

Cochecho Waterfront Market and Development Analysis



prepared for

City of Dover, NH

prepared by

ABRAMSON & ASSOCIATES, Inc.

March 23, 2015

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Mr. Steve Bird
City Planner
City of Dover, NH
288 Central Avenue
Dover, NH 03820-4169

Re. Cochecho Waterfront Market and Development Analysis

Following is our report detailing our evaluation of market and development potentials and financial implications and strategies for development of the Cochecho Waterfront in downtown Dover.

Thank you for the opportunity to assist you in this important project.

Sincerely,

ABRAMSON & ASSOCIATES, Inc.

A handwritten signature in black ink, appearing to read 'B. Abramson', with a long horizontal flourish extending to the right.

Barry M. Abramson
President

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I. EXECUTIVE SUMMARY

Abramson & Associates, Inc. was retained by the City of Dover to evaluate the market and development potential of the Cochecho Waterfront Site, a 21 acre, City-owned property across the Cochecho River from downtown. Specifically, the evaluation is intended to inform the City's consideration of potential financing and marketing of the property with regard to the market and development potential of alternate private real estate uses, reasonable program mix, capacity, and build-out/absorption pace, potential tax increment and land sale revenues, and strategies for implementation. Key findings are as follows:

The Site

- Assuming excavation of bluff and hill areas and subtracting areas for the riverfront park and extensions of Washington and River Streets, the net area available for development is estimated to be approximately 14.5 acres.

Site History and Framework

- A development agreement executed in 2007 fell victim to the economic downturn and the requirement for privately financed, largely front-loaded land, site, and infrastructure costs. The master developer withdrew from the project in mid-2014.
- The City recently authorized a Waterfront Tax Increment District and plan for financing public improvements with the property to be remarketed through a request for proposals to attract a developer(s) to implement development in a manner that will be feasible, yield a net positive financial effect to the City, and fulfill community objectives.

Economic Context and Initiatives Impacting Future Growth and Development

- Economic and demographic projections for Strafford County and the surrounding area indicate moderate growth over the next few years.
- There are indicators of more substantial growth in the City of Dover, including strong private sector job growth and attraction of companies bringing high value jobs in recent years.
- Portsmouth and the Pease Tradeport, the center of the Seacoast's economic activity, have high costs, traffic congestion, lack of parking, and limited remaining buildable land, pushing regional development north to Strafford County and Dover has amenity and locational advantages to capture this activity.

- The expansion of the Route 4/16 Spaulding Turnpike Little Bay Bridge, when completed in 2020, will significantly reduce travel time during peak hours, with some improvement in peak travel time possibly occurring as early as summer of 2015.
- An Aquatic Center and Land Sea and Space Museum, have been proposed to be located in Maglaras Park. If developed, such attractions would generate considerable visitation that could benefit potential development on the site.

Real Estate Market and Development Potential

Residential

- The site is attractive for residential with a strong market for residential condominiums and rentals in multi-family buildings and townhomes indicating this use can be anticipated to fill as much of the site's development capacity over time as the City and community will allow it to.
- By the time new development can be undertaken, it is reasonable to assume that financing more conducive to condo development will be available for sound projects in secondary markets such as Dover.
- Attainable pricing for units in multi-family buildings is estimated at sale prices of \$275 per square foot (\$275,000 for an average 1,000 square foot unit with most units having one in-building parking space) and rents of \$1.75 per square foot (under \$1,600 for an average 900 square foot unit with surface parking).
- Pricing for townhouses is estimated at sales prices of \$205 per square foot (under \$380,000 for an average 1,850 square foot unit with one to two in-building spaces) and rents of \$1.40 per square foot (under \$2,400 for an average 1,700 square foot unit with one to two in-building spaces). Live-work space would imply lower prices attributable to the residential components of the townhouses.
- Annual absorption of a total of 30 multi-family units and ten townhouse units is considered reasonable, with a 50:50 mix of for sale and rental over the course of the build-out period. This would result in absorption of a significant residential component over a five to ten year period.
- For sale multi-family buildings and townhouses are considered to have reasonably strong prospects for feasibility and ability to support significant land sale revenues. Because unit sales can provide a reliable basis for assessed valuation, for sale residential would provide the strongest real estate tax/tax increment benefit.

- Rental townhouses are also considered to have reasonably strong prospects for feasibility and ability to support land sale revenues.
- Development of multi-family rental buildings is considered to yield a marginal return, perhaps sufficient to attract local developers, but with minimal supportable land cost.

Office

- Ground floor commercial space, while likely negatively impacting development economics, should be included in multi-family buildings at locations in which it would be most marketable and meaningfully contribute to the project's vitality.
- Attracting large corporate office tenants or owner-users is not considered likely, and could pose concerns in terms of land utilization (parking), traffic, and vitality.
- A relatively limited amount of small local service providers and professional service firms or other very small local companies could be attracted to the site.
- These users can't be anticipated to commit to-preleasing, serve as bankable credit tenants, or pay the kind of rents that would justify new development, but could make sense for ground floor space within mixed-use buildings in which a primary residential use could subsidize a relatively small component of low rent, speculative space and share parking with complementary peak usage.
- Rent could range anywhere from \$10.00 to \$15.00 per square foot, triple net, with \$12.00 to \$13.00 per square foot, triple net, being a reasonable, conservative assumption for a limited amount of space.
- Absorption capacity would be constrained to the extent it relies upon a market already largely served by space in Dover and the City would not want to promote an over-supply of such space to the disadvantage of existing buildings in downtown.

Retail

- The primary locational parameter for most retail is traffic – either pedestrian or vehicular. The site will not offer a high volume of year-round traffic of either type unless major nearby destination attractions are developed.
- The site is separated from the core of downtown, limiting the ability of retail to benefit from the critical mass of retail activity there.
- On-site resident populations could support only a very limited amount of on-site retail.

- Absent development of major nearby attractions, there would likely be minimal demand for retail space at the site – a few thousand square feet at most.
- Rent would likely be in the range of \$10.00 – \$12.50, triple net, with significant vacancies, making this an uneconomic component requiring subsidy by other project components.
- The above factors, along with a concern about weakening the downtown core, indicate limiting retail space only to a reasonable level required to activate the site.
- The amount of ground floor commercial space accommodating retail and office tenants would be driven by allocation of space in multi-family buildings with frontage on public ways with optimal visibility to the public. A reasonable target capacity would likely be 20,000 square feet, though this amount might be reduced based on specific site planning or reception of initial phase commercial space. The work space in live-work townhouses might add a like amount of at least somewhat public-oriented space.

Restaurant

- Inclusion of a significant size restaurant (4,000 – 5,000 square feet) on the riverfront will be an important component of making the project both attractive to other project occupants and to the community at large.
- A location at the foot of the bridge could be particularly attractive for a restaurant.
- New restaurants are expensive to build and fit-out. Independent restaurant operators often aren't able to make a significant contribution to the required capital cost of fit-up or pay the high rent and provide the credit worthiness that a building owner would require to make that investment.
- If a rent of \$20 per square foot triple net could be attained for fully fit out restaurant space it would still indicate a need for significant subsidy.

Hotel

- Hotels in Dover are operating at room rate and occupancy levels significantly below those sufficient to support development of a new hotel.
- New supply is anticipated to come on line in Portsmouth and Durham.
- When the market eventually absorbs these additions and can support additional supply, hotels will seek sites that best meet their locational parameters – immediate

convenience to and visibility from major highways and proximity to major demand generators or a major overnight tourist destination such as downtown Portsmouth.

- Lacking these advantages, the site would be considered a secondary location, unlikely to attract hotel development.
- It is possible that very significant subsidy could attract a hotel, by enabling it to significantly undercut the price of competitive hotels in Dover. This would have a severe impact on rate and occupancy of those hotels.
- A significant expansion of nearby demand, particularly development of nearby attractions could, perhaps, make the site attractive for a hotel and result in it being feasible, with only favorable, or no, land cost required.

Banquet/Event Facility

- The River Mill at Dover Landing serves a component of local market demand but is unable to accommodate large events, and even many medium size events, causing many Dover-based events to travel to event spaces in nearby communities.
- However, existing and soon to be developed event spaces limit the market for development of this use in Dover.
- The University of New Hampshire operates 10,000 square feet of event spaces, with the largest space of 4,200 square feet able to accommodate 260 for a banquet and 300 for a lecture.
- The planned Indigo Hotel in Portsmouth will have an event space accommodating 700.
- Development of new stand-alone event spaces outside major metropolitan areas is rare, given the challenging nature of their operations and economics. More typically, these facilities are developed in conjunction with hotels, given the synergistic nature of their businesses.
- While development of a stand-alone event facility is considered unlikely, it is possible that, should a hotel be developed, an event facility could be induced to be part of the program, perhaps with no subsidy other than free land for the combined project.
- Additionally, an event facility would also require a great deal of parking (perhaps 250 for a 5,000 square feet facility) available both business day and evenings/weekends.

Tax Increment and Cash Flow Analysis of Phased Development Programs

- The City has authorized a Waterfront Tax Increment District and TIF financing plan to fund public improvements.
- The plan calls for issuing general obligation bonds to fund the \$6,000,000 of public improvements (in two equal stages) with annual transfers of \$150,000 from the City's general fund for the initial three years.
- Two illustrative programs of staged development were evaluated for their ability to generate tax increment and land sale revenues – a Preferred Program Scenario and a Basic Program Scenario. Both assume residential with commercial (20,000 square feet) and a major restaurant (4,500 square feet) starting to come on line in 2018.
- The Preferred Program Scenario also assumes favorable future conditions making development of a hotel with event facility feasible four years after that initial phase with only the write off of land. The program includes 262 residential units and build-out is assumed to be completed by 2024, with full absorption in 2025, eight years after construction start of the initial phase.
- The Basic Program Scenario assumes favorable conditions necessary to support the hotel and event facility do not materialize and remaining land is allocated to additional residential (yielding 378 units), extending the build-out to 2026, with full absorption in 2027, ten years after construction start of the initial phase.
- After the initial two years of the bond financing, the two program scenarios are both estimated to generate tax increment of no less than approximately double the amount of debt service. Stabilized tax increment is estimated to be over 3.0 times debt service in the Preferred Program Scenario and over 4.0 times debt service in the Basic Program.
- Low, medium, and high scenarios of potential land sale revenues are presented, spanning a wide range of possible outcome. Cumulative land sale revenues (in constant 2015 dollars) are estimated to range from approximately \$900,000 - \$3,500,000 in the Preferred Program Scenario and \$1,500,000 - \$5,000,000 in the Basic Program Scenario.
- A sensitivity analysis was performed to test the ability of revenues generated by the project to cover debt service under a considerably more conservative scenario. This analysis assumes the Basic Program is built out and absorbed at a pace twice as long as in the above scenarios with the restaurant at only half the size (2,250 square feet).

- TIF revenues for this conservative sensitivity scenario fall just short of covering bond debt service in the fourth through sixth years of the bond financing by a combined total of \$71,000, which is approximately equal to the share of taxes on base valuation going to the City's general fund over that period. If land sale revenues are considered, the net cash flow would be far in excess of bond debt service in those years. The seventh financing year sees a return to positive net cash flow just from tax increment revenues at \$84,000 (making up all of the prior years' estimated shortfall), and increasing to more than double that in the following year.
- No fiscal costs attributable to the project have been estimated as it is anticipated the number of public school students would be minimal, if any, and the marginal impact on capital and operational costs for school and other municipal services would be negligible, whereas the City would receive substantial impact fees (e.g. approximately \$800,000 for the Preferred Development Program Scenario). Prior to the sale of the property or any portion of it, the City would be able to assess the potential fiscal impacts of specific proposed projects and prioritize development considered to have the most advantageous fiscal impact.

Implementation Strategies

- The City's funding and construction of major site work and infrastructure give it the option of marketing and transacting disposition of development pads in stages to multiple developers or contracting with a master developer for the entire project.
- A request for proposals can invite proposals for both approaches, enabling the City to get the best insight on the potential advantages of alternate approaches and the specific cases that can be made by individual proposers.
- A two-stage RFP process would be particularly appropriate for attracting potential developers.
- The RFP process would have to be managed carefully to avoid shortlisting and selection based on unrealistic visions that proposers might ultimately not consider worth pursuing through the process.
- Optimally, CWDAC and the community will be engaged as an active and well-informed participant in the process. The community's understanding of what is and is not realistic and the implications and trade-offs of various options will facilitate wise decision-making in the RFP process and encourage developer response.

- We recommend the City establish design and development objectives and parameters that are essential elements of the project but allow a developer(s) reasonable flexibility as to how such objectives can be fulfilled.
- We recommend the City structure the disposition process and development agreements so as to be able to exert some control over later stage programming by means of development plan approval, staged land take-down, land pricing and/or possible assistance and, if desired, maintain the ability to reserve particular sites appropriate for targeted uses that are not viable in the near term such as a hotel and, possibly, an event center. Development of uses viable in the near term could proceed on other portions of the site and the City could determine in a few years whether conditions appear to be conducive to development of targeted uses or the reserved sites should be freed for other uses.

II. PROJECT FRAMEWORK AND OBJECTIVES

The City of Dover is considering potential financing and marketing for development of the City-owned Cochecho Waterfront Site. The City and the Cochecho Waterfront Development Advisory Committee (CWDAC), representing the community, seek a development of the Waterfront Site that will:

- Continue and expand upon the active mix of uses characterizing downtown
- Expand the City's river-fronting park system
- Be of high quality design and construction
- Feel like an attractive and welcoming area for community residents and visitors
- Be practical in terms of feasibility and have a net positive economic effect on the City

Abramson & Associates, Inc. was retained by the City to provide an evaluation to inform its decision-making to achieve an outcome fulfilling the above objectives. Specifically, the evaluation addresses market and development potential of alternate private uses, reasonable program mix, capacity, and build-out/absorption pace, potential tax increment and land sale revenues, and strategies for implementation.

The evaluation focused on the following major real estate land uses:

- Residential
- Office
- Retail
- Restaurant
- Hotel
- Banquet/event facility

These uses were selected for evaluation in consultation with the City based upon their being considered: primary uses potentially appropriate for the site and/or uses for which the City and community have expressed a particular interest in determining viability; and uses which are productive subjects for real estate market and financial analysis. Other recreational, cultural, or other uses may also be put forward by public, non-profit, or private parties as the project evolves. The viability, appropriateness, costs and benefits of any such uses could be considered in response to specific proposals by project proponents.

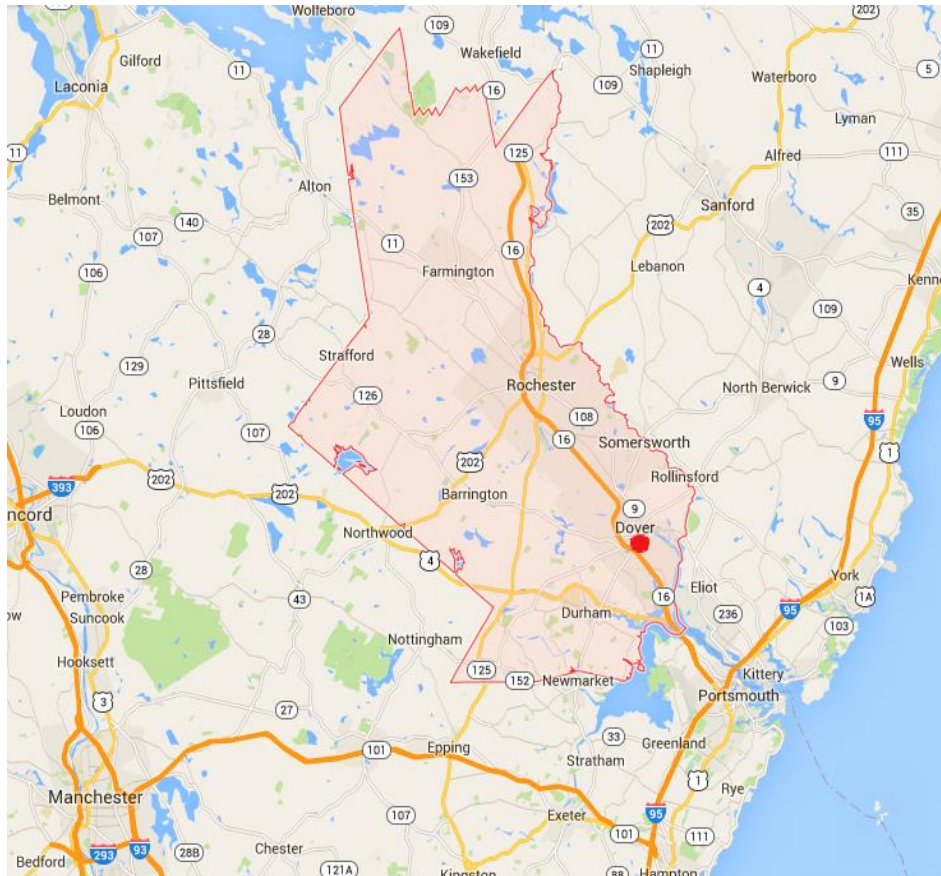
The evaluation was based on extensive primary research entailing numerous interviews of market participants knowledgeable about these sectors, the local market and economy, and the site. A list of parties who generously offered information and insights to the evaluation is presented in Appendix A at the rear of the report. The evaluation also entailed research and analysis of numerous documents provided by the City and other published data and information concerning real estate, economic, and demographic factors. These inputs, along with our inspection of the site and relevant local areas, and our experience with comparable projects, were integrated to formulate and interpret the analyses and provide the strategic input summarized in this report.

