

CITY OF PORTSMOUTH PORTSMOUTH, NH 03801

Office of the City Manager

DATE: November 30, 2005

TO: Honorable Mayor Evelyn Sirrell and City Council Members

FROM: John P. Bohenko, City Manager

RE: First Reading of Resolution Authorizing a Bond Issue of up to Fifteen Million Dollars (\$15,000,000) for the Construction of a Public Parking Facility

Attached is a bond resolution that would authorize the City to borrow up to fifteen million dollars (\$15,000,000) to build a public parking facility in accordance with the Joint Development Agreement with HarborCorp.

As you will recall at your November 14th meeting, the Joint Development Agreement was approved by the City Council. The proposed first reading of the bond resolution is the next step in the process to move forward on the public/private partnership with Steve Griswold, (HarborCorp), for the development of the conference center, hotel, and public parking facility.

For your information, under Section VIII of the agenda, I have attached the following:

- Bond Resolution.
- Legal debt limit as of June 30, 2005.
- Legal debt limit if this bond issue is approved.
- Standard and Poor's analysis of the City of Portsmouth finances (7-27-05).
- Letter from Peter Frasier, Independent Financial Advisor, (First Southwest Company), for the City.
- Pro-forma A - Debt service pro-forma including revenue assumption based on usage from High/Hanover garage.
- Revenue Assumptions Using Various Percentage of Usage.
- Pro-forma B - Debt service pro-forma including revenue assumption using 40% of usage of 332 parking spaces.
- Pro-forma C - Debt service pro-forma including revenue assumption using 30% of usage of 332 parking spaces.

- Narrative Summary of the Economic Analysis by the City's Independent Consultant Robert Crawford, (Hospitality Resources, Inc.). Please note in his report that he estimates new property taxes to be \$750,000 a year in addition to the other economic benefits that will accrue to the Central Business District.

In addition to the 657 parking spaces being built, the design allowed us to also build approximately 7,400 square feet of retail space on the Deer Street level of the facility. This estimated revenue is also included in our pro-forma revenue assumptions.

As you can see from the attached pro-formas, the cost of the garage would not entail any use of property taxes. In fact, Pro-formas A & B shows a positive cash flow. Pro-forma C, which is very conservative, shows a slight use of parking revenue.

Staff from the Finance Department and I will review all the attachments and answer any questions the City Council may have on Monday evening.

I would recommend the City Council move to pass first reading to authorize a bond resolution of up to fifteen million dollars (\$15,000,000) for a public parking facility and schedule a public hearing and second reading for the December 19th City Council meeting. This requires two-thirds vote for passage.

**IN THE YEAR OF OUR LORD
TWO THOUSAND FIVE
PORTSMOUTH, NEW HAMPSHIRE**

RESOLUTION # – 2005

A RESOLUTION AUTHORIZING A BOND ISSUE OF UP TO FIFTEEN MILLION DOLLARS (\$15,000,000) FOR THE CONSTRUCTION OF A PUBLIC PARKING FACILITY.

RESOLVED:

That Fifteen Million Dollars (\$15,000,000) is appropriated for the construction of a Public Parking Facilities.

That to meet this appropriation, the City Treasurer, with the approval of the City Manager, is authorized to borrow Fifteen Million Dollars (\$15,000,000) under the Municipal Finance Act;

That the expected useful life of the project is determined to be at least 20 years, and;

That this Resolution shall take effect upon its passage.

APPROVED:

EVELYN SIRRELL, MAYOR

**ADOPTED BY CITY COUNCIL
December 19, 2005**

KELLI BARNABY, CITY CLERK

CITY OF PORTSMOUTH, NEW HAMPSHIRE
 Computation of Legal Debt Margin
 As of June 30, 2005

Modified local assessed valuation	\$ 3,075,582,479
Department of Revenue Administration inventory adjustment	<u>374,802,482</u>
Equalized assessed valuation	3,450,384,961
Adjustment: RSA 31-A	<u>43,197,950</u>
Base valuation for debt limit (1)	<u><u>\$ 3,493,582,911</u></u>

