housing development to be built in the city.

Measured by our recent history, even if we are successful in creating new housing by 2026, Portsmouth could lose more affordable housing units than we are able to build in that time. This will further add to the unhealthy imbalance of our housing stock, while Portsmouth rents continue to rise.

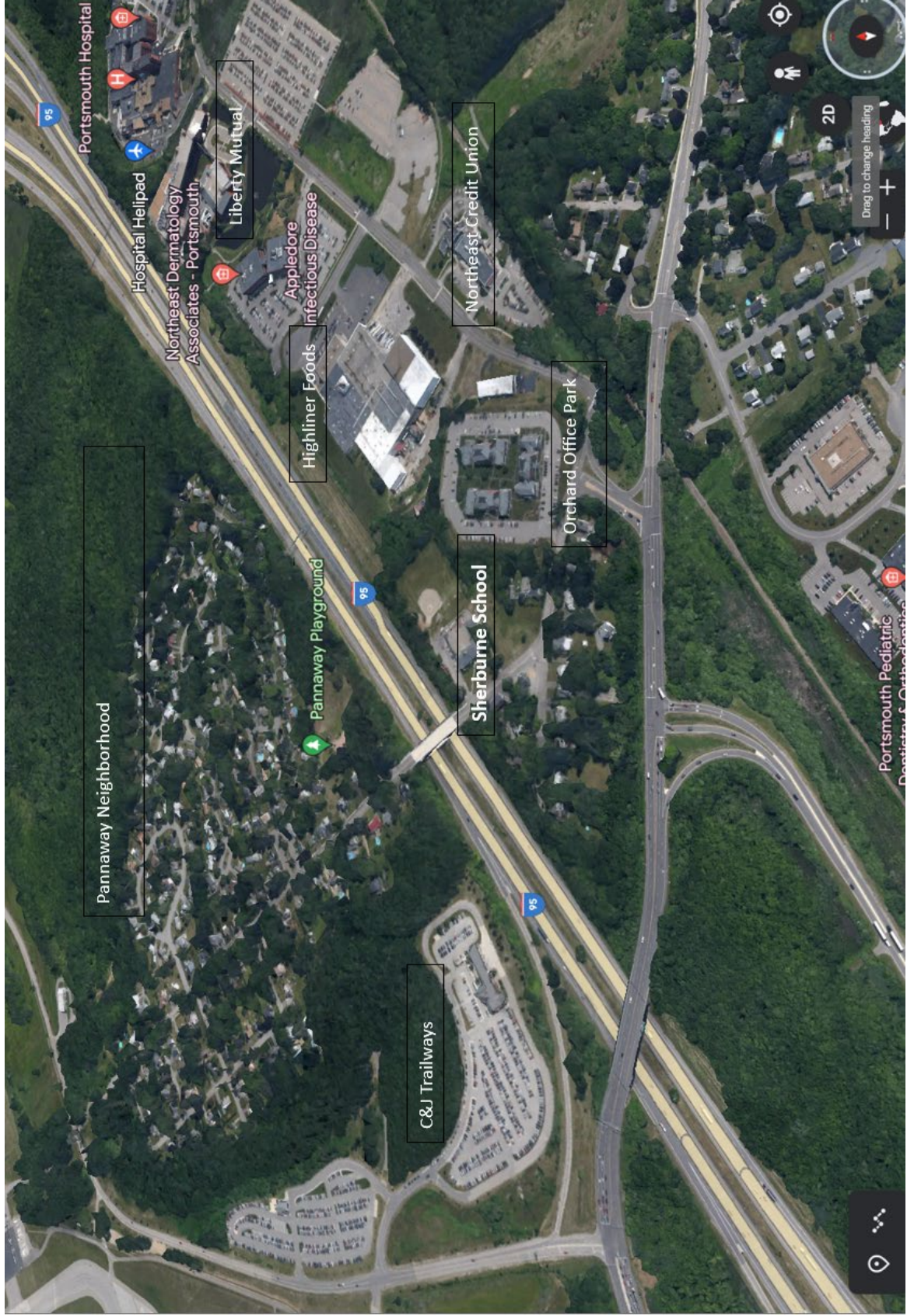


Process – Recommended Key Milestones

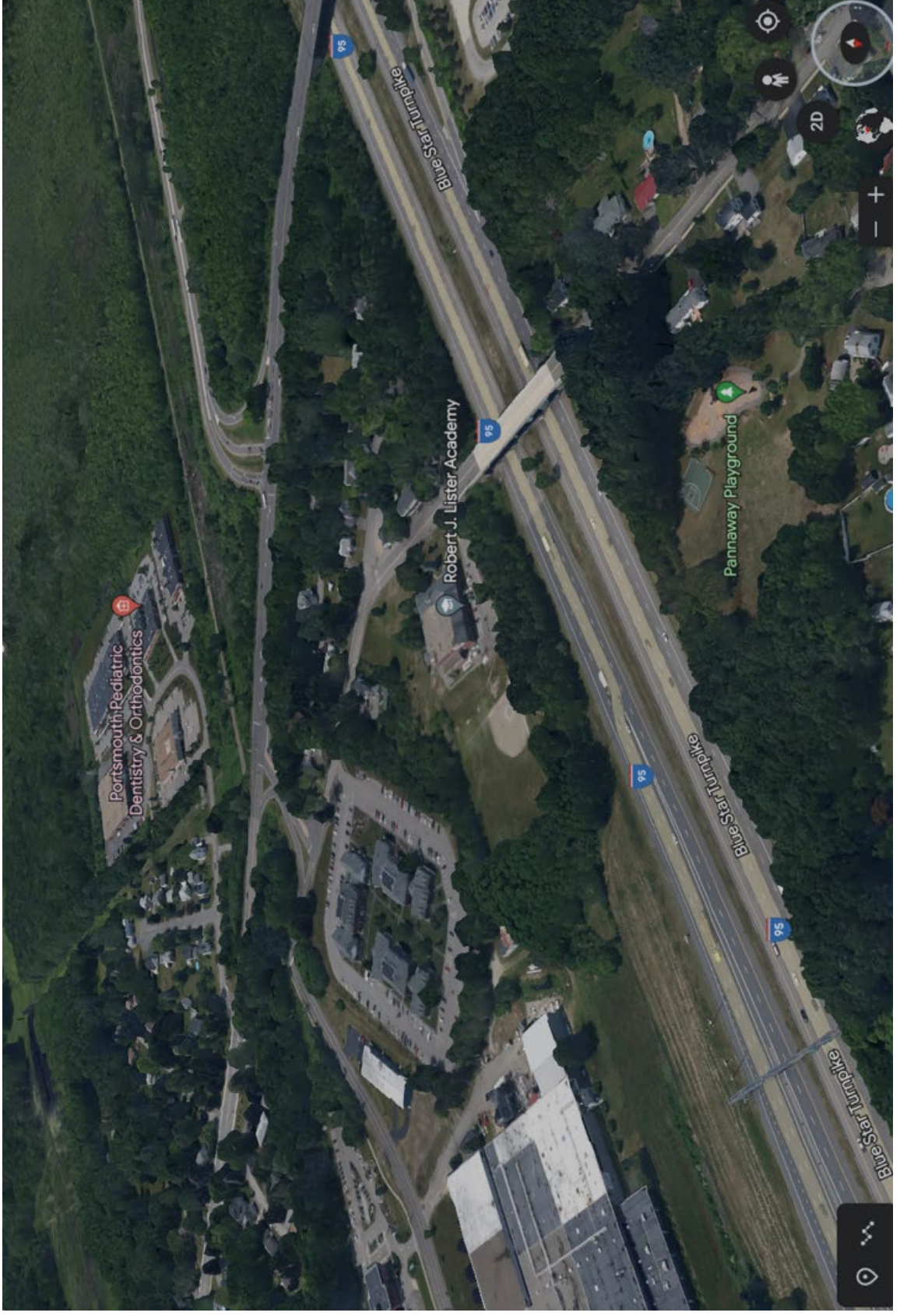
If we are to complete construction and fully occupy new workforce housing in Portsmouth by 2026, the PHA recommends key milestones arranged as follows.