III. THE SITE

a. Description and Characteristics

The site is located in the City of Dover, in Stafford County, in the southeastern portion of the state of New Hampshire, commonly known as the Seacoast Region.

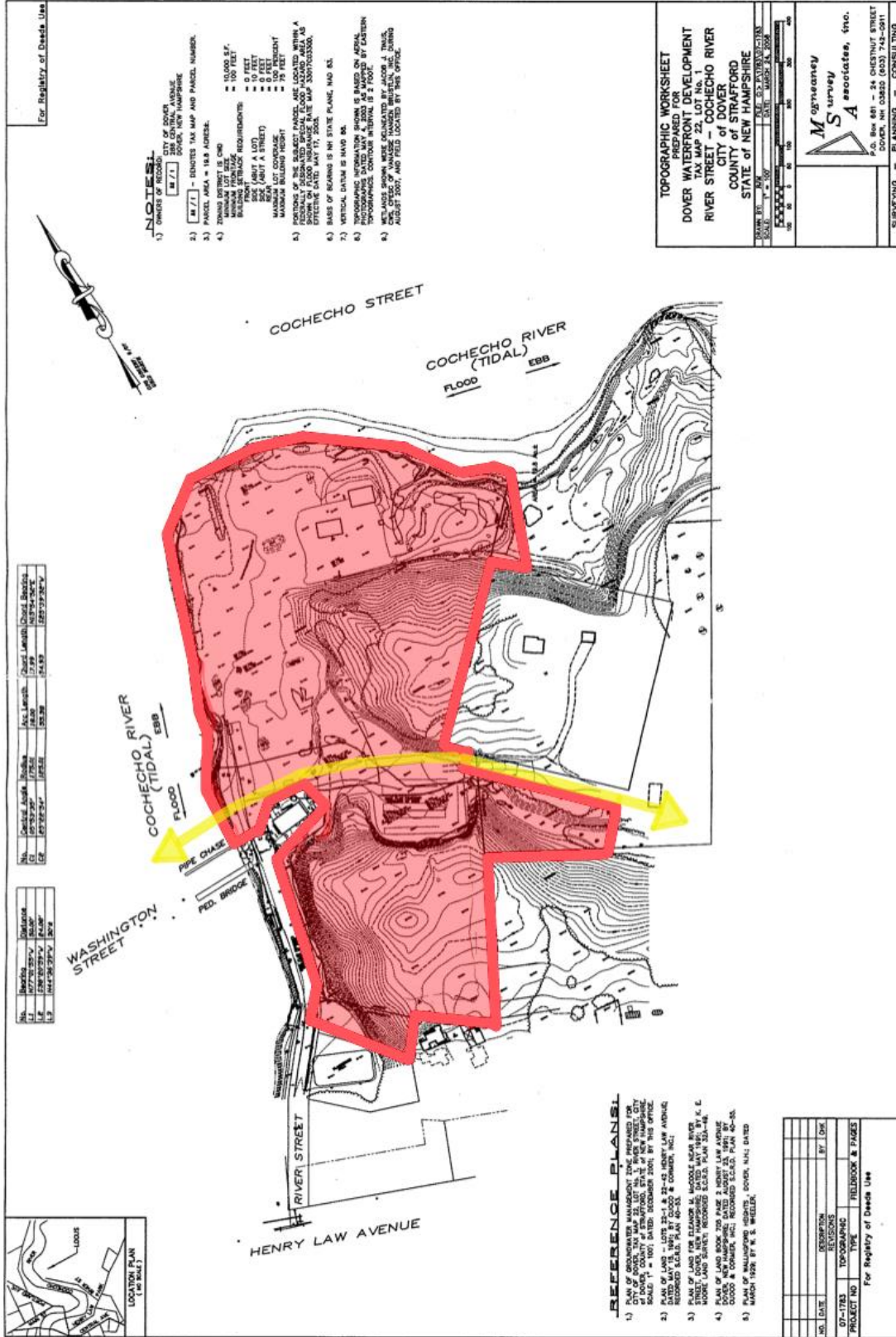
Map 1. Dover, Stafford County, and Environs



The Cochecho Waterfront Site comprises approximately 21 acres according to a 2009 survey prepared by McEneaney Survey Associates. (A plan showing the outline of the site, overlaid on a prior survey, the most recent showing topography, is presented on the following page).

The site is located east of downtown Dover, across the Cochecho River, and is accessed by the Washington Street and the Makem Bridge. South of the bridge, River Street forms the western boundary and provides access to Henry Law Avenue. North of the bridge, the river forms the site's western boundary and bends to provide the site's northern boundary as well.

Exhibit 1. Cochecho Waterfront Site



To the east of the site is a 4-acre privately owned property on a hill, known as the Old Jail Site, and, on either side of and east of that, City property. Further to the east of the property is a dredge spoil disposal cell and Maglaras Park, which will be accessed by the Washington Street extension.

To the south of the site is an area of single family homes on the northern side of Henry Law Avenue. To the southwest is another City-owned property on a small flat area of lowland which currently accommodates a skate park that is proposed to be relocated to Maglaras Park.

The property does not include the site of the City's sewage pumping station, comprising approximately 0.4 acres, located at the southeastern corner of River and Washington Streets.

The planned Washington Street extension divides the site into two primary areas – a north parcel of approximately 12.7 acres and a south parcel of approximately 7.6 acres (with the Washington Street right-of-way accounting for the remainder of the total site area).

The north parcel is generally flat lowland, with two exceptions. One is the hill in the central portion of the eastern part of the parcel; the other is decreased elevation along the river's edge which results in a band of varying but generally narrow depth being in the flood zone.

The hill rises 44 feet (to an elevation of 58 feet) above its base (at elevation 14 feet) and is reported to be mostly glacial till (dirt, small stones, gravel, sands, and silt) with ledge at its base.

The northern and particularly the northeastern portion of the north parcel contains isolated wetlands, with areas of construction debris, including the former site of a sewage treatment plant, located at the area known as the "knuckle" where the river bends sharply at the axis of the site's western and northern boundaries. The knuckle is also defined by sheet piling at the water's edge as opposed to the erodible embankment which defines the rest of the site's waterfront.

A small storage building (metal above a concrete knee-wall), currently used for boat storage by the Great Bay Rowing Club, just east of the knuckle, is the lone building on the site.

A groundwater monitoring zone is primarily coterminous with the north parcel. This is not considered to represent a constraint on development.

Most of the south parcel is occupied by a bluff which is comprised mostly of ledge with soil at the top. The bluff rises 55 feet (steeply to the top of the rock wall at an elevation of 70 feet, and then more gradually to an elevation of 79 feet at its highest point) from its base at elevation 14 feet. The bluff has constrained access to the City's street network and would require significant site work and/or acquisition or easement of private property to provide adequate access.

Portions of both the north and south parcels are currently used for public parking. The City's Police Department Parking Bureau reports a total of approximately 200 spaces. One hundred spaces are sold on a short term permit basis to the owner of the Washington Mill, just across the river, for use by building tenants; the remainder are sold on a daily basis, reportedly with minimal utilization.

b. Potential Site Work and Developable Area

On the north parcel, it is anticipated that the hill would be excavated with reuse of the excavated material on the adjacent river-fronting area to make the areas of wetland and landfill more solid and suitable for building as well as to raise the grade of those areas at the river's edge which are within the flood zone. Excavating the hill would require a 2:1 slope with a retaining wall at the base. This slope would occupy approximately one acre. A cost estimate for this has not been provided but it is anticipated to be cost-effective, given the hill is primarily composed of non-ledge material.

The possibility has been raised that, even with relocation of material from the hill, some portions of the landfill and wetland area may require special foundations and there may be isolated pockets that prove unsuitable for development. This condition might be enhanced with relocation of additional ledge material from the bluff on the south parcel. Geotechnical studies would be required to assess this situation.

A 1.5 acre waterfront park characterized by a linear greenway along the river with a significant open space and public dock/boat landing facility at the knuckle was part of the prior development plan. This plan went through an extensive community engagement process. A waterfront park is anticipated to be a requirement for any new project.

An extension of River Street north of Washington Street would also be required, further limiting developable area. This road would have to at least extend to the knuckle and, possibly, toward the northeastern edge of the site if that area is to be developed.

Assuming River Street is extended to fully serve the site and geotechnical concerns do not render a significant portion of the site undevelopable, and if the previously approved level of park allocation is considered appropriate, the net area of the north parcel available for development would be approximately 8.5 acres.

An option that could dramatically improve the utility of the south parcel would entail excavating the bluff to create more developable lowland. Allowing for a relatively narrow buffer from the property line at the top of the bluff and with most of the bluff being composed of ledge, allowing a steep rock wall with minimal slope, this might convert all but approximately 1.0 to 1.5 acres of the south parcel to lowland.

This estimate includes excavation on the easternmost portion of the south parcel, along the southern frontage of the Washington Street extension opposite the Old Jail Site. This area, comprising approximately 1.2 acres, is relatively isolated but, if leveled, could be useful as a parking area to support proximate development, netting perhaps one half to three quarters of that area after allowing for buffer setbacks for the bluff excavation.

Another benefit of the bluff excavation option is that it would allow a realignment of River Street inland. This would create more valuable developable land on the river side of the road, provide access to development parcels on both sides of the road, and, perhaps, allow for a wider waterfront park trail along the river. Based on the above and assuming land lost to an inland relocation of River Street would be made up for with the street's existing right-of-way, yields an estimated net developable area of approximately 6 acres in the south parcel. The net area available for development for the entire Waterfront Site would be approximately 14.5 acres.

The substantial cost of excavating the bluff could be partially offset by a credit for selling blasted rock material which would be trucked off-site. An alternate approach has been suggested in which a portion of the excavated material would be relocated to elevate the lowland portion of the site (both north and south parcels) to protect it from future sea level rise. To the extent material were to be relocated on-site rather than sold and trucked off-site, not only would the credit be eliminated but also substantial cost could be added for

on-site processing. The amount of material that would be relocated on-site and the additional cost associated with it would depend upon the targeted elevation increase. A cost estimate should be obtained for this at alternate target levels of site elevation. As this approach would be adding “insurance” for a potential condition of unknown magnitude and timing to a site already largely outside the 100 year flood zone, the determination of whether to implement this plan and, if so, to what target elevation level, should be informed by estimating the cost of achieving it.

c. Recent Site History

The site was the subject of an RFP process in 2006 culminating in a land development agreement (LDA) in 2007 with Dickinson Development. The LDA called for staged sale (for a total price of \$4.6 million in cash and public improvements) and development of 197 residential units, 20,000 square feet of restaurant/retail and 20,000 square feet of office space. The real estate recession starting in 2008 along with the front-loading of much of the public improvement cost to be financed by the developer rendered the project infeasible. In particular, the deterioration in the sale and financing markets for condominiums made this use untenable up to the current time. While the financing market for rental apartments in “core” (major urban areas attractive to investment) recovered in recent years, the trend was late arriving in secondary and tertiary markets such as Dover and, even when it did ripple out to such markets, attainable rent levels could not support the significant and largely front-loaded land, site, and infrastructure costs called for in the LDA. After a series of extensions, Dickinson withdrew from the project in mid-2014.

The City Council has authorized a Waterfront Tax Increment Financing District, encompassing the site and nearby properties, and financing plan. TIF financing, described more fully in a later section of the report, will enable public investment in the public improvements (infrastructure and site preparation) necessary for the site’s redevelopment rather than placing that burden on the private development partner(s). This plan should have the effect of increasing developer interest in the opportunity, yielding a higher sale price and net economic effect to the City, as the public improvements will be financed with relatively low cost tax exempt public bond financing rather than private venture financing.

d. Zoning

The site is zoned Cochecho Waterfront District (CWD) which allows a broad range of residential and commercial uses with a 55 foot height limit and 75% maximum lot coverage.

IV. DOWNTOWN CONTEXT

According to assessor information, presented in the Downtown Pedestrian and Vehicular Access and Streetscape Study, dated March, 2014, downtown has 1,207,000 square feet of occupied commercial/retail space, of which 195,000 square feet is first level retail space. Additionally, downtown and its periphery are the home of major civic uses such as City Hall, the McConnell Center, and the Dover Public Library and cultural attractions such as the New Hampshire Children's Museum and the Woodman Institute Museum.

Two mill complexes, the Washington Street Mills and Cochecho Mills, represent a dominant presence in the downtown. According to the properties' owner, these account for approximately 400,000 – 450,000 square feet of the total occupied commercial/retail space, with tenancy estimated to be 60% office, 30% industrial, and 10% retail/restaurant.

The remaining commercial space in the downtown is in smaller buildings. Various sources knowledgeable about the local real estate market have related that downtown retail is constrained by the small size (typically 500 – 1,000 square feet) of downtown retail spaces, which may present an opportunity for new development in appropriate locations.

The first floor space is primarily occupied by a mix of specialty and convenience retailing and restaurants. Many local sources report that downtown Dover has become a destination for restaurants (which are independent rather than chain operations). The commercial vacancy rate is reported to be low for retail space but there is a lot of office space available, particularly in office condominiums.

The above-referenced study estimated 686 residential units in downtown and anticipated 441 new residential units downtown. The 74 units at Cochecho Mill were delivered in July, 2014, changing the count of existing and anticipated units to 760 and 376, respectively. An additional 46 units in Cochecho Mill are starting construction now and construction of the first phase of the Riparia, with 32 rental units as well as 8,400 square feet of commercial space, is due to be completed in mid-2015. Our initial research has not revealed any recent or planned residential condominium development downtown.

There is only one hotel downtown – the Day's Inn, which is an older limited service property serving a budget-conscious market. Other hotels in Dover are primarily clustered around Exit 9, close to the City's major commercial demand generators as well as visible

and convenient to area visitors from the local highway network. These hotels are all limited/select service, with full service hotels being found in Portsmouth.

Downtown has one banquet/event facility – the River Mill at Dover Landing, located in the in Washington Street Mill Complex. The facility was started a couple of years ago to meet a void in the Dover marketplace and purchased in early 2014 by the current owner.

According to the owner, it comprises a 5,100 square foot function space (not including 1,000 – 1,500 square feet dedicated to back-of house). It is permitted for 353 attendees and can comfortably accommodate 300 for banquets and 500 for receptions (if a permit could be secured). Due to dense column spacing, it can accommodate only 40 to 60 for events requiring theater style set-up such as corporate training. Circuitous pedestrian access and a lack of available on-site weekday parking, require reliance on valet parking or event goers using the public parking on the Waterfront Site. The owner reports focusing on weekend events such as weddings, with bookings every weekend of year.

V. ECONOMIC CONTEXT

a. Economic Growth

Based on data from the New Hampshire Department of Employment Security's Quarterly Wage and Salary report provided by PolEcon Research, Dover's private sector employment grew between the second quarter of 2009 and second quarter 2014 by 7.5%, with 4.5% of that over the last year of that period. These growth rates were significantly higher than those reported for Strafford County (3.7% and 1.7%, respectively for those periods) and the state (4.4% and 1.4%).

According to the Dover Business and Industrial Development Authority, the City has attracted more than 50 companies creating over 700 jobs and occupying 700,000 square feet of space over the last five years. Approximately 20% of the jobs are estimated to be executive/ engineering, 30% high level tech, and the remaining 50% entry level in the advanced manufacturing, restaurant, retail or hospitality sectors. In addition to new companies that may be attracted to the city, there appears to be opportunity for further growth of the recently attracted businesses. Many of these are advanced manufacturing businesses utilizing a high degree of automation to run capital-intensive large pieces of machinery and/or processing lines. Some employ clean rooms with large positive pressure equipment and extensive ingress and egress portals that take up floor space. The leased spaces are often not fully filled immediately as firms of this type and size often grow rapidly with new product application and new products and they tend to plan accordingly because they cannot tolerate down time and the expense of moving often.

Employment projections prepared by the New Hampshire Department of Employment Security's Economic and Labor Market Information Bureau, present a healthy, if not robust, picture of employment growth in Strafford County. Total employment was projected to grow by 8.4%, from 48,697 in 2010 to 52,776 in 2020. Employment in Finance and Insurance and Professional, Scientific, and Technical Services, two categories which are often users of downtown space, were both projected to grow at less than the overall rate (at between 5 and 6%) and account for a relatively modest number of additional jobs (267 combined). Employment projections are not provided for Dover, but Dover's superior recent job growth performance relative to the county and track record of attracting companies as well as fundamental advantages indicate continued substantial growth.