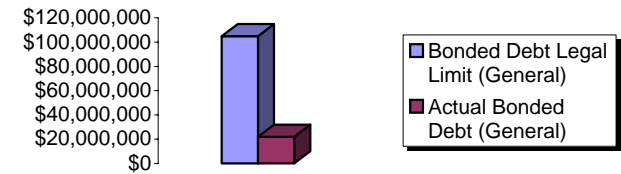
Bonded debt limit - 3.0% of base (General Debt)	\$ 104,807,487
Gross bonded debt June 30, 2005	14,905,287
Less:	
Landfill (4)	3,013,287
	11,892,000
Authorized but unissued	
Library	7,000,000
FY 05 Street Improvements	3,000,000
	10,000,000
Total debt applicable to 3% limitation	<u>21,892,000</u>
Legal Debt Margin	<u><u>\$ 82,915,487</u></u>

Bonded debt limit - 7.0% of base (School Debt) (5)	\$ 244,550,804
Gross bonded debt June 30, 2005	34,200,000
	34,200,000
Authorized but unissued	
Total debt applicable to 7% limitation	<u>34,200,000</u>
Legal Debt Margin	<u><u>\$ 210,350,804</u></u>

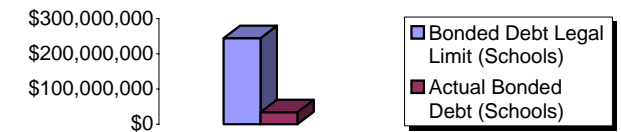
(1) The equalization of all taxable property in the State of New Hampshire is conducted annually
 (4) Exempt per RSA 33:5-b.
 (5) Subject to a separate debt limit of 7% of the City's base valuation per RSA 33:4-a

Note: as of June 30, 2005

General - Legal Debt Limit



School - Legal Debt Limit



CITY OF PORTSMOUTH, NEW HAMPSHIRE
Computation of Legal Debt Margin
As of December 19, 2005

Modified local assessed valuation	\$ 3,075,582,479
Department of Revenue Administration inventory adjustment	<u>374,802,482</u>
Equalized assessed valuation	3,450,384,961
Adjustment: RSA 31-A	<u>43,197,950</u>
Base valuation for debt limit (1)	<u><u>\$ 3,493,582,911</u></u>

Bonded debt limit - 3.0% of base (General Debt) \$ 104,807,487

Gross bonded debt December 19, 2005	23,732,381	
Less:		
Landfill (4)	2,800,380	
		20,932,001
Authorized but unissued		
Conference Center Parking Facility	15,000,000	
FY 06 Improvements	950,000	
		15,950,000

Total debt applicable to 3% limitation **36,882,001** 35%
Legal Debt Margin **\$ 67,925,486** 65%

Bonded debt limit - 7.0% of base (School Debt) (5) \$ 244,550,804

Gross bonded debt December 19, 2005	32,300,000	
		32,300,000

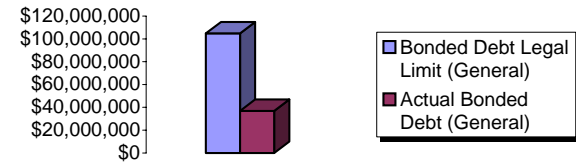
Authorized but unissued

Total debt applicable to 7% limitation **32,300,000** 13%
Legal Debt Margin **\$ 212,250,804** 87%

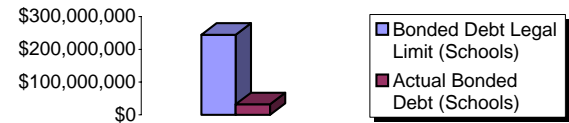
Note as of December 19, 2005

**add:
Conference Center Parking Facility-
\$15m**

General - Legal Debt Limit



School - Legal Debt Limit



- (1) The equalization of all taxable property in the State of New Hampshire is conducted annually by the New Hampshire Department of Revenue Administration under the provisions of RSA 21-J: 3(XIII).
- (4) Exempt per RSA 33:5-b.
- (5) Subject to a separate debt limit of 7% of the City's base valuation per RSA 33:4-a

Publication date: 28-Jul-2005 Primary Credit Analyst(s): Collin A MacNaught, Boston (1) 617-530-8312; colin_macnaught@standardandpoors.com Secondary Credit Analyst(s): Karl Jacob, New York (1) 212-438-2111; karl_jacob@standardandpoors.com
Reprinted from RatingsDirect

Portsmouth, New Hampshire; Tax Secured, General Obligation

Rationale

Outlook

Finances

Portsmouth Naval Shipyard

Credit Profile

US\$10. mil GO bnds dtd 08/01/2005 due
07/15/2025

AA

Sale date: 27-JUL-2005

UPGRADED

\$32.700 mil. Portsmouth
\$7.610 mil. Portsmouth GO bnds dtd
06/15/2000 due 06/15/2001-2010

To

AA
AAA/AA
(SPUR)

From

AA-
AA-

OUTLOOK:

STABLE

Rationale

Standard & Poor's Ratings Services raised its rating on Portsmouth, N.H.'s GO bonds outstanding to 'AA' from 'AA-' based on the city's continued strong financial performance and above-average reserve levels.