Preliminary Analysis	Engagement & Concept Design	Design Development	Construction
January - June 2023	June - November 2023	November 2023 - April 2024	December 2024 - June 2026
PHA Financial Commitment	Community Engagement	Detailed Design and Engineering	Construction Drawings and Building Permits
Site Review and Due Diligence	Identify Preferred Development Concept	Permitting and Entitlements	Secure Construction Bids/Contract
Identify Alternative Development Concepts	Preferred Concept Schematic Design	Design Development Contract Pricing	Financial Closing
Present Findings to Council	Present Findings to Council	Present Findings to Council	Construction Start
City Council Resolution to Proceed	City Council Resolution on Disposition	Ground Lease Agreement	Construction Completion

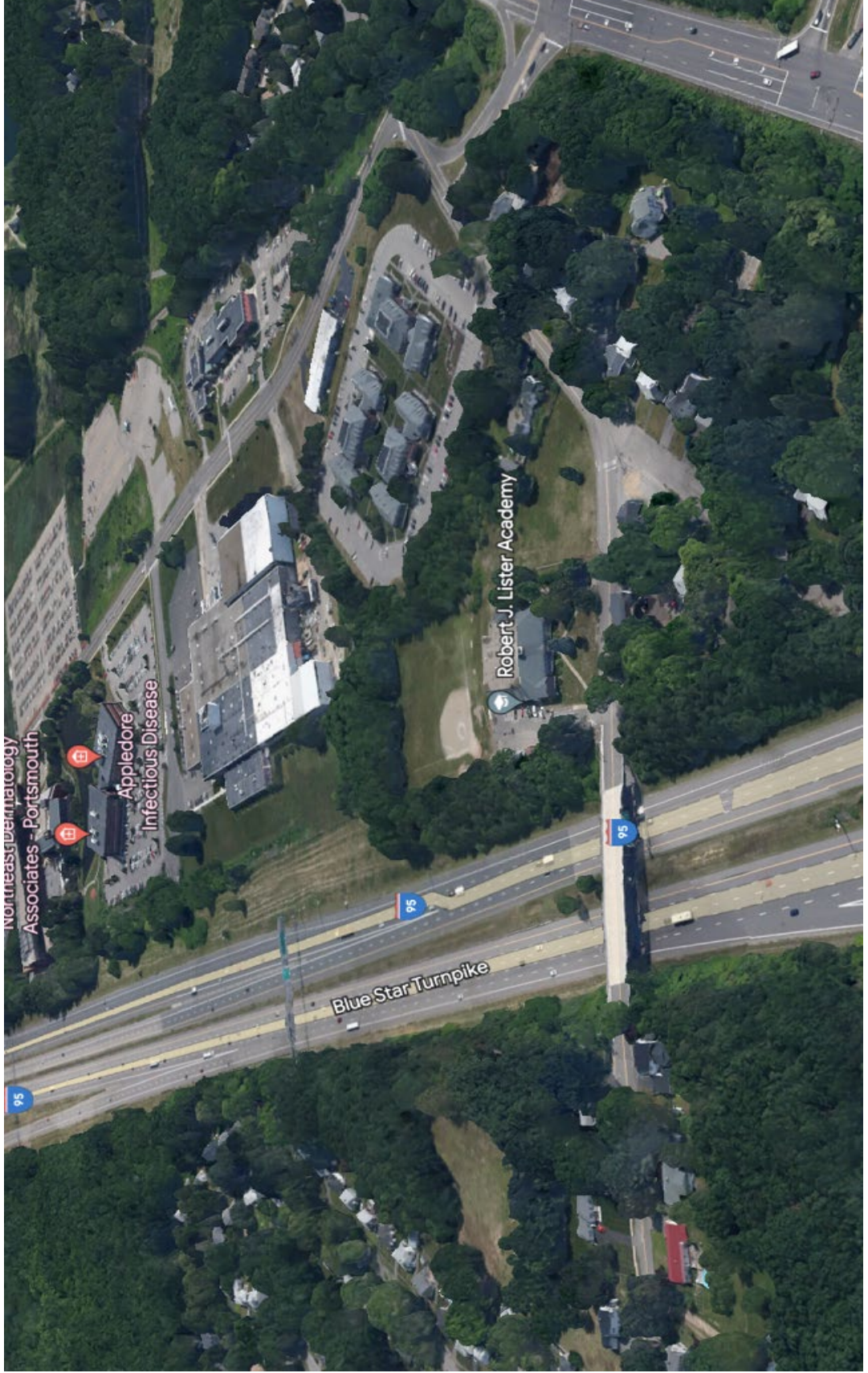
Appendix – Neighborhood Context



Appendix – Neighborhood Context



Appendix – Neighborhood Context



Appendix — Existing Conditions



Appendix — Zoning Map



Appendix

- 2005 City of Portsmouth Master Plan
<https://files.cityofportsmouth.com/files/planning/MasterPlanFinalComplete-Aug2005.pdf>
https://files.cityofportsmouth.com/files/planning/MP_ExistingConditionsFinal-May05.pdf
- 2008 City of Portsmouth Blue Ribbon Commission on Housing
<https://files.cityofportsmouth.com/agendas/2008/misc/house052908m.pdf>
<https://files.cityofportsmouth.com/agendas/2008/misc/house100208m.pdf>
<https://www.cityofportsmouth.com/planportsmouth/housing-reports-data>
- 2016 City of Portsmouth Blue Ribbon Commission on Housing
<https://files.cityofportsmouth.com/agendas/2016/misc/CNCAgenda2016-11-15.pdf>
https://files.cityofportsmouth.com/files/planning/HousingComReport_November2016.pdf
- 2016 City of Portsmouth Housing Policy
https://files.cityofportsmouth.com/files/planning/HousingComReport_November2016.pdf
- 2017 City of Portsmouth EDC Business Retention & Expansion Report
<https://files.cityofportsmouth.com/files/planning/BREPortsmouthReport10.18.17.PDF>
- 2017 Portsmouth Listens Study Circle Final Report