Recent growth and prospects for ongoing growth are based upon a number of factors. While Portsmouth and environs, and particularly Pease, are the center of the Seacoast's

economic activity, high costs, paralyzing congestion with summer tourism, lack of parking, and very limited remaining buildable land are pushing regional development north to Strafford County. Dover has amenity and locational advantages over other municipalities in the county. Dover is located halfway between Boston and Portland and has downtown access to the Downeaster AMTRAK service with ample on-site parking. A pro-business city government and a good supply of vacant buildable land in parcels up to 30-40 acres should foster additional economic growth.

b. Demographic Growth

Demographic data provided by data service, ESRI, based on US Census data, was gathered to provide demographic context for the evaluation. This data indicates a pattern of solid growth in population and households in Strafford County and slightly higher growth in Dover. The number of households in the county grew by 1,599, from 47,000 in 2010, to 48,699 in 2014. Households are projected to grow by an additional 1,510, to 50,209 in 2019 (an annual rate of 0.61%). Median household income of \$54,911 is projected to grow only at a compounded annual rate of 2.05%, in essence just keeping pace with the inflation rate of 2.0%, reportedly assumed in the analysis.

The number of households in the city grew by 464 (0.72%), from 12,827 in 2010, to 13,291 in 2014. Households are projected to grow by an additional 439, to 13,730 in 2019 (an annual rate of 0.66%). Dover's median household income of \$54,500 is projected to grow at a compound annual rate of 2.41%, indicating some growth in real (uninflated) dollar terms.

Demographic projections tend to be based, largely, on very general trends, often lacking a sensitivity to changes happening on the ground at a micro-level. Beyond the numbers, there are factors that appear to bode well for growth in households and especially the households that could be target markets for residential development in downtown and at the Waterfront Site. One of these is the afore-mentioned attraction of businesses employing highly skilled workers to the community. Another is the road improvement discussed in the following section.

More than one party knowledgeable about the local market has noted that workers in Dover companies live in Dover or other Strafford County communities while the business owners and top executives tend to live in coastal communities such as Portsmouth, Rye, or Kittery, ME. However, as one party conjectured, people moving to Dover today would have moved

to Portsmouth 10 or 15 years ago, but now tourism and housing stock being used for second homes have made Portsmouth too expensive for them. While the coastal communities may remain the choice for many at the very top of the ladder, Dover, with its amenity value, convenience, and lower prices, may be increasingly attractive to the middle to upper end of the income spectrum.

As local economist, Brian Gottlob of PolEcon Research, noted in a recent post in his Trend Lines blog, “communities offering amenities and services desirable to “talent” and at a relatively more affordable price are keys to attracting talent” and he notes that Strafford County and especially Dover have seen a much greater rate of increase than Rockingham or Hillsborough Counties or the state in job growth among those with BA or higher degrees. With the introduction of housing opportunities into an already relatively vibrant downtown, a share of this upper end market may be enticed to live in downtown and environs.

c. Potentially Significant Initiatives Impacting Future Growth and Development

A particularly important development that should foster continued attraction of businesses as well as residents to Dover is the expansion of the Route 4/16 Spaulding Turnpike Little Bay Bridge from two lanes each way to four lanes each way. Construction of this project is currently underway and estimated to be completed in 2020, with some improvement in AM and PM peak traffic flows possibly occurring as early as summer of 2015, when all traffic will be shifted over to the new bridge section in four lanes (two lanes each way) but with wider shoulders. When completed, travel time during the peak hours of the day on this section of the turnpike is projected to be reduced from 10 minutes to approximately 4 minutes with capacity to handle continued growth, as indicated by the projection that the peak travel time in 2025 will continue to be 4 minutes. This project will also provide improved connections to local roadways and improved pedestrian access and connections at several locations.

Two other developments that could have a significant impact on the community, and particularly for attraction of hotel, retail, and restaurant development, are the Land Sea and Space Museum and Aquatic Center which have been proposed to be located in Maglaras Park.

The Land Sea and Space Museum is targeted to be completed within 5 – 7 years and Dover is reportedly one of a range of locations in the Seacoast that is being considered. The facility is estimated to be 45,000 – 55,000 square feet and cost \$17 - \$25 million. An

estimated annual attendance of 500,000 visitors (compared with the Childrens Museum which attracts 93,000 visitors per year) was based on a 125,000 square foot facility, so may be aggressive for the downsized vision.

The Aquatic Center is targeted to be completed within 2 – 4 years and is estimated to be 45,000 square feet and cost \$14 million, providing an Olympic sized swimming pool, a rehab pool, childrens' pool, lockers & showers, and a fully enclosed, year-round facility with training rooms. Annual attendance is estimated at 75,000.

We note that funds raised to date for these projects have been relatively small – reportedly \$48,000 for the museum and \$60,000 for the aquatic center. With the prospects for the success and timing of capital and sponsorship campaigns unknown, it must be considered speculative whether and when these facilities will locate in Dover. However, if they can be developed within a time horizon even close to that which has been targeted, they may improve the prospects for making some uses viable on the Waterfront Site.

We also understand there is a proposal to reintroduce passenger service air travel at Pease with the National Guard relocating to another facility. This would be a boon to the Seacoast area, including Dover, putting passenger service within a quarter hour drive, as opposed to the hour or so required to get to airports in Boston, Portland, and Manchester. However, this development appears to be a long term and uncertain proposition.

VI. REAL ESTATE MARKET CONTEXT AND POTENTIAL

This section describes for each land use:

- market context (in terms of pricing and performance)
- locational preferences and prerequisites of those uses and how the Waterfront Site fulfills them
- potential market viability and required conditions
- appropriate product and programming, and
- potential performance (in terms of pricing, absorption capacity and pacing)

These findings were based on extensive primary research, in the form of interviews with participants in and those knowledgeable about the local real estate market. A list of those whose information and insights contributed to our understanding of the market and development dynamics is presented in the appendices at the rear of this report. Additionally, economic and demographic data were utilized where these could shed light on or reality test market demand.

a. Residential

Residential is clearly a use for which the site is appropriate and attractive. It is the use that can reasonably be anticipated to fill as much of the site's development capacity over time as the City and community will allow it to.

New residential apartments in downtown (which represent the top of the market) are being well received. The initial phase of 74 units of converted mill space at the Cochecho Mill came on the market last summer and was reported to be heavily pre-leased and fully rented up very quickly. Rents are reported to be \$1.50+ per square foot per month (e.g. \$1,200 – \$2,000 for two bedroom units of 800 – 1,250 square feet) with shared parking with commercial tenants.

The eight one- and two-bedroom rental apartments in the Centrix Bank Building at the corner of Central Avenue and Fifth Street downtown (2007 construction and, like the mill building units, lacking assigned parking) are reportedly achieving rent per square foot at or approaching \$1.50 per square foot (\$1,000 - \$1,100 for 700 square foot one-bedrooms and \$1,400 for 1,000 square foot two-bedrooms).

Two Silver, a 16-unit, new construction project at the southern edge of downtown came on line last summer. Asking rents, which include one in-building parking space per unit, are

relatively high for Dover – \$1,395 – \$1,450 for the ten large 950 square foot one-bedroom units (\pm \$1.50 per square foot) and \$1,795 – \$1,895 for the six 1,000 square foot two-bedroom units (\pm \$1.85 per square foot). This may account for relatively slow absorption, with nine of the 16 units still on the market.

Rents for larger (1,400 – 1,500 square feet) townhomes currently renting outside downtown and planned in downtown are in the \$1,800 - \$2,000 range (\pm \$1.35 per square foot). These typically include one in-building parking space per unit but are very dense and of relatively cost-effective design and finish.

The first phase of the Riparia, on First Street will deliver 32 rental apartment units this summer. This project will raise the standard for flat-style apartments in downtown Dover, given its high quality design and finish, decks, and location on the river and immediately proximate to the heart of downtown and the Transportation Center. The project lacks indoor parking but will have a radiant heated surface parking system. Two-bedroom units averaging \pm 1,025 square feet (not including 70 – 80 square foot decks) will reportedly be marketed at rents ranging from the low-\$1,500's to high \$1,800's (\$1.50 - \$1.80 per square foot), depending on floor and view.

The strong market for residential apartments is reported to have been fueled in large part by younger renters – young adults working in Dover or nearby communities as well as some students at the university in nearby Durham. Downtown is an attractive location for such residents given its combination of relative vibrancy, amenity, transit convenience, and proximity to the university, compared with other locales in the area.

Some empty nesters, and middle-aged singles and DINKs (Double Income No Kids) have also rented in the downtown projects. Riparia will target and test a rental market skewing somewhat more affluent and mature, a segment of which also values the above downtown attributes, and will further test the elasticity of rental pricing.

Our research has not revealed any recent or planned residential condominium development downtown. Older condos in older buildings are selling at very low prices, generally in the low \$100's per square foot. Sales at Sawyer Green, outside downtown, provide some, though limited, context for condominium sales in Dover and a market segment, in terms of age if not product preference, that should be a potential target for development at the Waterfront Site. While a condominium form of ownership, these units, restricted for age

55+, are essentially detached, single-family homes. Units ranging in size from 1,800 – 2,500 square feet are reported to have sold for an average of \$425,000 (\$190 per square foot).

Reasonable project financing for condo developments shut down in the recession and started to come back within the past couple of years in major gateway markets like Boston and niche secondary markets like Portsmouth, with only very small projects with very substantial equity investment being financed outside these prime markets. By the time a new development project can be financed and construction undertaken on the Waterfront Site, and assuming continued health in the economy, it is considered reasonable to assume that financing more conducive to condo development will be available for sound projects in secondary markets such as Dover.

Some context for new, downtown for-sale residential product may be provided by projects in nearby communities. Downtown Portsmouth is, obviously, a very different market, one which has exploded as a center for high-priced luxury living (both for primary and second home residences). Real estate sources familiar with that market report pricing for new downtown condo projects typically at \$600,000 and above (\$500+/square foot) for non-waterfront/view projects and more in the \$1,000,000 range for waterfront/view projects. Clearly, downtown Dover can't anticipate anywhere near that kind of pricing, but that leaves a lot of room well below that level to accommodate some buyers who may seek out a more affordable downtown alternative in the Seacoast area.

Another comparable that provides some context for potential condo pricing is Lang Wharf in Newmarket. Rental apartments in converted mills are reported to be renting at a comparable price to those in downtown Dover, providing some support for the comparability of the downtown markets. Lang Wharf is a four townhome project on the downtown waterfront which was delivered in early 2014. A constrained site resulted in relatively small townhomes of $\pm 1,050$ – 1,300 square feet, each with one in-building parking space. Two have sold and the remaining two are still on the market, all reportedly at a per square foot price of $\pm \$400$. This strong pricing is partly accounted for by the inclusion of a deeded boat dock for each unit (estimated by one realtor familiar with the project to account for \$50,000 of the unit price) as well as very high quality design and construction (including geothermal heating) and the limited number of units.

Sources active in the Dover real estate market felt that there would be a strong market for rentals and condominiums in multi-family buildings (flats in multi-story, elevator buildings) and townhomes at the Waterfront Site.

In-building parking of one space per unit would enhance market appeal and attainable pricing. The ability of the marketing premium to offset the cost premium of at least some forms of in-building parking is considered reasonably likely for condominiums in multi-family buildings while problematic for rental. Both for sale and rental townhouses would be expected to have at least one in-building space and larger townhouse units could accommodate two. Live-work options, most obviously in townhouses, could have appeal for some segments, broadening the market while contributing to activation of the project.

Based on comparable projects and input of real estate sources, program and pricing assumptions for these products have been estimated. These are presented in Exhibit 2. This pricing assumes high quality design, construction, and finish. Pricing is that which could be expected for a project if development could start now and come on line in approximately one year. All mix, square footage, and pricing represent averages for illustrative purposes. There could be a broad range of products around these averages, enabling the project to expand its appeal to a broader market.

Attainable pricing for units in multi-family buildings is estimated at sale prices of \$275 per square foot (\$275,000 for an average 1,000 square foot unit with most units having one in-building parking space) and rents of \$1.75 per square foot per month (under \$1,600 for an average 900 square foot unit).

Pricing for townhouses is estimated at sales prices of \$205 per square foot (under \$380,000 for an average 1,850 square foot unit with one to two in-building spaces) and rents of \$1.40 per square foot per month (under \$2,400 for an average 1,700 square foot unit with one to two in-building spaces). Live-work space would imply lower prices attributable to the strictly residential components of the townhouses.

Exhibit 2. Illustrative Residential Programming, Pricing, and Affordability

| Rental | Unit Mix | | | Unit Size | | | Rent | | | Required Income of Affordability | | |
|---|----------|------|-----|------------|------------|------------|----------------|----------------|---------------------------|----------------------------------|-----------|----------|
| | Low | High | Avg | Low | High | Avg | Low | High | Avg | Low | High | Avg |
| Multi-Family Elevatored Flats: Assumes no in-building parking 2 / 2+ bedrooms 1 bedroom Average | 60% | 70% | 65% | 850 | 1,150 | 1,000 | \$1,488 | \$2,013 | \$1,750 | \$59,500 | \$80,500 | \$70,000 |
| | 40% | 30% | 35% | 700 | 800 | <u>750</u> | \$1,225 | \$1,400 | <u>\$1,313</u> \$1,597 | \$49,000 | \$56,000 | \$52,500 |
| Live-Work Townhouses 1-2 in-building parking spaces 2+ / 3-bedrooms / LW Less Commercial Component @ = Effective Resid Component Price | 100% | | | 1,400 | 2,000 | 1,700 | \$1,960 | \$2,800 | \$2,380 | \$78,400 | \$112,000 | \$95,200 |
| | | | | <u>200</u> | <u>600</u> | <u>400</u> | <u>(\$250)</u> | <u>(\$750)</u> | <u>(\$500)</u> \$1,880 | - | - | - |
| | | | | 1,200 | 1,400 | 1,300 | \$1,710 | \$2,050 | \$1,880 | \$82,000 | \$82,000 | \$75,200 |

| Condo | Unit Mix | | | Unit Size | | | Sale Price | | | Affordability * | | |
|---|----------|------|-----|------------|------------|------------|-------------------|-------------------|--------------------------------|-----------------|-----------|----------|
| | Low | High | Avg | Low | High | Avg | Low | High | Avg | Low | High | Avg |
| Multi-Family Elevatored Flats: Assumes 1 in-building parking space 2 / 2+ bedrooms 1 bedroom Average | 60% | 70% | 65% | 950 | 1,250 | 1,100 | \$261,250 | \$343,750 | \$302,500 | \$65,313 | \$85,938 | \$75,625 |
| | 40% | 30% | 35% | 750 | 900 | <u>825</u> | \$206,250 | \$247,500 | <u>\$226,875</u> \$276,031 | \$51,563 | \$61,875 | \$56,719 |
| Live-Work Townhouses 1-2 in-building parking spaces 2+ - 3-bedrooms / LW Less Work Component @ = Effective Resid Component Price | 100% | | | 1,500 | 2,200 | 1,850 | \$307,500 | \$451,000 | \$379,250 | \$76,875 | \$112,750 | \$94,813 |
| | | | | <u>200</u> | <u>600</u> | <u>400</u> | <u>(\$30,000)</u> | <u>(\$90,000)</u> | <u>(\$60,000)</u> \$319,250 | - | - | - |
| | | | | 1,300 | 1,600 | 1,450 | \$277,500 | \$361,000 | \$319,250 | \$90,250 | \$90,250 | \$79,813 |

The presence of first floor commercial space in multi-family buildings could have a mixed impact on marketability of residential – appealing to some potential residents while turning off others. The vibrancy and some services this would bring to the project would be advantages. Possible disadvantages could include a more direct mixing of uses than some potential residents, particularly some condo buyers, would prefer, as well as negative impact on project feasibility and financing.

These factors pulling in different directions might indicate that first floor commercial could be prioritized in some multi-family buildings which are sited in the locations most favorable for commercial use – increasing their viability and making their contribution to the public orientation of the project most meaningful.

A common test of affordability is to apply 30% - 36% of household income to housing costs (rent or mortgage payments plus other costs borne by occupant). The present affordability analysis applied a conservative factor of 30%. This is applied in a straightforward manner to determine rental affordability (i.e. 30% of income available to pay rent). A more complicated calculation is used for home ownership affordability, taking into account down payment and cost of debt. Using reasonable assumptions for these factors and industry norms, yields a multiplier of 4.0 times income equaling affordable home price.

These affordability calculations indicate the primary market will be households with incomes of \$75,000 or more, supplemented by households with incomes between \$50,000 and \$75,000 who would be able to afford units at the lower end of the estimated price range.

Estimating absorption capacity and pace is a particularly speculative endeavor as they will be subject to various factors that may change dramatically over the course of the site's build-out. Especially in a moderate growth area such as Dover, and the Seacoast, generally, demographics provide more of a test for reasonableness rather than a reliable basis for projection.