At the same time, Standard & Poor's assigned its 'AA' rating to the city's new \$10 million GO bond issuance.

Additional credit factors include the city's:

- Strong tax base growth, with both new residential construction and commercial/industrial development;
- Above-average wealth and income levels; and
- Moderate and manageable debt burden.

Offsetting these strengths are long-term concerns relating to the future of the Portsmouth Navy Shipyard, located in Kittery, Maine. The shipyard, a major local employer, has been recommended for closure by the United States Department of Defense 2005 Base Realignment and Closure (BRAC) report.

The bonds are secured by the city's full faith and credit GO pledge.

Proceeds of the new issue will be used to finance two municipal projects: the construction of a new public library (\$7 million) and street and sidewalk repair/renovations (\$3 million).

Portsmouth is located along New Hampshire's Atlantic coast and the Piscataqua River, approximately 50 miles south of Portland, Maine ('AA' GO rating), and 50 miles north of Boston ('AA' GO rating). Access to these large job centers, as well as the nearby University of New Hampshire, is provided by Interstate 95, which travels through the city. The location and highway infrastructure of Portsmouth has helped drive the city's commercial/industrial redevelopment, as well as strong residential construction, yielding significant tax base growth. The redevelopment of an Air Force base into Pease International Tradeport, beginning in 1996, has attracted 210 companies, which now employ roughly 5,100 workers. Many of the businesses at the Tradeport are high technology-related, including Lonza Biologics and Flextronics, an electronics manufacturer. The largest employer in the city, other than the naval shipyard, is Liberty Mutual, an insurance company employing an estimated 1,800. The city's tax base is 55% residential and 45%

commercial/industrial. Total assessed valuation reached \$3 billion in fiscal 2005, up a strong 107% in five years. Market value is very high at \$168,090. Apart from the Pease Tradeport, commercial development is focused in the downtown central business district. A five-story, 131-room Hilton Garden Inn is being built, and the city is making water, sewer, and streetscape improvements. Residential new growth is averaging about 12% per year, and the average single-family selling price has increased to \$332,000. The local economy and access to both Portland and metropolitan Boston have contributed to lower unemployment and improving wealth ratios. Unemployment in 2004 was 3.9%, well below New Hampshire's 4.7% average. The 2002 per capita household effective buying income level was 118% and 137% of the state and national averages, respectively.

Experienced and capable management, coupled with long-term planning and financial policies, has contributed to Portsmouth's strong financial performance and moderate debt burden. Debt and capital needs are planned through the city's six-year capital improvement program (CIP), which is updated annually. The current CIP totals \$169 million through 2011, and includes a significant number of road and bridge projects that will be funded by a state grant. Authorized unissued debt totals about \$27 million. The city is currently considering a middle school renovation project, which would be its largest capital need, to be funded by additional bonds over the next five years. The city has a policy of limiting debt service to 10% of the total operating expenditures; the city's carrying charge was 11% of budget in fiscal 2004 due to an aggressive amortization schedule that retired 66% of outstanding principal over the next 10 years.

Outlook

The stable outlook reflects the expectation that the city, despite challenges associated with the BRAC closure, will remain well positioned with above-average reserves to handle economic or financial effects should the shipyard be closed.

Finances

Portsmouth's financial position has improved consistently over the past five to seven years. The city has generated operating surpluses on a regular basis since fiscal 1997. For the past five years, these surpluses have averaged a healthy 4% of expenditures. This has allowed the city to make significant improvements to its reserve levels. Fiscal 2004 closed with an unreserved general fund balance of \$18.6 million, or 30% of expenditures. This is an above-average level of reserves for a city of Portsmouth's population on a national comparison. Fiscal 2004's unreserved general fund balance is nearly \$9 million greater than fiscal 2000's balance, which was equal to 20% of expenditures. According to the city, fiscal 2005 will close with another operating surplus, with a subsequent increase to fund balances consistent with fiscals 2003 and fiscal 2004.

