

9-11-17 Disc. Item E



PO Box 466  
767 Islington Street  
Portsmouth, NH 03802  
P (603)766-3129  
F (603)431-3627  
housingpartnership.org

Mr. Craig Musselman, Chair  
Board of Selectman, Town of Rye, NH  
10 Central Road  
Rye, NH 03870

VIA EMAIL: mmagnant@town.rye.nh.us

Dear Chairman Musselman,

The purpose of this letter is to provide the Board of Selectman ("the Board") with an update on the intent of The Housing Partnership ("THP") with respect to the Parsonage Apartments ("the Property"), at 575 Washington Road, which THP has operated on behalf of the Town of Rye ("the Town") since 1999. As you are aware, representatives of the Town and THP have engaged in preliminary discussions over a period of several months to identify a mutually agreeable strategy for rehabilitation and continued operation of the Property beyond the expiration of the current lease in January of 2019. THP put forth at least two proposals which contemplated alternative approaches to a list of project attributes, including: transfer of the Property to THP or a long term lease extension; rehabilitation of the existing Property or rehabilitation of the main house with the addition of new units on the adjacent lot; and exploration of financing sources both public and private to fund the redevelopment. On the basis of feedback from both the Board and the subcommittee report, we believe the Board's recommended priorities can reasonably be summarized as follows:

**Use of the property:** The Town prefers that the Property continue to operate as affordable rental housing for income-qualified seniors households, with a preference given to applicants who are current or former Rye residents.

**Affordability:** To increase the size of the eligible applicant pool and improve financial feasibility, the Town is open to an expansion of the household income limit and rent caps allowed under the current lease, and to the extent allowed by any future public financing used in the project.

**Ownership:** The Town strongly prefers to maintain ownership of the Property, and is unlikely to accept a proposal for transfer of ownership to THP.

**Lease Term:** The Town prefers that the lease be extended by a term equal to the minimum term necessary for THP to secure and repay debt financing for the redevelopment project, ideally not more than 15 years.

**Redevelopment:** The Town strongly prefers to maintain the existing configuration of the Property without any substantial demolition of either the main house or the adjacent single-story building. Some internal reconfiguration of the buildings to improve efficiency of the floor plan, egresses, etc., is acceptable.

DRAFT MINUTES of the Board of Selectmen's Meeting 9/11/17  
See minutes of 9/25/17 for approvals/corrections

**Financing:** The Town prefers that the project be financed without the use of public funding sources to preserve options for other uses at a later date, uses which would potentially be prohibited by long term public financing contracts.

In the context of these priorities, and assuming they accurately reflect the Board's current position, THP is prepared to engage in a more detailed analysis of the rehabilitation work necessary to improve the property for long-term occupancy. The analysis will involve THP soliciting (and possibly funding) input from an architect, an engineer and contractor(s) to develop a detailed plan for rehabilitation. THP will keep the Town informed of the progress of the plan as it is developed. Once a plan is agreed upon and approved by the Board, THP will develop a revised financial pro forma(s) for presentation to the Board containing details regarding the leasehold mortgage, required rent levels, proposed reserve payments, etc. Pending the Board's approval of the financial plan, a lease extension would then need to be negotiated.

It is important to understand that work cannot begin on the property until the expiration of the current lease in January 2019. Details of any plan approved in advance of that date would be subject to changing market conditions in the interim – including construction pricing, financing rates, building code changes, etc. Also, given that rents will almost certainly need to be raised at the property to support the cost of the work, THP would not want to provide less than 12 months notice to tenants in place.

In light of these sensitive timing issues, THP is willing to extend our commitment on the current lease such that we will provide not less than twelve months notice to the Town of either our intent to move forward with an approved plan, or a decision not to renew the lease. In the meantime, with the Board's consent, THP will begin work towards developing a final plan and renegotiating the lease by the end of 2017 or early 2018, to preclude the necessity for an extension much beyond the end of the current lease.

While THP continues to have confidence in the possibility of a mutually acceptable and financially feasible plan for the Parsonage, we want the Board to be aware that rising interest rates, rising construction costs and changes in charitable giving habits are all pressure points which could ultimately affect project feasibility.

We look forward to engaging with the Board on possible next steps.

Respectfully,



**Marty Chapman**  
Executive Director  
The Housing Partnership