A reasonableness test for residential absorption capacity is to look at the market of households in target income and age cohorts and determine if the number of units to absorb would require comfortably small capture of the market.

A primary geographic market is Strafford County. In-migration from eastern Rockingham County and other nearby areas and those migrating from beyond that would also be anticipated to provide significant support. As a basis for a conservative reality-test, age and income cohort data is presented for Strafford County.

Exhibit 3.

Projected 2019 Strafford County Households by Age and Income

| | <u>25-34</u> | <u>35-44</u> | <u>35-44</u> | <u>55-74</u> | <u>55-75+</u> | <u>Total</u> |
|-----------|--------------|--------------|--------------|--------------|---------------|--------------|
| Total | 7,385 | 8,080 | 9,393 | 17,861 | 22,903 | 50,209 |
| \$50,000+ | 4,266 | 5,568 | 6,684 | 11,573 | 13,077 | 30,389 |
| \$75,000+ | 2,694 | 3,984 | 4,924 | 7,690 | 8,469 | 20,435 |

Source: ESRI, US Census Bureau

There are projected to be 30,389 households in Strafford County with a household income of \$50,000 or more in 2019. 20,435 of these households are projected to have income of \$75,000 or more. Absorption of 200 units would require only 1% of the county's \$75,000+ income households and 0.7% of those at \$50,000+. Even doubling the amount of residential product would still require only relatively small capture rates of these populations – 2% of the county's \$75,000+ income households and 1.4% of those at \$50,000+.

A more focused target market for both rental and condos would be the 55 – 74 age cohort which includes empty nesters. Those aged 25 – 34, many of whom could be in the prime years of renting as oppose to owning, would be another primary target market for rental. Middle aged (34 - 55) singles and DINKs could also contribute significant market support to both segments, but the share of this age cohort which would be attracted to non-single family living would be significantly lower as this cohort is in the prime family years.

Even just focusing on the younger and older cohorts, would yield approximately 10,000 households with incomes of \$75,000+, and 17,000+ at \$50,000+, requiring relatively low captures of 2% and a little over 1%, respectively, just from these markets to support 200 units. Even doubling the number of units would still only require capture of 4% and a little over 2%, respectively, of those cohorts. These low required capture rates of what is only a portion of the geographic market from which the project would draw indicates that a

residential program of 200 to 400 passes the reasonableness test in terms of market capacity, especially to the extent construction and absorption of residential product would be staged in increments over a prolonged period with a mix of housing types and forms of tenure (ownership and rental) helping the project appeal to the broadest market.

The pace of absorption will, to great extent, be a function of the project's (and downtown Dover's) competitive position – its ability to draw renters or buyers from the local and nearby market areas and the competitive projects in Dover and nearby areas. Significant potential projects that could add competitive supply impacting development on the Waterfront Site include:

- Riparia's second phase (approximately same size as first phase - 32 units)
- Potential redevelopment of the Mairs and Maglaras properties, which contain approximately five acres of waterfront property on the opposite bank of the river from the Waterfront Site (with relocation of the marina on the Maglaras property to another site)
- Possible conversion of space at the Washington Street Mill for up to 100 units
- Potential development of the Robbins Block (Washington and Locust Streets at the southern edge of downtown) for 80 – 100 residential units
- Point Place (formerly Thornwood Development) between Dover Point and Middle Road in south Dover which has been approved and planned as a multi-use project that will create a mixed-use village center to include four multi-family buildings with a total of 200 apartments over 40,000 – 50,000 square feet of commercial space and 20 townhouses as well as single family units. Construction of the first phase with two multi-family buildings with a total of 100 units over commercial is scheduled to start this summer.

Based on above factors, an annual absorption of 30 multi-family units and ten townhouse units, with a 50:50 mix of for sale and rental over the course of the build-out period, is considered reasonable. This would result in absorption of a significant residential component over a five to ten year period.

b. Office

According to CBRE's New Hampshire Market Outlook 2015, the Seacoast office market (defined as Strafford County and the eastern portion of Rockingham County) "can now be

classified as strong and healthy”, with positive absorption, a vacancy rate of approximately 11%, and increasing average asking rents (\$11.73 per square foot, triple net). The report notes that “Portsmouth, and specifically the Pease Tradeport, continues to be the heart of the Seacoast’s strength. These submarkets have been spurred by new construction throughout 2014 with current levels projected to continue into 2015 and beyond”.

The Dover office market is reported to be 1,772,482 square feet (6% of the Seacoast total) with 167,811 square feet vacant (9.5%) and an average asking rent of \$9.25 per square foot, triple net. By comparison, Portsmouth and Pease account for over 4,000,000 square feet with over 350,000 square feet vacant (most of that in Pease) and average asking rents of \$16.00 –\$17.00 per square foot, triple net.

The CBRE report notes “out-of-state companies continue to relocate or seriously consider the Seacoast as home to their businesses”. The report also notes there has been significant new office development (especially in Portsmouth), but conjectures that “as the Seacoast market continues to tighten, some companies may be forced to consider markets or towns that may not be their primary choice.” However, given the relatively low asking rents, demand for high quality new development in non-standard locations will likely be the exception.

Downtown Dover office rents are reported to typically range from \$10.00 to \$12.50 per square foot, on a triple net basis for generally older space with minimal parking. In the Cochecho and Washington Street Mill buildings, incubator space is reported to rent at \$6.00 per square foot, triple net, and newly finished office space for primarily between \$15.00 and \$18.00 per square foot on a modified gross basis, estimated to be \$13.00 – \$15.00, triple net.

Outside of downtown, some buildings may be achieving rents in the mid-teens triple net. However, preliminary research indicates these may be largely medical-related (perhaps with premium HVAC capacity) and, in some cases, proximate to the hospital and, in others, to the highway, indicating these rents would be problematic indicators of what could be achieved downtown or at the Waterfront Site.

Much of the upper end of the office supply is owner-occupied buildings for Liberty Mutual and, at a smaller scale, companies such as Measured Progress. These facilities, predominately clustered at Exit 9 (of Route 16), benefit from proximate highway access as

well as campus settings, also making them questionable indicators of what could be viable downtown or at the Waterfront Site. However, the owner-occupied/built-to-suit model does present a model that conceivably could occur at the Waterfront Site, though not one that could be counted upon.

Nationally, there has been a trend in recent years of corporate offices being drawn to the amenity of downtown locations. However, considerations of site capacity (especially the need to accommodate 4 – 5 spaces per 1,000 square feet for a major office user) and traffic (a high volume of rush hour traffic entering and exiting a site with constrained access) could act as a disincentive for such development – to both potential major users and the City and community.

Some smaller corporate offices could, possibly, find the site attractive, but these firms have far less costly existing space options available to them than would be feasible for new development. Furthermore, small firms tend to gravitate to existing space that can be occupied relatively quickly rather than committing to to-be-built space which may take a year or more to be available for occupancy. This diminishes the potential of such firms to provide the pre-lease/sale commitment generally required to finance a stand-alone office building.

A relatively limited amount of small local service providers, such as attorneys, accountants, and other professional service firms or other very small local companies – the traditional office base of smaller downtowns, could be attracted to development at the site based on the appeal of new space, the site's amenity, parking availability, and, perhaps, in some instances, the ability to combine living and working at one location. These users can't be anticipated to commit to-preleasing far in advance, serve as bankable credit tenants, or pay the kind of rents that would justify new development. However, this user market could make sense for ground floor space within a mixed-use building in which a primary residential use could subsidize a relatively small component of low rent speculative space and provide much of the required parking in the form of shared use with complementary peak usage.

Rent for such space could range anywhere from \$10.00 to \$15.00 per square foot, triple net, but a developer and financing sources would be expected to underwrite this component conservatively. A rent in the range of \$12.00 to \$13.00 per square foot, triple

net, could be a reasonable assumption for a limited amount of space, which a developer might hope, but not expect, to exceed.

The absorption capacity for such use is constrained to the extent it relies upon a market already largely served by space in Dover. Furthermore, the City would not want to promote an over-supply of such space to the disadvantage of existing buildings in downtown. These factors, along with the negative impact on supportable land revenues, would point to limiting such space, unless a pre-lease tenant or owner-occupant, preferably one not already served in downtown, with the ability to support the cost of high quality new development, materializes.

c. Retail

The vacancy rate is reported to be low for first floor commercial space in downtown. This space is generally in older buildings with minimal parking. Rents are reportedly \$10.00 to \$15.00, per square foot or more, on a triple net basis, and more typically toward the low end to middle of that range. The Riparia project (currently under construction and scheduled to be completed in June, 2015) is marketing commercial space, targeting restaurant, at a considerably higher rent (high-teens, triple net) but, as yet, has not landed a tenant.

The primary locational parameter for most retail is traffic – either pedestrian or vehicular. The Waterfront Site will not offer a high volume of traffic of either type unless significant destination attractions which would draw potential customers to and through the site are developed.

While the waterfront path linking Henry Law Park/downtown (via the Makem Bridge) with Maglaras Park can be anticipated to draw some foot traffic, this will be primarily during temperate weather months. Retail space usually wants a single frontage on a street which would lessen the benefit of waterfront path foot traffic.

Washington Street extension, providing a vehicular link from downtown to Maglaras Park, will bring some vehicular traffic through the site along that corridor, but the portion of Washington Street inland from the riverfront may have minimal physical appeal to pedestrians.

Location within a critical mass of complementary retailing can help generate traffic but the mass required to do so would be greater than could be supported at the Waterfront Site. This site, while in some ways an extension of downtown, is significantly separated from the core of downtown retail activity.

There is a common misconception concerning the amount of retail space that on-site resident populations can support. The demand potential for the types of retail typically found in downtowns plus restaurants is sufficient to support somewhere in the range of ten square feet of retail space per household and only a very small share of that demand potential could be captured by the very limited amount of on-site retail offerings.

Destination retailers can draw customers to locations that are not located in high traffic areas. This is most typically seen in situations in which businesses grew organically at a location over a long time and through superior product, marketing, or service have managed to overcome the locational dynamics working against them. It is not an indicator that destination retailers would consider locating from scratch at a site with inferior locational dynamics. These will continue to seek sites on major regional routes, and, secondarily, in major downtown cores.

While retail on the Waterfront Site can have the advantage of large, modern spaces and ample convenient parking, these would not offset the locational drawbacks for standard retail.

Absent significant development of major attractions, the above factors likely will result in any retailing (not including restaurant) on the Waterfront Site being very limited in size with a small element of convenience, a coffee shop, and, possibly, some specialty retailers, galleries, or the like, which might locate there for non-standard market reasons (with attendant high potential for turn-over). Remaining first floor commercial space would likely end up as service (e.g. salons) or service-oriented office space for small professional or other firms.

A reasonable expectation would be no more than a few thousand square feet of retail and quasi-retail service space (not including restaurant), with rent likely in the range of \$10.00 – \$12.50, triple net, and significant vacancies, making this an uneconomic component that would have to be subsidized by other project components.

As with office, the above factors, along with a concern about weakening the downtown core, would indicate limiting the amount of retail space only to a reasonable level required to activate the site. The amount of ground floor commercial space accommodating retail and office tenants would be driven by the allocation of space in multi-family buildings with frontage on public ways with optimal visibility to the public. A reasonable target capacity would likely be 20,000 square feet, though this amount might be reduced based on specific site planning or reception of initial phase commercial space. The work space in live-work townhouses might add a like amount of at least somewhat public-oriented space. Of course, the possibility of some significant retailer, materializing cannot be ruled out; and if that were to occur, should be encouraged – especially if it were to add to current downtown offerings.

Development of the aquatic center and/or museum could significantly increase vehicular traffic along the Washington Street corridor and pedestrian traffic along the river. The Waterfront Site's location between these destinations, on the one end, and downtown and the Children's Museum, on the other, could, possibly, draw retailers catering to visitors to these attractions. Examples might be retailers oriented to the youth market or water sports. If a hotel were to be developed on the site, this might also add to the demand. However, even with these attractions, the attraction of a significant amount of retailing to the waterfront site, at an economic rent, would still be considered highly speculative.

d. Restaurant

The Waterfront Site's appeal as a location for restaurant is significantly better than that for retail. Restaurants can act as destinations and a waterfront location can help make a restaurant a viable destination.

Downtown Dover's emergence as a restaurant hub also contributes to a favorable environment. Observers note Portsmouth, with its high rents and increasingly upscale orientation, has been pricing out many restaurants, especially those catering to a younger market; with many independent restaurants and their patrons looking to Dover. This trend has been evidenced in existing buildings where low rents are part of the attraction.

New restaurants are expensive to build and fit-out. Independent restaurant operators often aren't able to make a significant contribution to the required capital cost of fit-up or pay the high rent and provide the credit worthiness or security that a building owner would

require to make that investment. Building owners also would be concerned that if a restaurant operator is not invested in their fit-out, the likelihood of turn-over is increased.

Major restaurant chains are able to foot the bill but they seek prime locations such as along highways or in established major activity centers such as downtown Portsmouth. The challenge of attracting a restaurant to a new building in downtown Dover at an economically viable rent is illustrated by the marketing efforts for the 8,400 square feet of commercial space in Riparia.

Leasing efforts have targeted attracting one or two restaurants. The space has the advantages of modern space, an outdoor dining deck directly on the river, and on-site parking. However, leasing efforts to date have not been able to interest a major corporate restaurant operator and independent restaurants have not been willing to incur the fit-up cost and/or rent that would offset owner provision of it.

There is a good chance that a restaurant(s) ultimately will be attracted to the Riparia project but it/they may well be independent (non-credit) tenants and the building owner may have to subsidize or invest in the restaurant component. The same dynamic can be anticipated for a restaurant at the Waterfront Site, requiring subsidy by other project components.

Inclusion of a significant size restaurant (4,000 – 5,000 square feet) on the riverfront will be an important component of making the project both attractive to both other project occupants and to the community at large. A location at the foot of the bridge would be ideal. It is also possible that if the economy continues to strengthen and downtown continues to grow, some national or regional restaurant chains may consider locations such as downtown Dover.

Development of the aquatic center and/or museum also could improve the economics of a restaurant and, possibly, the prospects for attracting a major national or regional credit tenant. Either of these factors might also set the stage for an additional major restaurant or one or two smaller ones being viable, especially if there were other sites with the combination of locational benefits of river frontage and visibility/traffic benefitting the aforementioned restaurant site. However, the location at the foot of the bridge may be the only one with these advantages and its capacity to accommodate more than one major

restaurant with sufficient nearby parking while not unduly disrupting public open space and other development is highly problematic.

e. Hotel

The Dover hotel market, appears to be recovering from the effects of the recession, to a state of equilibrium. The cluster of limited/select service hotels at Exit 9 of the Spaulding Turnpike are dominant players in the market. They are relatively modern, carry major flags, and have the advantage of convenience to nearby corporate demand generators and the regional tourist market via the highway. Aside from being a first choice location for demand generated by Liberty Mutual and other proximate firms, these hotels serve many of their guests as a cost-effective, second choice for Seacoast business and tourist markets.

This hotel cluster, including the Hampton Inn, Comfort Inn, and Homewood Suites, is reported to be operating at an annual occupancy rate in the 60%'s and an average daily rate in the \$90's. The Day's Inn, an older property located in downtown Dover, is reported to operate at somewhat lower room rate and occupancy levels. Even the higher level of performance achieved by the Exit 9 hotels would not typically be considered sufficient to support development of a new hotel, and in the absence of significant unaccommodated growth in market demand, additional supply would push the current level of performance down.

There is growth both in companies moving to Dover and in the general Seacoast market, but this growth is not dramatic, and is being accommodated by significant additions to supply in other locations. Portsmouth continues to see growth in hotel supply. A 90-room Indigo Hotel is anticipated to be approved in the coming months.

In Durham, the University of New Hampshire and the town are pooling land (primarily a 1.2 acre site purchased by the university for this purpose) and parking resources (primarily the town's) to promote development of an 80 – 100 room hotel downtown. A market study has supported the project's feasibility and an RFP is anticipated to be issued this spring. With the university serving as a major, captive demand generator, and being committed to this as a must-have amenity, this development is considered highly likely. This will cut into the share of university-generated business which Dover's Exit 9 hotels currently capture.

When the market eventually absorbs these additions and continues to grow to a point that may support additional hotel development in coming years, hotel developers and flags will

seek sites that best meet their locational parameters. These are immediate convenience to and visibility from major highways and proximity (preferably first choice proximity) to major demand generators (e.g. business generators or a major overnight tourist destination such as downtown Portsmouth).

Downtown Dover offers neither of these advantages. Aside from Liberty Mutual and other corporations in the Exit 9 area being served by the existing hotels, many of the firms located in and coming to Dover are smaller start-ups or firms that otherwise do not generate anywhere near the level business travel as do larger corporations. Downtown Dover is not an overnight tourist draw. Visitors may come for a day or part of a day and then move on, as opposed to there being enough attractions to keep them for a weekend.