The city's positive financial performance is a result of steady property tax revenue growth and budget planning and controls. The city has a fund balance policy that mandates a minimum level of reserves between 7%-10% of expenditures. The city has consistently maintained reserves above that mark; the policy has been codified as a city ordinance since 2001. Portsmouth also maintains a health insurance stabilization fund, which it uses to stabilize health benefit expenditures for the city's employees. The city appropriates 13% of its annual budget for this line item: if actual health insurance appropriations are above 13%, the stabilization fund is used; if appropriations are less, the city adds the difference to the fund. Salary increases to the city's employees are also carefully planned, providing a measure of long-term predictability to the city's budget: salary increases are based on the CPI, with a 2% floor and 5% cap. Property taxes are the city's primary revenue source, accounting for 75% of total revenue in fiscal 2004. Quarterly collections and a collection rate above 97% on a current basis provide good liquidity. The city maintained 135 days' cash on hand in fiscal 2004.



November 28, 2005

Ms. Judie Belanger
Finance Director
City Hall
1 Junkins Ave
Portsmouth, New Hampshire 03801

RE: \$15 Million Public Parking Facility Bonds – Credit Impact

Dear Ms. Belanger:

Last week you asked about the impact of borrowing \$15 million for construction of a new public parking facility on the City of Portsmouth, New Hampshire's credit ratings. After reviewing the analyses provided and speaking with representatives of Moody's Investors Service and Standard & Poor's Ratings Group, I believe the issuance of the proposed public parking facility bonds would not have a negative impact on the City's credit ratings.

Both rating agencies indicated that the City's debt position would continue to be considered "moderate and manageable" after the addition of \$15 million dollars of general obligation long term debt for the public parking facility. The credit impact of the bonds would be neutral to slightly positive given that the parking fee revenue and the tax revenue associated with the new conference center and related development is expected to exceed the debt service and operating costs for the facility. Following the issue of the bonds, the City will have used only 35 percent of its debt limit and will have approximately \$68 million of remaining borrowing capacity.

As you know, the City's bond ratings (AA Standard & Poor's and Aa3 Moody's) are among the highest in the State of New Hampshire and since 1992 the City has earned seven bond rating upgrades.

If you have any questions regarding this matter, please call me at (617) 619-4409.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Frazier', written over a white background.

Peter Frazier
Senior Vice President

INVESTMENT BANKERS SINCE 1946

54 Canal Street • Suite 320 • Boston, Massachusetts 02114 • 617-619-4400 • Fax 617-619-4411

City of Portsmouth
 Revenue Assumptions Using Various Percentage of Usage

$$\begin{array}{rclcl}
 332 & & 24 & & 365 & & = & & 2,908,320 \text{ hrs available per year} \\
 \text{spaces} & \times & \text{hours} & & \times \text{ days} & & & &
 \end{array}$$

Assumptions:

Hrs available per Year	% of day used	Hrs per day	Rate per Hour	Annual Revenue
2,908,320	90%	21.6	\$0.75	\$1,963,116
2,908,320	80%	19.2	\$0.75	\$1,744,992
2,908,320	70%	16.8	\$0.75	\$1,526,868
2,908,320	60%	14.4	\$0.75	\$1,308,744
2,908,320	50%	12	\$0.75	\$1,090,620
2,908,320	40%	9.6	\$0.75	\$872,496
2,908,320	30%	7.2	\$0.75	\$654,372

PRO-FORMA: B

332 spaces used 40% of time

City of Portsmouth Bond Cost Pro-Forma Public Parking Facility November 30, 2005 (Even Annual Total Bond Payments)

Bonding Estimates:			
	Tax Exempt	NonTax Exempt	Total Bond
Spaces	332	325	657
Total Cost	\$7,579,908.68	\$7,420,091.32	\$15,000,000
Bond years	20	20	20
Interest rate	4.5%	6.0%	
Yearly Payment	\$582,714.15	\$646,129.84	\$1,228,843.99

Revenue Assumptions: 332 spaces utilized 40% of available time						
% of day used	Hrs per day	Rate per hour	Days per year	Spaces	Annual Revenue	
40%	9.6	\$0.75	365	332	\$872,496.00	