<https://portsmouthlistens.org/wp-content/uploads/2020/12/Affordable-Housing-Dialogue-Final-Report-2017.pdf>
- 2017-2020 PHA Strategic Plan
<https://pha.mintleafmarketing.com/assets/10ca25a4-f3a0-4d80-8640-9862980dc02f-pdf/PHA%202017%20Strategic%20Plan.pdf>
- 2025 City of Portsmouth Master Plan
<https://view.publitas.com/city-of-portsmouth/portsmouth-master-plan-adopted-2-16-2017/page/1>



Appendix

- 2022 Portsmouth Housing Development Ltd. Market Study
<https://pha.mintleafmarketing.com/assets/73f71e40-66f1-47ad-8e2e-dee0b0f05907-pdf/Portsmouth%20Market%20Analysis%20FINAL%2009.09.2022.pdf>
- NH Housing 2023 Statewide Housing Needs Assessment
<https://www.nhhfa.org/wp-content/uploads/2023/04/2023-NH-Statewide-Housing-Needs-Assessment.pdf>
- Rockingham Planning Commission 2022 Housing Needs Assessment
<https://www.therpc.org/RHNA>
- UNH Survey Center March 21, 2023 Poll
https://scholars.unh.edu/survey_center_polls/732/
- Sherburne School SRW Engineers Environmental Site Assessment 2023
<https://pha.mintleafmarketing.com/assets/b24a222e-92db-4872-b89f-21786893c5af-pdf/Sherburne%20School%20Phase%20I%20ESA.pdf>
- Sherburne School Traffic Study – TF Moran
<https://pha.mintleafmarketing.com/assets/067bcc7c-af57-42be-8969-36579f6b21e1-pdf/2023%20TF%20Moran%20Sherburne%20Traffic%20Study.pdf>
- * Amendment to Page 7 - NH Housing’s 2019-2020 Qualified Allocation Plan (QAP) required a 99-year affordability agreement, but this plan was amended in the 2022-2023 QAP to require a 60-year affordability covenant. The Preliminary Report included in the June 20, 2023 City Council package stated there would be a 99-year covenant as required, but the final version of this report has been updated to accurately to reflect this state policy change. Notwithstanding, Portsmouth Housing remains committed to maintaining permanent affordability throughout it’s portfolio and has done so throughout it’s 70-year history.



This report authored by
PHA Housing Development Ltd., for the
City of Portsmouth
June 2023

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