Accordingly, at this point, downtown, despite its amenity, would be considered a secondary location in a secondary market. It is unlikely to attract a standard, name brand hotel. It is possible, if not assured, that very significant subsidy, could overcome these disadvantages to attract a hotel, by enabling it to significantly undercut the price of competitive hotels in Dover. This would have a severe impact on rate and occupancy of those hotels.

The above factors indicate that, in the absence of a significant increase in local demand generation, hotel development on the Waterfront Site would be problematic in terms of both feasibility and impact. This does not rule it out as a potential later phase use which could be developed upon a significant expansion of demand. The development of the aquatic center and/or museum at Maglaras Park could be such game changers; and the Waterfront Site would be a prime location for capturing new demand generated by these attractions.

A product that has been mentioned by more than one hotel sector interviewee is a Fairfield Inn & Suites by Marriott. This is a limited/select service product not currently represented in the Dover market. This brand is typically sited at a highway location, but it is possible that the demand generation of the above attractions could offset a secondary location relative to other demand components. These hotels are often 80 – 100 rooms and with surface parking and other areas typically require at least a couple of acres of land.

These hotels often pay \$10,000 – \$15,000 per room for a well located hotel site. The land for the hotels at Exit 9 were purchased for effective pricing in the \$6,000 - \$7,000 per room range in the early- to mid-2000's and the assessed values are still in that range.

Another possibility that has been mentioned is a small independent hotel or inn. The potential for development of this type of lodging facility would be highly problematic. This is not a prime tourist location – the site lacks the bucolic appeal of a country inn and the downtown is not a stay-the-weekend destination. While it might capture some downtown-oriented business visitation, it would have to compete with conveniently located, low cost, flagged operations. The economics of these properties is problematic – reliant on an independent operator who has the inclination and desire to do it – often, at least in part, for reasons that go beyond rational business investment – which would raise concerns about continued operation if it were to be developed. Accordingly, this concept can't be ruled out, but it shouldn't be considered likely.

f. Banquet/Event Facility

The River Mill at Dover Landing serves a component of local market demand for such a facility. The community is not fully served with a local venue for large events, and even medium size events requiring theater-style set-up. Dover businesses and organizations seeking larger or more state-of-the-art facilities travel outside the City to country clubs in nearby communities and event spaces in Portsmouth's full service hotels. The University of New Hampshire in Durham closed its New England Center in the past few years, leading some community members to wonder if this presented an opportunity for Dover to capture some of this displaced demand.

Research of the market indicates that there are existing and soon to be developed event spaces that limit the market for development of this use in Dover. While UNH closed the New England Center, reportedly because of huge costs that would have been required to renovate it. The university operates event spaces in six rooms, totaling close to 10,000 square feet of space. The largest single space of 4,200 square feet is able to accommodate 260 for a banquet and 300 for a lecture. The planned Indigo hotel in Portsmouth is reported to include an event space that will accommodate 700.

Development of stand-alone event spaces outside major metropolitan areas is rare, given the challenging nature of their operations and economics. More typically, these facilities are developed in conjunction with hotels, given the synergistic nature of their businesses. This would typically be a full service hotel, which Dover is not a prime candidate to attract. In some instances, large banquet spaces are combined with restaurants, but, again, new

development of these is rare, and dependent on a particular entrepreneur/operator seeing an exceptional market opportunity.

Based on the above, as well as a location that may seem less than convenient to much of the Seacoast market it would have to draw business from, development of a major event facility at the Waterfront Site is not considered likely. It is possible that, should a hotel be attracted to the site, such a facility could be induced to be part of the program. This would be out of the norm but not unheard of for a Fairfield Inn or comparable product. Aside from the possible need for significant additional subsidy, an event facility would also have the negative impact of requiring a great deal of parking (perhaps 50 spaces per 1,000 square feet) which would need to be available both business days and evenings/weekends, and which could not rely upon shared use with the parking required for a hotel.

Accordingly, a facility with 5,000 square feet of function space could require 250 spaces and at least a couple of acres of land.

VII. PROGRAMMING, FEASIBILITY, LAND SALE AND TAX REVENUES, AND TAX INCREMENT FINANCING

This section summarizes the methodology and findings of our analysis of the above-titled factors. Generally, the assumptions for each factor in the analysis represent what are considered to be reasonable estimates which may vary, in actuality.

a. Program and Land Utilization

Multi-family residential buildings are assumed to be 4 to 4.5 stories, with ground floor space partially occupied by commercial and/or parking.

Retail/office is assumed to occupy a portion of ground floor space in those buildings (though not all building locations may be appropriate for such use). Parking is not attributed to this use as peak usage would be complementary with residential, allowing for shared parking of surface lots and on-street spaces.

Parking could be addressed in different ways for multi-family buildings, depending on the particulars of site-planning, geotechnical, and financial considerations. Options include:

- rear tuck-in ground floor parking
- wrapped parking (above-ground multi-story, structured parking wrapped with development)
- parking under building in a basement level
- under-building parking one half-level down (requiring a higher elevation for the first habitable floor on public-facing frontage, which could also help protect against potential for flooding above the 100-year flood)
- surface lot parking and on-street spaces

The analysis assumes condominium buildings would have some form of in-building parking, serving a portion of their parking need, while rental buildings would not. Fully underground basement parking would entail the greatest cost premium, especially for sites that may have problematic geotechnical conditions, and so this option has not been assumed in development costs. Additional land outside the building footprint that would be required for wrapped structured parking has not been assumed in our land utilization analysis.

What parking is not accommodated in-building, is assumed to be in surface lots, supplemented by on-street parking along Washington and River Streets. One hundred or

more spaces of on-street parking could be accommodated along these streets in the north parcel and at least another half that amount on the south parcel. These spaces would be available to the general public visiting the park and on-site commercial uses, with availability during the evening to accommodate a portion of the residential demand. Shared usage of these spaces allows them to satisfy demand for a greater number of spaces than the number supplied. The site area occupied by these on-street spaces is already netted out of the developable area as part of the rights-of-way for the major streets in the calculation of net developable area detailed in the Site section of the report.

Townhouses would be expected to have at least one in-building space and larger townhouse units could accommodate two.

A major restaurant may be a stand-alone building or on the ground floor of a multi-story building. To account for this, its square footage is assumed to be spread over 2 levels. Half of its parking requirement is assumed to be met in a surface lot with the remainder on-street.

Hotel is treated as a stand-alone building whose parking demand must be fully served on-site. If an event space is developed, it is assumed to be within the hotel, with most of its parking demand met on-site and a small portion on-street.

Site capacity is determined by the required building footprints and surface parking areas plus an allocation of land to account for pedestrian and vehicular circulation within the large developable areas bounded by the major public streets and landscaped buffer areas, providing breathing room between buildings. In advance of a site plan for a specific development scheme, an estimation of this buffer area was made based on a percentage factor applied to the areas allocated to building and surface lots.

An add-on factor of 100% applied to the building footprints and surface parking areas for most of the land uses is considered to be a reasonable approximation of what could be required for a relatively loose semi-urban development. A factor of 25% was applied to the banquet/event facility footprint and surface parking area, as this use is considered most likely to be developed within a hotel building and would add a considerable amount of parking to that required for the hotel, which should provide most of its breathing room. The alternate programs have been formulated to yield total site utilization equal to the 14.5 acres of net developable area specified in the Site section.

b. Feasibility, Potential Land Revenues, and Real Estate Taxes

Feasibility analyses were conducted for each of the alternate land uses to test their prospects for financial viability and to contribute to a preliminary estimate of their ability to support land sale revenues or, in the event of a feasibility gap, their need for subsidy. Each of the assumptions underlying this analysis represents what is considered to be a reasonable estimate within a reasonable range. Variations within that range can significantly impact results. Therefore, the estimates of potentially supportable land sale revenues for each use serve as plausible tests for reasonableness rather than definitive predictions of what will occur or appraised values.

The assumptions used in the analysis were those a developer would be anticipated to apply today, with some allowance for strengthening of the condominium financing market over the coming one to two years.

Development costs assume the City will require a high quality of development. The analysis does not consider extraordinary geotechnical conditions which could significantly impact the form and feasibility of development on some portions of the site. The City will fund major site preparation and infrastructure costs as per the TIF plan, resulting in the developer(s) not having to bear these costs or require the premium returns that would attend a long-term land development project with privately financed front-loaded costs

The analysis assumes financial return thresholds which would provide a return that could be attractive, primarily, to some local developers, based on their confidence in the local market, motivation to do projects in their home area, and, relative to rental properties, a favorable financing market and long term hold orientation. Significant equity and guarantees would likely be required to finance projects at these thresholds. Major regional developers and institutional capital would tend to require higher rates of return but might conceivably consider investment at these rates or rates not much higher if acceptance of the Dover market strengthens to a point that they would consider it a reasonably strong secondary market.

For sale multi-family residential and townhouses, are considered to have reasonably strong prospects for feasibility and ability to support significant land sale revenues.

Rental townhouses are also considered to have reasonably strong prospects for feasibility and ability to support significant land sale revenues.

Development of multi-family residential rental buildings is considered to yield a marginal return, perhaps sufficient to attract local developers, but with minimal supportable land cost.

The relative strength of the real estate and financing markets for condominiums and rental product will vary over a prolonged build-out. Accordingly, for both multi-family and townhouses, the analysis assumes, on average, half will be for sale and half rental over the course of the build-out period.

Other uses are likely to be infeasible and have a negative land value (i.e. requiring subsidy from other project components or the City). However, public-oriented uses that can help activate the site, such as major restaurant and some ground floor commercial space, will be important to create a thriving neighborhood that is a meaningful extension of downtown.

To the extent projects desired by the City prove infeasible, and cannot be “cross-subsidized” by other project components, the City may, at its discretion, be able to fill the feasibility gap by providing some relief on real estate taxes (albeit limiting the contribution to tax increment) or fees, assisting with parking, or by other means.

Care should be taken to allocate this requirement judiciously, so as not to add more supply than is necessary to activate key public-oriented pathways or than can be absorbed, harm the downtown, impair project feasibility, or diminish the positive economic outcome to the City for marginal, if any, gain in meaningful public amenity.

Evolution in the real estate, financing, and construction cost markets can be anticipated to change the economics of the development and attainable land sale revenues over time. To account for the variability of supportable land costs generated by the feasibility analysis and the evolving nature of development economics over time, the analysis also considered the limited available comparable land sales and market norms and expectations of land pricing to arrive at potential land sale revenues the City might realize from disposition.

Two relatively recent sales in the downtown provide some context as well as a sense of the variability of pricing. A site at 44 Portland, to be developed for 19 rental townhouses, sold recently in the range of approximately \$20,000 per unit (ten required commercial units are not considered to contribute to land value). The Riparia site was sold by the City

approximately a year ago for \$202,000. This price, applied just to the first phase of 32 units, equates to approximately \$7,000 per unit, and half that amount if allocated across both phases. The price was impacted by difficult geotechnical conditions, requiring significant site work, and the City's motivation to jump start a project that would raise the quality standard for downtown.

Low, medium, and high scenarios of potential land sale revenues under current/near term market conditions were formulated based on the above analyses and considerations. Potential favorable future conditions, notably potential developments such as the aquatic center and museum, could have a dramatic impact on the feasibility of a hotel (and an event facility that might be developed in association with it). The possible impact of such speculative changes in market condition is reflected in a land sale revenue scenario that assumes such uses would be feasible but with no return to land.

Estimates of property tax revenues for each rental property use were based upon input of the City Assessor as to valuation methodology, applied to the use's estimated operating performance, as well a review of assessments for selected properties comparable to those being evaluated. The low ends of plausible ranges derived from this approach were then used to create fixed dollar per unit or square foot estimates of assessed value for the alternate uses.

In the case of for-sale (condo) residential use, actual unit sale prices provide the assessor with a simple and reliable basis for valuation, so estimated assessed values were set at the estimated sale prices, yielding the strongest real estate tax/tax increment benefit.

The estimates of assessed value for the alternate uses are considered to fall within a tighter range of what could be anticipated if the given uses are developed than is the case with potential land sale revenues. Exhibit 4 presents estimated potential land sale revenues and assessed value and real estate taxes on a per unit or per square foot basis for each of the major uses.

Exhibit 4. Per Unit Potential Land Sale Revenues and Property Tax Implications of Alternate Uses

| | Residential Multi- Family Flats - For Sale /Unit | Residential LW Townhouses - For Sale /Unit | Residential Multi- Family Flats - Rental /Unit | Residential LW Townhouses - Rental /Unit | Retail/ Office /GBA SF | Restaurant Total /GBA SF | Hotel Total /Unit | Banquet/Event Facility Total /GBA SF |
|--|---|--|---|--|------------------------------|--------------------------------|-------------------------|---|
| Potential Land Sale Revenues* | | | | | | | | |
| Current/Near Term Market Conditions | | | | | | | | |
| Low Scenario | \$5,000 | \$15,000 | \$0 | \$15,000 | (\$20) | (\$135,000) | (\$2,700,000) | (\$1,875,000) |
| Mid Scenario | \$10,000 | \$20,000 | \$2,500 | \$18,750 | (\$10) | (\$67,500) | (\$2,025,000) | (\$1,312,500) |
| High Scenario | \$15,000 | \$25,000 | \$5,000 | \$22,500 | \$0 | \$0 | (\$1,350,000) | (\$750,000) |
| Potential Favorable Future Conditions | \$15,000 | \$25,000 | \$5,000 | \$22,500 | \$0 | \$0 | \$0 | \$0 |
| * not incl extraordinary geotech costs | | | | | | | | |
| Property Tax | | | | | | | | |
| Assessed Value | \$275,000 | \$379,250 | \$100,000 | \$140,000 | \$80 | \$675,000 | \$5,850,000 | \$750,000 |
| Real Estate Tax | \$7,153 | \$9,864 | \$2,601 | \$3,641 | \$2.08 | \$17,557 | \$152,159 | \$19,508 |
| | | | | | | | | \$100 |
| | | | | | | | | \$2.60 |

Above estimates are for illustrative purposes and do not represent appraised values
All financial estimates in Constant \$2015

c. Development Program and Phasing

The initial year for start of construction of the private project, which would follow a development agreement and any site preparation and infrastructure construction to be done by the City in advance of that is estimated to be 2017, with that phase coming on line in 2018.

The initial phase of the residential components with ground floor commercial could start in the above time frame and staged development could see build-out and absorption of a significant residential component over a five to ten year period. The absorption pace and composition (rental or for-sale housing) will vary over time in response to market demand and competitive supply.

A major restaurant should also be pursued at the start of the project, with its start date a function of the success of marketing and willingness of the City to subsidize it.

If a hotel can be developed, potentially including banquet/event space, it is seen as a later phase project the viability of which would depend upon development of at least the aquatic center, and, preferably, also the museum. If the destination attractions were to be developed on schedule, the hotel might be operational at the mid- to tail end of the build-out period for the other components.

Two illustrative programs of staged development were formulated – a Preferred Program Scenario and a Basic Program Scenario. Both assume residential with commercial (20,000 square feet) and a major restaurant (4,500 square feet) starting to come on line in 2018.

The Preferred Program Scenario also assumes favorable future conditions making development of a hotel with event facility feasible four years after that initial phase (i.e. coming on line in 2022) with only the write off of land. The program includes 262 residential units and build-out is assumed to be completed by 2024, with full absorption in 2025, eight years after construction start of the initial phase.

The Basic Program Scenario assumes favorable conditions necessary to support the hotel and event facility do not materialize and remaining land is allocated to additional residential (yielding 378 units), extending the build-out to 2026, with full absorption in 2027, ten years after construction start of the initial phase. A further conservative assumption, from a programmatic, if not financial standpoint, is that the additional

residential is not accompanied by commercial development, due to lack of sufficient demand or remaining sites not being appropriate for such use.

d. Tax Increment Financing and Cash Flow Analysis

Exhibits 5 and 6, at the rear of this section, present cash flow analyses for the Preferred Program Scenario and Basic Program Scenario described in the preceding section. The analyses integrate the per unit estimates of land sale revenues and assessed values with calculation of tax increment and the City's bond financing for the public improvements.

Land sale revenues are calculated as being received in the year prior to the project coming on line. Each phase of development is assumed to be assessed at half its estimated value in the year of delivery and at full value commencing in the following year. Estimated land sale revenues in the Preferred Program Scenario, in which a hotel and banquet/event facility is assumed to be developed based on favorable future conditions, assume these uses are feasible with no land cost/revenue.