Parking Facility Annual Bond Costs

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Total Bonding																						
Beginning Principal Balance	\$15,000,000	\$14,556,344	\$14,089,724	\$13,598,926	\$13,082,672	\$12,539,614	\$11,968,334	\$11,367,333	\$10,735,035	\$10,069,777	\$9,369,806	\$8,633,274	\$7,858,232	\$7,042,627	\$6,184,293	\$5,280,947	\$4,330,179	\$3,329,453	\$2,276,089	\$1,167,264	\$15,000,000	
Principal Payment	\$443,856	\$466,820	\$490,798	\$516,254	\$543,057	\$571,281	\$601,000	\$632,298	\$665,258	\$699,971	\$736,532	\$775,042	\$815,605	\$858,334	\$903,347	\$950,767	\$1,000,727	\$1,053,364	\$1,108,825	\$1,167,264	\$15,000,000	
Interest Payment	\$705,188	\$732,224	\$738,046	\$712,590	\$685,787	\$657,553	\$627,844	\$596,546	\$563,586	\$528,973	\$492,312	\$453,892	\$413,236	\$370,510	\$325,497	\$278,077	\$228,117	\$175,460	\$120,019	\$61,589	\$9,576,880	
Total Payment	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$24,576,880	
Ending Principal Balance	\$14,556,344	\$14,089,724	\$13,598,926	\$13,082,672	\$12,539,614	\$11,968,334	\$11,367,333	\$10,735,035	\$10,069,777	\$9,369,806	\$8,633,274	\$7,858,232	\$7,042,627	\$6,184,293	\$5,280,947	\$4,330,179	\$3,329,453	\$2,276,089	\$1,167,264	\$0		
Bond Payment (Principal & Interest)	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	24,576,880	

Parking Facility Annual Revenues

1) HarborCorp, LLC.

325 spaces

Yearly Lease Payments without Land Credit	\$390,000.00	\$390,000.00	\$390,000.00	\$390,000.00	\$390,000.00	\$409,500.00	\$429,975.00	\$451,473.75	\$474,047.44	\$497,749.81	\$547,524.79	\$602,277.27	\$662,505.00	\$728,755.50	\$801,631.05	\$881,794.15	\$969,973.57	\$1,066,970.92	\$1,173,668.01	\$1,291,034.82	\$1,938,881.06	
Land Transfer Credit (\$1,850,000 over 20 yrs)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$1,850,000.00)
Yearly Lease Payments with Land Credit	\$297,500.00	\$297,500.00	\$297,500.00	\$297,500.00	\$297,500.00	\$317,000.00	\$337,475.00	\$358,973.75	\$381,547.44	\$405,249.81	\$455,024.79	\$509,777.27	\$570,005.00	\$636,255.50	\$709,131.05	\$789,294.15	\$877,473.57	\$974,470.92	\$1,081,168.01	\$1,198,534.82	\$1,108,881.06	

2) Other Annual Revenue

Project 40% usage of 332 spaces per day	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$17,449,920.00
Total Projected Other Revenue	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$872,496.00	\$17,449,920.00

3) Retail Space Lease Payments

Retail Square ft. Available	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	
Rate per Square ft.	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	
Annual Retail Space Lease Payments	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$2,220,000.00

4) Other Parking Revenue Subsidy

Other Parking Revenue																						\$0.00
Total Annual Parking Facility/Other Parking Revenue	\$1,280,996.00	\$1,280,996.00	\$1,280,996.00	\$1,280,996.00	\$1,280,996.00	\$1,300,496.00	\$1,320,971.00	\$1,342,469.75	\$1,365,043.44	\$1,388,745.81	\$1,438,520.79	\$1,493,273.27	\$1,553,501.00	\$1,619,751.50	\$1,692,627.05	\$1,772,790.15	\$1,860,969.57	\$1,957,966.92	\$2,064,664.01	\$2,182,030.82	\$30,758,801.06	
Total Annual Parking Facility Bond Costs	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$24,576,879.86	
Surplus	\$52,152.01	\$52,152.01	\$52,152.01	\$52,152.01	\$52,152.01	\$71,652.01	\$92,127.01	\$113,625.76	\$136,199.44	\$159,901.82	\$209,676.80	\$264,429.28	\$324,657.00	\$390,907.50	\$463,783.05	\$543,946.16	\$632,125.57	\$729,122.93	\$835,820.02	\$953,186.82	\$6,181,921.20	