The tax increment and bond financing assumptions are those presented in the City's Waterfront Tax Increment Financing Plan. Major elements of this plan are:

- \$6,000,000 of general obligation bond financing to fund the public improvements on the Waterfront Site
- Staging of bond financing in two financings of \$3,000,000 – the first estimated in the plan as being in 2016 and the second, estimated in the plan as being in 2020, as may be adjusted as necessary to support development, and only after securing firm commitments and tax agreements for such development
- Each financing is assumed to be structured with interest-only payments for first five years, followed by amortization over the following 20 years
- Interest rate of 5.0% (This would yield average annual P&I debt service of approximately \$241,000 for each of the financings)
- A transfer from the City's General Fund of \$150,000 per year for the first three years of the initial financing
- Estimated total assessed value of the properties in the district (as of October, 2014) of \$8,604,700, assumed to grow at an annual rate of 1 – 2%.

According to the City's assessment records, the Waterfront Site has an assessed value of \$2,236,100. The Waterfront Site's current assessed value is treated as base value subject to standard real estate tax allocation. Using 2014 tax rates, \$10.59 per \$1,000 of the base value is allocated to the City's general fund and \$10.50 per \$1,000 to the City School district. Real estate taxes allocable to the incremental value above that base value – the captured value, are allocated to the tax increment fund, yielding the full \$20.59 per \$1,000 on that captured value. Note that increases in assessed values of other properties in the district would increase the captured value from development on the Waterfront Site so the above treatment is a conservative element in the analysis.

Based on the above assumptions, the two program scenarios are both estimated to generate tax increment of not less than 1.91 times debt service (in the third year of the bond financing). Stabilized tax increment is estimated to provide a debt service coverage of over 3.0 in the Preferred Program Scenario and over 4.0 in the Basic Program. These coverage ratios are based on constant dollar projections so they are conservative, as inflation likely would increase revenues over time, while bond debt service would remain substantially fixed during the period of full principal and interest payments on both bond financings.

The estimated annual net cash flow after bond debt service from the tax increment is approximately \$216,000 in the fourth year of the bond financing (2019) in both program scenarios. In the Preferred Program Scenario, the net would grow to approximately \$1,100,000 in year in the tenth year of the financing (2025). In the Basic Program Scenario, the net is estimated to grow to over \$1,500,000 in the 12th year of the financing. This does not include the \$46,000 annually that would be allocated to the City's general fund and school district from the real estate taxes on the base value.

Low, medium, and high scenarios of potential land sale revenues are presented, spanning a wide range of possible outcome. Estimated cumulative land sale revenues (in constant 2015 dollars) range from approximately \$900,000 - \$3,500,000 in the Preferred Program Scenario and \$1,500,000 - \$5,000,000 in the Basic Program Scenario.

A sensitivity analysis was performed to test the ability of revenues generated by the project to cover debt under a considerably more conservative scenario. This analysis, presented at the rear of this section, assumes the Basic Program is built out and absorbed at a pace twice as long (absorption at half the pace) as in the above scenarios – i.e. multi-family

buildings in phases of 30 instead of 60 units with annual absorption of 15 units per year (instead of 30); townhouses built and absorbed at a pace of only 5 per year (rather than 10); ground floor retail/office phases and absorption at half the size previously assumed; and a restaurant of only half the size (2,250 square feet).

This would result in almost the same total build-out as in the Basic Scenario with the only difference being the smaller total size of the restaurant. Accordingly, upon full build-out, the program would yield approximately the same TIF and land sale revenues (on a constant dollar basis), though stabilized revenues would not be achieved until the 15th year of the financing, 2031.

TIF revenues fall just short of covering bond debt service in the fourth, fifth and sixth years of the bond financing – a combined total negative cash flow of (\$71,000). This is approximately equal to the share of taxes on base valuation going to the City's general fund over that period (\$23,000 per year). If land sale revenues are considered, the net cash flow would be far in excess of bond debt service in those years. The seventh financing year sees a return to positive net cash flow just from tax increment revenues at \$84,000 (making up all of the prior years' estimated shortfall, and increasing to more than double that in the following year).

No fiscal costs attributable to the project have been estimated as it is anticipated the number of public school students would be minimal, if any, and the marginal impact on capital and operational costs for school and other municipal services would be negligible, whereas the City would receive substantial impact fees (e.g. approximately \$800,000 for the Preferred Development Program Scenario).

As noted previously, the target markets for the type and price point of residential that would be developed at the site are younger households (age 25-34), empty nesters, and middle age singles and DINKs (Double Income No Kids) – all segments whose households would either not include children or include them only at a very low rate. Furthermore, the relatively high price point (total sale price or rent, and especially per square foot cost) that would be required to support new development would tend to dissuade families with children from locating in the new development, as such households, generally, can be expected to prioritize square footage over such price premium attributes as downtown and waterfront location in allocating their housing expenditures.

The above premise is supported by a 2007 study by Harvard University's Joint Center for Housing Studies – "Overcoming Opposition to Multifamily Rental Housing". The study found that "On average, 100 single-family owner-occupied houses include 51 school-age children. By contrast, apartments are attractive to single people, couples without children, and empty nesters, which is why 100 apartment units average just 31 children. The disparity is even greater when considering only new construction: 64 children per 100 new single-family houses vs. 29 children per 100 new apartment units. Wealthier apartment dwellers have even fewer children (12 children per 100 households for residents earning more than 120 percent of the area median income, AMI), while less wealthy residents earning less than 80 percent of AMI still have fewer children (37 per household) than single-family homes."

The analysis of household income required to afford the estimated rents and sale prices presented earlier in this report indicated minimum required household incomes for units of two or more bedrooms significantly higher than 20% in excess of the Strafford County median household income of \$54,911; and, on average, occupants would be anticipated to have higher incomes than the minimum required amount, which would indicate an even lower rate of school age children.

The actual experience in the top-of-the-market multi-family residential projects in and near downtown Dover – Cochecho Mill, Two Silver, and the Centrix Bank building, indicates an even lower rate of school age children could be anticipated in development at the site as the City's School Department reports no public school students in the nearly 100 units in these properties.

The Assistant City Manager, based on past conversations with City department heads, confirmed that if a small number of school age children were to be housed in the project, they could be absorbed without significant, if any, additional capital or operational cost and that anticipated marginal capital or operational costs of city services would be negligible for the anticipated level, nature, and location of development. This is due, in part, to any additional students most likely being spread out among different grades, minimizing marginal impact. Furthermore municipal impact would be mitigated, in part, by the project being in the path of existing police patrols and proximate to the central fire station and, in part, due to the buildings being of new, high quality construction (e.g. far less susceptible to fire hazard than much of existing, older building stock) and the residents being relatively affluent (likely requiring minimal City services). The Assistant Manager also noted that

there is ample water and sewer capacity available to serve the project, given the pumping station located adjacent the site.

Finally, prior to the sale of the property or any portion of it, the City would be able to assess the potential fiscal impacts of specific proposed projects and prioritize development considered to have the most advantageous fiscal impact.

**Exhibit 5. Revenue Analysis for TIF Financing
Cochecho Waterfront Development, Dover, NH
Preferred Program Scenario**

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Program Components Delivered | | | | | | | | | | | | | | |
| Residential Multi-Family Flat Units | | | | 60 | - | 60 | - | 60 | - | 20 | - | - | - | 200 |
| Live-Work Townhouse Units | | | | 10 | 10 | 10 | 10 | 10 | 10 | 2 | - | - | - | 62 |
| Total Residential Units | | | | 70 | 10 | 70 | 10 | 70 | 10 | 22 | - | - | - | 262 |
| Retail/Office/Restaurant SF | | 10,500 | | | | 6,000 | | 6,000 | | 2,000 | | | | 24,500 |
| Hotel Rooms | | | | | | | | 90 | | | | | | 90 |
| Banquet/Event Facility SF | | | | | | | | 7,500 | | | | | | 7,500 |
| Potential Land Sale Revenues | | | | | | | | | | | | | | |
| Low Scenario * | | \$45,000 | \$150,000 | \$180,000 | \$180,000 | \$150,000 | \$180,000 | \$150,000 | \$40,000 | \$0 | \$0 | \$0 | \$0 | \$895,000 |
| Mid Scenario * | | \$441,000 | \$194,000 | \$509,000 | \$509,000 | \$194,000 | \$509,000 | \$194,000 | \$144,000 | \$0 | \$0 | \$0 | \$0 | \$2,185,000 |
| High Scenario * | | \$838,000 | \$238,000 | \$838,000 | \$838,000 | \$238,000 | \$838,000 | \$238,000 | \$248,000 | \$0 | \$0 | \$0 | \$0 | \$3,476,000 |
| Tax Increment Financing Analysis | | | | | | | | | | | | | | |
| Assessed Value | \$0 | \$7,501,000 | \$16,299,000 | \$24,761,000 | \$33,222,000 | \$44,983,000 | \$56,744,000 | \$60,257,000 | \$62,472,000 | \$62,472,000 | \$62,472,000 | \$62,472,000 | \$62,472,000 | \$62,472,000 |
| RE Taxes | \$0 | \$195,101 | \$423,937 | \$644,034 | \$864,104 | \$1,170,008 | \$1,475,911 | \$1,567,285 | \$1,624,897 | \$1,624,897 | \$1,624,897 | \$1,624,897 | \$1,624,897 | \$1,624,897 |
| Captured Value - Incremental AV for TIF | \$0 | \$5,264,900 | \$14,062,900 | \$22,524,900 | \$30,985,900 | \$42,746,900 | \$54,507,900 | \$58,020,900 | \$60,235,900 | \$60,235,900 | \$60,235,900 | \$60,235,900 | \$60,235,900 | \$60,235,900 |
| TIF Revenues | \$0 | \$136,940 | \$365,776 | \$585,873 | \$805,943 | \$1,111,847 | \$1,417,750 | \$1,509,124 | \$1,566,736 | \$1,566,736 | \$1,566,736 | \$1,566,736 | \$1,566,736 | \$1,566,736 |
| Public Improvement Bond Financing | | | | | | | | | | | | | | |
| 1st Phase Bond DS Repayment Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | |
| 2nd Phase Bond DS Repayment Year | | | | | | | | | | | | | | |
| Budgeted Public Improvements | \$2,200,000 | \$800,000 | \$0 | \$0 | \$3,000,000 | | | | | | | | | |
| Budgeted Public Improvements Bond Financing | \$2,200,000 | \$800,000 | \$0 | \$0 | \$3,000,000 | | | | | | | | | |
| Debt Service on Improvement Bond | | | | | | | | | | | | | | |
| 1st Phase Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| 2nd Phase Bond Debt Service | \$0 | \$0 | \$0 | \$0 | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| Total Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$300,000) | (\$391,000) | (\$391,000) | (\$391,000) | (\$391,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) |
| Transfer from General Fund | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 | \$241,000 |
| Net Cash Flow | | | | | | | | | | | | | | |
| TIF Revenues + Gen Fund Transfer Less Bond DS | \$0 | \$0 | \$136,940 | \$215,776 | \$285,873 | \$414,943 | \$720,847 | \$1,026,750 | \$1,118,124 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 |
| DS Coverage from TIF + Transfer from General Fund | 1.00 | 1.00 | 1.91 | 2.44 | 1.95 | 2.06 | 2.84 | 3.63 | 3.86 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 |
| TIF Revenues + Gen Fund Transfer Plus Land Sale Revenues Less Bond DS | | | | | | | | | | | | | | |
| With Land Sale Revenues @ Low Scenario | \$0 | \$45,000 | \$286,940 | \$395,776 | \$435,873 | \$594,943 | \$870,847 | \$1,086,750 | \$1,118,124 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 |
| With Land Sale Revenues @ Mid Scenario | \$0 | \$441,000 | \$330,940 | \$724,776 | \$479,873 | \$923,943 | \$914,847 | \$1,170,750 | \$1,118,124 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 |
| With Land Sale Revenues @ High Scenario | \$0 | \$838,000 | \$374,940 | \$1,053,776 | \$523,873 | \$1,252,943 | \$958,847 | \$1,274,750 | \$1,118,124 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 | \$1,084,736 |

Above estimates are for illustrative purposes and do not represent appraised values

All financial estimates in Constant \$2015

* Land sale revenues assume Hotel and Banquet/Event Facility in each scenario based on Potential Favorable Future Conditions Scenario (i.e. assumed feasible with no land cost/revenue)

**Exhibit 6. Revenue Analysis for TIF Financing
Cochecho Waterfront Development, Dover, NH
Basic Program Scenario**

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Program Components Delivered | | | | | | | | | | | | | | |
| Residential Multi-Family Flat Units | | | | 60 | - | 60 | - | 60 | - | 60 | - | 48 | - | 288 |
| Live-Work Townhouse Units | | | | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | - | 90 |
| Total Residential Units | | | | 70 | 10 | 70 | 10 | 70 | 10 | 70 | 10 | 58 | - | 378 |
| Retail/Office/Restaurant SF | | | | 10,500 | - | 6,000 | - | 6,000 | - | 2,000 | - | - | - | 24,500 |
| Hotel Rooms | | | | - | - | - | - | 0 | - | - | - | - | - | 0 |
| Banquet/Event Facility SF | | | | - | - | - | - | 0 | - | - | - | - | - | 0 |
| Potential Land Sale Revenues | | | | | | | | | | | | | | |
| Low Scenario | | | \$45,000 | \$150,000 | \$180,000 | \$150,000 | \$180,000 | \$150,000 | \$260,000 | \$150,000 | \$270,000 | \$0 | \$0 | \$1,535,000 |
| Mid Scenario | | | \$441,000 | \$194,000 | \$509,000 | \$194,000 | \$509,000 | \$194,000 | \$549,000 | \$194,000 | \$494,000 | \$0 | \$0 | \$3,278,000 |
| High Scenario | | | \$838,000 | \$238,000 | \$838,000 | \$238,000 | \$838,000 | \$238,000 | \$838,000 | \$238,000 | \$718,000 | \$0 | \$0 | \$5,022,000 |
| Tax Increment Financing Analysis | | | | | | | | | | | | | | |
| Assessed Value | \$0 | \$7,501,000 | \$16,299,000 | \$24,761,000 | \$33,222,000 | \$41,683,000 | \$50,144,000 | \$58,446,000 | \$66,747,000 | \$73,843,000 | \$79,641,000 | | | |
| RE Taxes | \$0 | \$195,101 | \$423,937 | \$644,034 | \$864,104 | \$1,084,175 | \$1,304,245 | \$1,520,180 | \$1,736,089 | \$1,920,656 | \$2,071,462 | | | |
| Captured Value - Incremental AV for TIF | \$0 | \$5,264,900 | \$14,062,900 | \$22,524,900 | \$30,985,900 | \$39,446,900 | \$47,907,900 | \$56,209,900 | \$64,510,900 | \$71,606,900 | \$77,404,900 | | | |
| TIF Revenues | \$0 | \$136,940 | \$365,776 | \$585,873 | \$805,943 | \$1,026,014 | \$1,246,084 | \$1,462,019 | \$1,677,929 | \$1,862,495 | \$2,013,301 | | | |
| Public Improvement Bond Financing | | | | | | | | | | | | | | |
| 1st Phase Bond DS Repayment Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | |
| 2nd Phase Bond DS Repayment Year | | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | |
| Budgeted Public Improvements | \$2,200,000 | \$800,000 | \$0 | \$0 | \$3,000,000 | | | | | | | | | |
| Budgeted Public Improvements Bond Financing | \$2,200,000 | \$800,000 | \$0 | \$0 | \$3,000,000 | | | | | | | | | |
| | \$3,000,000 | | | | \$3,000,000 | | | | | | | | | |
| Debt Service on Improvement Bond | | | | | | | | | | | | | | |
| 1st Phase Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| 2nd Phase Bond Debt Service | \$0 | \$0 | \$0 | \$0 | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| Total Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$300,000) | (\$391,000) | (\$391,000) | (\$391,000) | (\$391,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) |
| Transfer from General Fund | \$150,000 | \$150,000 | \$150,000 | \$150,000 | | | | | | | | | | |
| Net Cash Flow | | | | | | | | | | | | | | |
| TIF Revenues + Gen Fund Transfer Less Bond DS | \$0 | \$0 | \$136,940 | \$215,776 | \$285,873 | \$414,943 | \$635,014 | \$855,084 | \$1,071,019 | \$1,195,929 | \$1,380,495 | \$1,531,301 | \$1,531,301 | \$1,531,301 |
| DS Coverage from TIF + Transfer from General Fund | 1.00 | 1.00 | 1.91 | 2.44 | 1.95 | 2.06 | 2.62 | 3.19 | 3.74 | 3.48 | 3.86 | 4.18 | 4.18 | 4.18 |
| TIF Revenues + Gen Fund Transfer Plus Land Sale Revenues Less Bond DS | | | | | | | | | | | | | | |
| With Land Sale Revenues @ Low Scenario | \$0 | \$45,000 | \$286,940 | \$395,776 | \$435,873 | \$594,943 | \$785,014 | \$1,115,084 | \$1,221,019 | \$1,465,929 | \$1,380,495 | \$1,531,301 | \$1,531,301 | \$1,531,301 |
| With Land Sale Revenues @ Mid Scenario | \$0 | \$441,000 | \$330,940 | \$724,776 | \$479,873 | \$923,943 | \$829,014 | \$1,404,084 | \$1,265,019 | \$1,689,929 | \$1,380,495 | \$1,531,301 | \$1,531,301 | \$1,531,301 |
| With Land Sale Revenues @ High Scenario | \$0 | \$838,000 | \$374,940 | \$1,053,776 | \$523,873 | \$1,252,943 | \$873,014 | \$1,693,084 | \$1,309,019 | \$1,913,929 | \$1,380,495 | \$1,531,301 | \$1,531,301 | \$1,531,301 |