PRO-FORMA: C

332 spaces used 30% of time

City of Portsmouth
 Bond Cost Pro-Forma
 Public Parking Facility
 November 30, 2005
 (Even Annual Total Bond Payments)

Bonding Estimates:			
	Tax Exempt	NonTax Exempt	Total Bond
Spaces	332	325	657
Total Cost	\$7,579,908.68	\$7,420,091.32	\$15,000,000
Bond years	20	20	20
Interest rate	4.5%	6.0%	
Yearly Payment	\$582,714.15	\$646,129.84	\$1,228,843.99

Revenue Assumptions: 332 spaces utilized 30% of available time						
% of day used	Hrs per day	Rate per hour	Days per year	Spaces	Annual Revenue	
30%	7.2	\$0.75	365	332	\$654,372.00	

Parking Facility Annual Bond Costs

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Total	
Total Bonding																						
Beginning Principal Balance	\$15,000,000	\$14,556,344	\$14,089,724	\$13,598,926	\$13,082,672	\$12,539,614	\$11,968,334	\$11,367,333	\$10,735,035	\$10,069,777	\$9,369,806	\$8,633,274	\$7,858,232	\$7,042,627	\$6,184,293	\$5,280,947	\$4,330,179	\$3,329,453	\$2,276,089	\$1,167,264	\$15,000,000	
Principal Payment	\$443,856	\$466,820	\$490,798	\$516,254	\$543,057	\$571,281	\$601,000	\$632,298	\$665,258	\$699,971	\$736,532	\$775,042	\$815,605	\$858,334	\$903,347	\$950,767	\$1,000,727	\$1,053,364	\$1,108,825	\$1,167,264	\$15,000,000	
Interest Payment	\$705,188	\$732,224	\$738,046	\$712,590	\$685,787	\$657,553	\$627,844	\$596,546	\$563,586	\$528,873	\$492,312	\$453,892	\$413,236	\$370,510	\$325,497	\$278,077	\$228,117	\$175,460	\$120,019	\$61,589	\$9,576,800	
Total Payment	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$1,228,844	\$24,576,800	
Ending Principal Balance	\$14,556,344	\$14,089,724	\$13,598,926	\$13,082,672	\$12,539,614	\$11,968,334	\$11,367,333	\$10,735,035	\$10,069,777	\$9,369,806	\$8,633,274	\$7,858,232	\$7,042,627	\$6,184,293	\$5,280,947	\$4,330,179	\$3,329,453	\$2,276,089	\$1,167,264	\$0	\$15,000,000	
Bond Payment (Principal & Interest)	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	1,228,844	24,576,800	

Parking Facility Annual Revenues

1) HarborCorp, LLC.
 325 spaces

Yearly Lease Payments without Land Credit	\$390,000.00	\$390,000.00	\$390,000.00	\$390,000.00	\$390,000.00	\$409,500.00	\$429,975.00	\$451,473.75	\$474,047.44	\$497,749.81	\$547,524.79	\$602,277.27	\$662,505.00	\$728,755.50	\$801,631.05	\$881,794.15	\$969,973.57	\$1,066,970.92	\$1,173,668.01	\$1,291,034.82	\$12,938,881.06
Land Transfer Credit (\$1,850,000 over 20 yrs)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$92,500)	(\$1,850,000.00)
Yearly Lease Payments with Land Credit	\$297,500.00	\$297,500.00	\$297,500.00	\$297,500.00	\$297,500.00	\$317,000.00	\$337,475.00	\$358,973.75	\$381,547.44	\$405,249.81	\$455,024.79	\$509,777.27	\$570,005.00	\$636,255.50	\$709,131.05	\$789,294.15	\$877,473.57	\$974,470.92	\$1,081,168.01	\$1,198,534.82	\$11,088,881.06

2) Other Annual Revenue

Project 30% usage of 332 spaces per day	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$13,087,440.00
Total Projected Other Revenue	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$654,372.00	\$13,087,440.00

3) Retail Space Lease Payments

Retail Square ft. Available	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400	7,400
Rate per Square ft.	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
Annual Retail Space Lease Payments	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$111,000.00	\$2,220,000.00