Above estimates are for illustrative purposes and do not represent appraised values
All financial estimates in Constant \$2015

**Exhibit 7. Revenue Analysis for TIF Financing
Cochecho Waterfront Development, Dover, NH
Conservative Sensitivity Test - Basic Program Scenario With Residential/Commercial Absorption Pace @ 50%**

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Program Components Delivered | | | | | | | | | | | | | |
| Residential Multi-Family Flat Units | | | | 30 | - | 30 | - | 30 | - | 30 | - | 30 | - |
| Live-Work Townhouse Units | | | | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total Residential Units | | | | 35 | 5 | 35 | 5 | 35 | 5 | 35 | 5 | 35 | 5 |
| Retail/Office/Restaurant SF | | | 3,208 | - | - | 2,083 | - | 2,083 | - | 2,083 | 2,083 | 2,083 | 2,083 |
| Hotel Rooms | | | - | - | - | - | - | 0 | - | - | - | - | - |
| Banquet/Event Facility SF | | | - | - | - | - | - | 0 | - | - | - | - | - |
| Potential Land Sale Revenues | | | | | | | | | | | | | |
| Low Scenario | \$109,000 | \$76,000 | \$109,000 | \$76,000 | \$109,000 | \$76,000 | \$109,000 | \$76,000 | \$109,000 | \$34,000 | \$109,000 | \$34,000 | \$109,000 |
| Mid Scenario | \$264,000 | \$97,000 | \$264,000 | \$97,000 | \$264,000 | \$97,000 | \$264,000 | \$97,000 | \$264,000 | \$76,000 | \$264,000 | \$76,000 | \$264,000 |
| High Scenario | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 |
| Tax Increment Financing Analysis | | | | | | | | | | | | | |
| Assessed Value | \$0 | \$3,629,000 | \$7,908,000 | \$12,102,000 | \$16,295,000 | \$20,491,000 | \$24,684,000 | \$28,878,000 | \$33,155,000 | \$37,433,000 | \$41,709,000 | \$41,709,000 | \$41,709,000 |
| RE Taxes | \$0 | \$94,390 | \$205,687 | \$314,773 | \$423,833 | \$532,971 | \$642,031 | \$751,117 | \$862,362 | \$973,632 | \$1,084,851 | \$1,084,851 | \$1,084,851 |
| Captured Value - Incremental AV for TIF | \$0 | \$1,392,900 | \$5,671,900 | \$9,865,900 | \$14,058,900 | \$18,254,900 | \$22,447,900 | \$26,641,900 | \$30,835,900 | \$35,030,900 | \$39,226,900 | \$43,422,900 | \$47,619,900 |
| TIF Revenues | \$0 | \$36,229 | \$147,526 | \$256,612 | \$365,672 | \$474,810 | \$583,870 | \$692,956 | \$802,042 | \$911,128 | \$1,020,214 | \$1,129,300 | \$1,238,386 |
| Public Improvement Bond Financing | | | | | | | | | | | | | |
| 1st Phase Bond DS Repayment Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| 2nd Phase Bond DS Repayment Year | | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| Budgeted Public Improvements | \$2,200,000 | \$800,000 | \$0 | \$0 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 |
| Bond Financing | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 | \$3,000,000 |
| Debt Service on Improvement Bond | | | | | | | | | | | | | |
| 1st Phase Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) |
| 2nd Phase Bond Debt Service | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Bond Debt Service | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) | (\$150,000) |
| Transfer from General Fund | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 | \$150,000 |
| Net Cash Flow | | | | | | | | | | | | | |
| TIF Revenues + Gen Fund Transfer Less Bond DS | \$0 | \$0 | \$0 | \$36,229 | (\$2,474) | (\$43,388) | (\$25,328) | \$83,810 | \$192,870 | \$301,956 | \$322,201 | \$433,471 | \$544,690 |
| DS Coverage from TIF + Transfer from General Fund | 1.00 | 1.00 | 1.00 | 1.24 | 0.98 | 0.86 | 0.94 | 1.21 | 1.49 | 1.77 | 1.67 | 1.90 | 2.13 |
| TIF Revenues + Gen Fund Transfer Plus Land Sale Revenues Less Bond DS | | | | | | | | | | | | | |
| With Land Sale Revenues @ Low Scenario | \$0 | \$109,000 | \$112,229 | \$106,526 | \$83,672 | \$159,810 | \$301,870 | \$335,956 | \$431,201 | \$467,471 | \$509,471 | \$552,471 | \$653,690 |
| With Land Sale Revenues @ Mid Scenario | \$0 | \$264,000 | \$133,229 | \$261,526 | \$238,672 | \$180,810 | \$456,870 | \$377,956 | \$586,201 | \$509,471 | \$552,471 | \$653,690 | \$808,690 |
| With Land Sale Revenues @ High Scenario | \$0 | \$419,000 | \$155,229 | \$416,526 | \$393,672 | \$202,810 | \$611,870 | \$420,956 | \$741,201 | \$552,471 | \$653,690 | \$808,690 | \$1,026,690 |

Above estimates are for illustrative purposes and do not represent appraised values
All financial estimates in Constant \$2015

**Exhibit 7. Revenue Analysis for TIF Financing cont'.
Cochecho Waterfront Development, Dover, NH
Conservative Sensitivity Test - Basic Program Scenario With Residential/Commercial Absorption Pace @ 50%**

| Year | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Program Components Delivered | | | | | | | | | | | |
| Residential Multi-Family Flat Units | 30 | - | 30 | - | 30 | - | 30 | - | 18 | - | 288 |
| Live-Work Townhouse Units | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | - | - | 90 |
| Total Residential Units | 35 | 5 | 35 | 5 | 35 | 5 | 35 | 5 | 18 | - | 378 |
| Retail/Office/Restaurant SF | 2,083 | 2,083 | 1,250 | - | - | - | - | - | - | - | 21,125 |
| Hotel Rooms | - | - | - | - | - | - | - | - | - | - | 0 |
| Banquet/Event Facility SF | - | - | - | - | - | - | - | - | - | - | 0 |
| Potential Land Sale Revenues | | | | | | | | | | | |
| Low Scenario | \$34,000 | \$126,000 | \$76,000 | \$151,000 | \$76,000 | \$151,000 | \$76,000 | \$45,000 | \$0 | \$0 | \$1,685,000 |
| Mid Scenario | \$76,000 | \$272,000 | \$97,000 | \$285,000 | \$97,000 | \$285,000 | \$97,000 | \$113,000 | \$0 | \$0 | \$3,349,000 |
| High Scenario | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$419,000 | \$119,000 | \$180,000 | \$0 | \$0 | \$5,022,000 |
| Tax Increment Financing Analysis | | | | | | | | | | | |
| Assessed Value | \$45,987,000 | \$50,264,000 | \$54,509,000 | \$58,669,000 | \$62,780,000 | \$66,890,000 | \$71,001,000 | \$75,111,000 | \$77,448,000 | \$79,135,000 | |
| RE Taxes | \$1,196,122 | \$1,307,367 | \$1,417,779 | \$1,525,981 | \$1,632,908 | \$1,739,809 | \$1,846,736 | \$1,953,637 | \$2,014,422 | \$2,068,301 | |
| Captured Value - Incremental AV for TIF | \$43,750,900 | \$48,027,900 | \$52,272,900 | \$56,432,900 | \$60,543,900 | \$64,653,900 | \$68,764,900 | \$72,874,900 | \$75,211,900 | \$76,898,900 | |
| TIF Revenues | \$1,137,961 | \$1,249,206 | \$1,359,618 | \$1,467,820 | \$1,574,747 | \$1,681,648 | \$1,788,575 | \$1,895,476 | \$1,956,262 | \$2,000,140 | |
| Public Improvement Bond Financing | | | | | | | | | | | |
| 1st Phase Bond DS Repayment Year | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | |
| 2nd Phase Bond DS Repayment Year | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | |
| Budgeted Public Improvements | | | | | | | | | | | |
| Budgeted Public Improvements Bond Financing | | | | | | | | | | | |
| Debt Service on Improvement Bond | | | | | | | | | | | |
| 1st Phase Bond Debt Service | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| 2nd Phase Bond Debt Service | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) | (\$241,000) |
| Total Bond Debt Service | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) | (\$482,000) |
| Transfer from General Fund | | | | | | | | | | | |
| Net Cash Flow | | | | | | | | | | | |
| TIF Revenues + Gen Fund Transfer Less B | \$655,961 | \$767,206 | \$877,618 | \$985,820 | \$1,092,747 | \$1,199,648 | \$1,306,575 | \$1,413,476 | \$1,474,262 | \$1,518,140 | |
| DS Coverage from TIF + Transfer from Gene | 2.36 | 2.59 | 2.82 | 3.05 | 3.27 | 3.49 | 3.71 | 3.93 | 4.06 | 4.15 | |
| TIF Revenues + Gen Fund Transfer Plus Land Sale Revenues Less Bond DS | | | | | | | | | | | |
| With Land Sale Revenues @ Low Scenario | \$689,961 | \$893,206 | \$953,618 | \$1,136,820 | \$1,168,747 | \$1,350,648 | \$1,382,575 | \$1,458,476 | \$1,474,262 | \$1,518,140 | |
| With Land Sale Revenues @ Mid Scenario | \$731,961 | \$1,039,206 | \$974,618 | \$1,270,820 | \$1,189,747 | \$1,484,648 | \$1,403,575 | \$1,526,476 | \$1,474,262 | \$1,518,140 | |
| With Land Sale Revenues @ High Scenario | \$774,961 | \$1,186,206 | \$996,618 | \$1,404,820 | \$1,211,747 | \$1,618,648 | \$1,425,575 | \$1,593,476 | \$1,474,262 | \$1,518,140 | |

Above estimates are for illustrative purposes and do not represent appraised values
All financial estimates in Constant \$2015

VIII. IMPLEMENTATION STRATEGIES

a. Tax Increment Financing and Public Investment

The proposed TIF plan should dramatically improve the prospects for and outcome to the City from the project. It will enhance prospects of attracting developers to the project by relieving them of the burden of financing front-loaded costs. It will broaden the range of developers who can undertake the project to include smaller developers who might lack the capital to undertake a long-term, venture capital-intensive land development, but can handle bite size chunks of development. These developers may be able to accept lower financial returns than might otherwise be required by major developers and institutional capital sources with the ability to undertake large scale multi-use projects. Whether smaller local developers or major developers, the City should realize enhanced financial outcome based on the major site work and infrastructure costs being financed by low interest bond financing rather than higher cost private investment.

b. Master Developer vs. Multiple Developers

The City's funding and construction of major site work and infrastructure would give it the option of marketing and transacting disposition of development pads in stages to multiple developers or contracting with a master developer for the entire project. Each option has pros and cons.

The City acting as master developer would provide the advantages of greater ongoing control of the project's evolution and the ability to maximize land disposition revenues from improvement on the market and site's appeal over the land development period, as well as facilitating the involvement of smaller local developers for project components with the advantages noted above. On the other hand, it would require the City to incur the effort and cost of planning and managing the process, and would require a long term commitment to proactive management. Less than optimal coordination could cause developers and investors to question the overall vision and coherence of the assembled parts.

Contracting with a master developer would mean the City would have less hands on control. The involvement of smaller local developers could be limited (though there would be the possibility of their sub-developing selected components on behalf of a master developer). The City would be selling the site at a wholesale vs. retail price (though some provisions for participation or staged sale pricing could somewhat, if not entirely, lessen this negative). Advantages could be coordinated planning and management by an

experienced, motivated, and well-financed developer who may have the vision, connections, and reputation to sell prospective users and partners on the concept for the site being greater than the sum of its parts. The determination of which approach makes the most sense can best be made by means of a well-orchestrated RFP process.

c. Request for Proposals

The RFP can invite proposals for master development of the entire site, for major portions of the site, or individual components/development pads. This would enable the City to get the best insight on the potential advantages of alternate approaches and the specific cases that can be made by individual proposers.

A two-stage RFP process, in which an initial stage calls for concept and qualifications and short-listed proposers submit detailed proposals, would be particularly appropriate. It would attract prospective participants with a low cost of entry, which would be especially important given many proposers could be leery of incurring the considerable costs of a full proposal prior to determining if their approach is a finalist.

The RFP process would have to be managed carefully to avoid shortlisting and selection based on unrealistic visions that proposers might ultimately not consider worth pursuing through the process. Optimally, CWDAC and the community will be engaged as an active and well-informed participant in the process. The community's understanding of what is and is not realistic and the implications and trade-offs of various options will facilitate wise decision-making in the RFP process as well as act as an incentive for developer response.

We recommend the City establish design and development objectives and parameters that are essential elements of the project but allow a developer(s) reasonable flexibility as to how such objectives can be fulfilled. We further recommend the City structure the disposition process and development agreements so as to be able to exert some control over later stage programming by means of development plan approval, staged land take-down, land pricing and/or possible assistance.

Notably, the City may wish to maintain the ability to reserve particular sites appropriate for targeted uses that are not viable in the near term such as a hotel and, possibly, an event center. Development of uses viable in the near term could proceed on other portions of the site and the City could determine in a few years whether conditions appear to be conducive to development of targeted uses or the reserved sites should be freed for other uses.

ASSUMPTIONS AND LIMITING CONDITIONS

- Information provided by others for use in this analysis is believed to be reliable, but in no sense is guaranteed. All information concerning physical, market or cost data is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and is subject to errors, omissions, changes in price, rental, or other conditions.
- The Consultant assumes no responsibility for legal matters nor for any hidden or unapparent conditions of the property, subsoils, structure or other matters which would materially affect the marketability, developability or value property.
- The analysis assumes a continuation of current economic and real estate market conditions, without any substantial improvement or degradation of such economic or market conditions except as otherwise noted in the report.
- Any forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- Since any projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, The Consultant does not represent them as results that will actually be achieved.
- The report and analyses contained therein should not be regarded as constituting an appraisal or estimate of market value. Any values discussed in this analysis are provided for illustrative purposes.
- The analysis was undertaken to assist the client in evaluating and strategizing the potential transaction discussed in the report. It is not based on any other use, nor should it be applied for any other purpose.
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- The Consultant shall not be responsible for any unauthorized excerpting or reference to this report.
- The Consultant shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this report without agreement as to additional compensation and without sufficient notice to allow adequate preparation.

APPENDIX A
INFORMATION SOURCES CONTRIBUTING TO EVALUATION

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Chetan Patel
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Jamsan Hotel Management

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Capital Hotel Management, LLC

Joy Dunphy
Manager
Days Inn, Dover

Kevin Sullivan
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Tim Dargan
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Certified Retail Solutions

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APPENDIX B
ILLUSTRATIVE PER UNIT/SQUARE FOOT PROGRAM, LAND USAGE,
FEASIBILITY, AND PROPERTY TAXES FOR ALTERNATIVE USES

**Illustrative Per Unit/Square Foot Program, Land Usage, Feasibility, and Property Taxes of Alternative Uses
Cochecho Waterfront Development, Dover, NH**

| | Residential Multi-Family Flats - For Sale | | | | Residential LW Townhouses - For Sale | | | | | |
|--|---|--|---------------|---------------|--------------------------------------|--|---------------|---------------|--------|--------|
| | /Unit | /GBA SF | /NetSF | /Land SF | /Unit | /GBA SF | /NetSF | /Land SF | | |
| Program | | | | | | | | | | |
| # Units | | | | | | | | | | |
| Gross SF | | 1,205 | | | | 1,850 | | | | |
| Net SF | 83% | 1,000 | | | 100% | 1,850 | | | | |
| Parking Spaces | | 1.80 | | | | 4.00 | | | | |
| Surface Lots | 50% | 0.90 | | | 62.5% | 2.50 | | | | |
| In-Building | 40% | 0.72 | | | 37.5% | 1.50 | | | | |
| On-Street (# req'd by use; shared use = may exceed supply) | 10% | 0.18 | | | 0.0% | - | | | | |
| Land Usage | | | | | | | | | | |
| # Habitable Floors in Building | | | | | | | | | | |
| Building Foot Print | | 301 | 0.25 | 0.30 | | 925 | 0.50 | 0.50 | | |
| Surface Parking @ SF/Space = | 340 | <u>306</u> | <u>0.25</u> | <u>0.31</u> | 200 | <u>500</u> | <u>0.27</u> | <u>0.27</u> | | |
| Subtotal | | 607 | 0.50 | 0.61 | | 1,425 | 0.77 | 0.77 | | |
| Circulation/Buffer Areas @ % of Subtotal = | 100% | <u>607</u> | <u>0.50</u> | <u>0.61</u> | 100% | <u>1,425</u> | <u>0.77</u> | <u>0.77</u> | | |
| Total Land Area SF | | 1,214 | 1.01 | 1.21 | | 2,850 | 1.54 | 1.54 | | |
| Acres | | 0.03 | | | | 0.07 | | | | |
| Feasibility | | | | | | | | | | |
| Development Cost* | | | | | | | | | | |
| Bldg @ \$/GBASF (incl site, finish; excl pkg)* | \$130 | \$156,627 | \$130 | \$157 | \$125 | \$231,250 | \$125 | \$125 | | |
| Parking | | | | | | | | | | |
| Surface @ \$/space | \$3,500 | \$3,150 | \$3 | \$3 | \$1,000 | \$2,500 | \$1 | \$1 | | |
| In-Building @ \$/SF (could vary greatly based on type) | \$15,000 | \$10,800 | \$9 | \$11 | \$10,000 | \$15,000 | \$8 | \$8 | | |
| Total Hard Cost | | \$170,577 | \$142 | \$171 | | \$248,750 | \$134 | \$134 | | |
| Soft Costs (Incl DevOH/Fee, Permit/Impact Fees, Fin Costs) | 15.0% | \$25,586 | \$21 | \$26 | 15.0% | \$37,313 | \$20 | \$20 | | |
| TDC Not Including Land | | \$196,163 | \$163 | \$196 | | \$286,063 | \$155 | \$155 | | |
| Condos | | | | | | | | | | |
| Revenues | | | | | | | | | | |
| Gross Sale Proceeds @ Price \$/Net SF = | \$275 | \$275,000 | \$228 | \$275 | \$205 | \$379,250 | \$205 | \$205 | | |
| less cost of sale | 6.0% | <u>(\$16,500)</u> | <u>(\$14)</u> | <u>(\$17)</u> | 6.0% | <u>(\$22,755)</u> | <u>(\$12)</u> | <u>(\$12)</u> | | |
| Net Sale Proceeds (NSP) | | \$258,500 | \$215 | \$259 | | \$356,495 | \$193 | \$193 | | |
| Return | | | | | | | | | | |
| Profit before Land Cost (Net Sale Procd / Cost) | 31.8% | | | | 24.6% | | | | | |
| Net Profit Margin bef Land Cost (Profit / NSP) | 24.1% | | | | 19.8% | | | | | |
| Required Profit @ Net Profit Margin = | 20.0% | \$51,700 | \$43 | \$52 | 14.0% | \$49,909 | \$27 | \$27 | | |
| Supportable TDC at Req'd Profit = | | \$206,800 | \$172 | \$207 | | \$306,586 | \$166 | \$166 | | |
| Yields Profit on Cost = | 25.0% | | | | 16.3% | | | | | |
| Land Cost Supported | | \$10,637 | \$9 | \$11 | \$8.76 | \$20,523 | \$11 | \$11 | \$7.20 | |
| | | Return should be sufficient to attract development and support positive land cost Most costly parking solution (u/g) and/or difficult geotech could lower supportable land Will require strong guarantor and substantial equity especially in a secondary market area | | | | Return in reasonable range to attract and support positive land cost especially for local developer; Ability to phase in small increments will help | | | | |
| Potential Land Sale Revenues* | | | | | | | | | | |
| Current/Near Term Market Conditions | | | | | | | | | | |
| Low Scenario | | \$5,000 | \$4 | \$5 | \$4 | \$15,000 | \$8 | \$8 | \$5 | |
| Mid Scenario | | \$10,000 | \$8 | \$10 | \$8 | \$20,000 | \$11 | \$11 | \$7 | |
| High Scenario | | \$15,000 | \$12 | \$15 | \$12 | \$25,000 | \$14 | \$14 | \$9 | |
| Potential Favorable Future Conditions | | \$15,000 | \$12 | \$15 | \$12 | \$25,000 | \$14 | \$14 | \$9 | |
| * not incl extraordinary geotech costs | | | | | | | | | | |
| Property Tax | | | | | | | | | | |
| AV @ Sale Price | | \$275,000 | \$228 | \$275 | \$226 | \$379,250 | \$205 | \$205 | \$133 | |
| Total Tax @ millage = | \$26.01 | \$7,153 | \$5.94 | \$7.15 | \$5.89 | \$26.01 | \$9,864 | \$5.33 | \$5.33 | \$3.46 |

Above estimates are for illustrative purposes and do not represent appraised values

**Illustrative Per Unit/Square Foot Program, Land Usage, Feasibility, and Property Taxes of Alternative Uses
Cochecho Waterfront Development, Dover, NH**

| | Retail/Office | | | | Restaurant | | | |
|--|---------------|---|-----------------------|----------|------------|--|--------------|-----------|
| | /Unit | /GBA SF | /NetSF | /Land SF | /Unit | /GBA SF | /NetSF | /Land SF |
| Program | | | | | | | | |
| # Units | | | | | | | | |
| Gross SF | | 1,000 | | | | 4,500 | | |
| Net SF | 100% | 1,000 | | | 100% | 4,500 | | |
| Parking Spaces | | 4.00 | assumes limited SF | | | 45.00 | assumes 10.0 | /1,000 SF |
| Surface Lots | 0% | - | allows shared parking | | 50% | 22.50 | | |
| In-Building | 0% | - | | | 0% | - | | |
| On-Street (# req'd by use; shared use = may exceed supply) | 100% | 4.00 | | | 50% | 22.50 | | |
| Land Usage | | | | | | | | |
| # Habitable Floors in Building | | | | | | | | |
| Building Foot Print | | 250 | 0.25 | 0.25 | | 2,250 | 0.50 | 0.50 |
| Surface Parking @ SF/Space = | 340 | - | - | - | 340 | 7,650 | 1.70 | 1.70 |
| Subtotal | | 250 | 0.25 | 0.25 | | 9,900 | 2.20 | 2.20 |
| Circulation/Buffer Areas @ % of Subtotal = | 100% | 250 | 0.25 | 0.25 | 100% | 9,900 | 2.20 | 2.20 |
| Total Land Area | | 500 | 0.50 | 0.50 | | 19,800 | 4.40 | 4.40 |
| Acres | | 0.01 | | | | 0.45 | | |
| Feasibility | | | | | | | | |
| Development Cost* | | | | | | | | |
| Bldg @ \$/GBASF (incl site,finish; excl pkg)* | \$125 | \$125,000 | \$125 | \$125 | \$195 | \$877,500 | \$195 | \$195 |
| Parking | | | | | | | | |
| Surface @ \$/space | \$3,500 | \$0 | \$0 | \$0 | \$3,500 | \$78,750 | \$18 | \$18 |
| In-Building @ \$/SF (could vary greatly based on type) | \$15,000 | \$0 | \$0 | \$0 | \$15,000 | \$0 | \$0 | \$0 |
| Total Hard | | \$125,000 | \$125 | \$125 | | \$956,250 | \$213 | \$213 |
| Soft Costs (Incl DevOH/Fee, Permit/Impact Fees, Fin Costs) | 15.0% | \$18,750 | \$19 | \$19 | 15.0% | \$143,438 | \$32 | \$32 |
| TDC Not Including Land | | \$143,750 | \$144 | \$144 | | \$1,099,688 | \$244 | \$244 |
| Rental Revenues | | | | | | | | |
| Monthly Market Rent \$/Net SF | \$1.04 | \$1,042 | \$1.04 | \$1.04 | \$1.67 | \$7,500 | \$1.67 | \$1.67 |
| Gross Potential Rent | \$12.50 | \$12,500 | \$12.50 | \$12.50 | \$20.00 | \$90,000 | \$20.00 | \$20.00 |
| Vacancy | 10.0% | (\$1,250) | (\$1.25) | (\$1.25) | 10.0% | (\$9,000) | (\$2.00) | (\$2.00) |
| EGI | | \$11,250 | \$11.25 | \$11.25 | | \$81,000 | \$18.00 | \$18.00 |
| Oper Exps & RE Taxes (non-pass-thru) @ % of EGI = NOI | 5% | (\$563) | (\$0.56) | (\$0.56) | 2% | (\$1,620) | (\$0) | (\$0) |
| | | \$10,688 | \$10.69 | \$10.69 | | \$79,380 | \$18 | \$18 |
| Return | | | | | | | | |
| Free & Clear Return on Cost = | 7.4% | | | | 7.5% | | | |
| Value for Calc of Supportable Land Cost @ Developer Cap= Land Cost Supported | 8.00% | \$133,594 | \$134 | \$134 | 8.00% | \$1,032,750 | \$230 | \$230 |
| | | (\$10,156) | (\$10) | (\$10) | (\$20) | (\$66,938) | (\$15) | (\$15) |
| | | | | (\$20) | | | | (\$3) |
| | | Unless a strong tenant or owner-user willing to pay the occupancy cost to support new development materializes, this use would be infeasible on its own and would require subsidy | | | | Unless a strong tenant or owner-user willing to pay the occupancy cost to support cost of new development materializes, this use would be infeasible on its own and would require subsidy | | |
| | | | | | | Feasibility analysis assumes owner provides fully fit-out space. If a strong restaurant tenant willing to pay cost of fit-up on a capital or rental basis can be attracted, it may require signficanty | | |
| Potential Land Sale Revenues* | | | | | | | | |
| Current/Near Term Market Conditions | | | | | | | | |
| Low Scenario | | (\$20,000) | (\$20) | (\$20) | (\$40) | (\$135,000) | (\$30) | (\$30) |
| Mid Scenario | | (\$10,000) | (\$10) | (\$10) | (\$20) | (\$67,500) | (\$15) | (\$15) |
| High Scenario | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Potential Favorable Future Conditions | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| * not incl extraordinary geotech costs | | | | | | | | |
| Property Tax | | | | | | | | |
| AV @ | | \$80,000 | \$80 | \$80 | \$160 | \$675,000 | \$150 | \$150 |
| Total Tax @ millage = | \$26.01 | \$2,081 | \$2.08 | \$2.08 | \$4.16 | \$26.01 | \$17,557 | \$3.90 |
| | | | | | | | \$3.90 | \$0.89 |

Above estimates are for illustrative purposes and do not represent appraised values

**Illustrative Per Unit/Square Foot Program, Land Usage, Feasibility, and Property Taxes of Alternative Uses
Cochecho Waterfront Development, Dover, NH**

| | Hotel | | | | | Banquet/Event Facility | | | | | |
|---|--|---------------|------------|---------|----------|--|---------------|-----------|----------|-----------------------------|--------|
| | Total | /Unit | /GBA SF | /Net SF | /Land SF | /Unit | /GBA SF | /Net SF | /Land SF | | |
| Program | | | | | | | | | | | |
| # Units | 90 | | | | | 7,500 | | | | | |
| Gross SF | 54,000 | 600 | | | | | | | | | |
| Net SF | 67% 36,000 | 400 | | | | 67% 5,000 | | | | parking assumes | |
| Parking Spaces | 90 | 1.00 | | | | 250 | | | | 10 Net SF/attendee | |
| Surface Lots | 100% 90 | 1.00 | | | | 90% 225 | | | | 1 space/2 attendees | |
| In-Building | 0% | - | | | | 0% | | | | plus other valet'd off-site | |
| On-Street (# req'd by use; shared use = may exceed supply) | 0% | - | | | | 10% | 25 | | | | |
| Land Usage | | | | | | | | | | | |
| # Habitable Floors in Building | 4.0 | | | | | | | | | | |
| Building Foot Print | 13,500 | 150 | 0.25 | 0.38 | | 1,875 | 0.25 | 0.38 | | | |
| Surface Parking @ SF/Space = | 340 30,600 | 340 | 0.57 | 0.85 | | 340 76,500 | 10.20 | 15.30 | | | |
| Subtotal | 44,100 | 490 | 0.82 | 1.23 | | 78,375 | 10.45 | 15.68 | | | |
| Circulation/Buffer Areas @ % of Subtotal = | 100% 44,100 | 490 | 0.82 | 1.23 | | 25% 19,594 | 2.61 | 3.92 | | | |
| Total Land Area | 88,200 | 980 | 1.63 | 2.45 | | 97,969 | 13.06 | 19.59 | | | |
| Acres | 2.0 | 0.02 | | | | 2.25 | | | | | |
| Feasibility | | | | | | | | | | | |
| Development Cost* | | | | | | | | | | | |
| Bldg @ \$/GBASF (incl site, finish; excl pkg)* | \$150 | \$8,100,000 | \$90,000 | \$150 | \$225 | \$195 | \$1,462,500 | \$195 | \$293 | | |
| Parking | | | | | | | | | | | |
| Surface @ \$/space | \$3,500 | \$315,000 | \$3,500 | \$6 | \$9 | \$3,500 | \$787,500 | \$105 | \$158 | | |
| In-Building @ \$/SF (could vary greatly based on type) | \$15,000 | \$0 | \$0 | \$0 | \$0 | \$15,000 | \$0 | \$0 | \$0 | | |
| Total Hard | | \$8,415,000 | \$93,500 | \$156 | \$234 | | \$2,250,000 | \$300 | \$450 | | |
| Soft Costs (Incl Dev OH/Fee, Permit/Impact Fees, Fin Costs) | 20.0% | \$1,683,000 | \$18,700 | \$31 | \$47 | 15.0% | \$337,500 | \$45 | \$68 | | |
| TDC Not Including Land | | \$10,098,000 | \$112,200 | \$187 | \$281 | | \$2,587,500 | \$345 | \$518 | | |
| Rental Revenues | | | | | | | | | | | |
| Monthly Market Rent \$/Gross SF | Avg Daily Rate | | \$95 | | | \$1.67 | \$12,500 | \$1.67 | \$2.50 | | |
| Gross Potential Rent | Occ Rate | | 67% | | | \$20.00 | \$150,000 | \$20.00 | \$30.00 | | |
| Vacancy | Annual Rm Rev | | \$23,232 | | | 10.0% | (\$15,000) | (\$2.00) | (\$3.00) | | |
| EGL | Rm Rev % of Tot Rev | | 98% | | | | \$135,000 | \$18.00 | \$27.00 | | |
| | Total Rev | | \$23,706 | | | | | | | | |
| Oper Exps & RE Taxes (non-pass-thru) @ % of EGL = | Oper Exp Ratio | | 70% | | | 5% | (\$6,750) | (\$1) | (\$1) | | |
| NOI | NOI | | \$7,112 | | | | \$128,250 | \$17 | \$26 | | |
| Return | | | | | | | | | | | |
| Free & Clear Return on Cost = | | | | | | 5.0% | | | | | |
| Value for Calc of Supportable Land Cost @ Developer Cap= | 8.00% | \$8,000,902 | \$88,899 | \$148 | \$222 | 10.00% | \$1,282,500 | \$171 | \$257 | | |
| Land Cost Supported | | (\$2,097,098) | (\$23,301) | (\$39) | (\$58) | (\$24) | (\$1,305,000) | (\$174) | (\$261) | (\$13) | |
| | Until strong destination attraction(s) are developed and/or significant improvement in local market demand/supply conditions, this use would be infeasible and require subsidy | | | | | Unless a strong tenant or owner-user willing to pay the occupancy cost to support new development materializes, this use would be infeasible on its own and would require subsidy by | | | | | |
| | If destination attractions are developed and/or market demand/supply conditions improve, later phase development may require significantly less or no subsidy | | | | | Feasibility analysis is based on a stand-alone facility assuming owner provides fully fit-out space. Rent could be highly variable rendering supportable land cost highly and variable. If developed as part | | | | | |
| Potential Land Sale Revenues* | | | | | | | | | | | |
| Current/Near Term Market Conditions | | | | | | | | | | | |
| Low Scenario | | (\$2,700,000) | (\$30,000) | (\$50) | (\$75) | (\$31) | (\$1,875,000) | (\$250) | (\$375) | (\$19) | |
| Mid Scenario | | (\$2,025,000) | (\$22,500) | (\$38) | (\$56) | (\$23) | (\$1,312,500) | (\$175) | (\$263) | (\$13) | |
| High Scenario | | (\$1,350,000) | (\$15,000) | (\$25) | (\$38) | (\$15) | (\$750,000) | (\$100) | (\$150) | (\$8) | |
| Potential Favorable Future Conditions | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| * not incl extraordinary geotech costs | | | | | | | | | | | |
| Property Tax | | | | | | | | | | | |
| AV @ | 0% | \$5,850,000 | \$65,000 | \$108 | \$163 | \$66 | 0% | \$750,000 | \$100 | \$150 | \$8 |
| Total Tax @ millage = | \$26.01 | \$152,159 | \$1,691 | \$2.82 | \$4.23 | \$1.73 | \$26.01 | \$19,508 | \$2.60 | \$3.90 | \$0.20 |

Above estimates are for illustrative purposes and do not represent appraised values