4) Other Parking Revenue Subsidy

Other Parking Revenue	165,971.99	165,971.99	165,971.99	165,971.99	165,971.99	146,471.99	125,996.99	104,498.24	81,924.56	58,222.18	34,447.20										\$1,355,421.14
Total Annual Parking Facility/Other Parking Revenue	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,275,149.27	\$1,335,377.00	\$1,401,627.50	\$1,474,503.05	\$1,554,666.15	\$1,642,845.57	\$1,739,842.92	\$1,846,540.01	\$1,963,906.82	\$2,751,742.20
Total Annual Parking Facility Bond Costs	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$1,228,843.99	\$24,576,879.86
Surplus	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$46,305.28	\$106,533.00	\$172,783.50	\$245,659.05	\$325,822.16	\$414,001.57	\$510,998.93	\$617,696.02	\$735,062.82	\$3,174,862.33

Narrative Summary

Hospitality Resolutions, Inc. (“HRI”) has completed its review of a development proposal (hereinafter, the “Proposal”) submitted by Harborcorp LLC (hereinafter, the “Applicant”) for the redevelopment of a surface parking lot, commonly referred to as Parcel 2, adjacent to the Sheraton Harborside Hotel at the intersection of Russell and Deer Streets in Portsmouth’s ‘Downtown’ Business District. The Proposal contemplates the Applicant constructing a 207 unit, first class Hotel with 21 Condominium Residences and a Conference Center adjacent to the 181 unit Sheraton Hotel. The Sheraton, developed by the Applicant in 1987, has been successfully operated by management entities controlled by the Applicant, for nearly 20 years. The Sheraton is currently viewed as the City’s only ‘Downtown’ hotel.

The Proposed Hotel and Conference Center, planned to be operated as a Westin’ Hotel, will contain nearly 19,000 square feet of flexible meeting space including an exhibit hall (or main ballroom) containing 11,000 sq. feet. As designed, the added meeting space at the Conference Center and the Westin’ Hotel will accommodate more than 1,000 conference or seminar participants for a single event, seated theater style, or from 700 to 900 patrons, seated banquet style. The Conference Space has been designed to attract large groups (corporate, civic, professional or association groups) which cannot be accommodated by any other facility in the Portsmouth market. Current space at the Sheraton or the Wentworth can only accommodate 300 to 325 meeting attendees, seated theater style and 250 patrons for banquets. When the meeting space at the Westin’ is added to the Sheraton’s 13,500 square feet, the two hotels, operating in an integrated manner, can offer nearly 35,000 square feet of flexible meeting space - sufficient to host multiple meetings or events, held simultaneously.

By focusing on marketing to large groups, the Hotel’s sales efforts will ‘expand’ market demand. Were the hotel’s marketing efforts to attract a large group of multi-day conference attendees (say, 800), the rooms at the Sheraton and the Westin’ would not be able to accommodate a significant number of the conference attendees because of prior reservations and ongoing corporate commitments. Excess demand would benefit prominent market hotels. In addition, some conferees, for economic reasons or other considerations (including rewards programs), may choose to stay at an alternate hotel, while attending a meeting at the Harborside Conference Center.

Further, the Proposal anticipates that the Applicant and the City will enter into a Joint Development Agreement (hereinafter, the “Agreement”) wherein the Applicant will design, engineer and construct an integrated parking facility (hereinafter, the “Parking Garage” or the “Garage”) providing 657 spaces of which 325 will be leased to the Hotel for its daily operating requirements. Upon completion of construction, the Garage will be acquired by the City for a fixed price not to exceed \$15 million plus City approved change orders. Funds for the Garage acquisition are anticipated to be provided by bonded indebtedness (hereinafter, the “Bond”). HRI anticipates that the sum of lease payments provided by the Hotel and public parking receipts will be more than sufficient to meet the repayment obligations of the Bond, however, in any event, the Bonds will be repaid from future parking revenues, not from general funds nor from current tax receipts. After its acquisition, the City will operate the Garage as a public parking facility in accord with its normal practices, subject to further terms, conditions and restrictions as noted in the Agreement.

Narrative Summary (Continued)

In HRI's view, the Project (namely, the Hotel with Condominium Residences, the Conference Center and the Parking Garage) is expected to positively impact the local market economy in a number of areas.

Visitor Spending (Tourism Receipts)

The Project is expected to attract 120,000 to 140,000 visitors of which nearly 65%, or 78,000 are expected to be overnight hotel guests and the remaining are considered 'Day' visitors. With visitor spending estimated at \$100 per day, excluding lodging, the first round of 'tourism' spending (referred to as Direct Spending) has been estimated \$10 to \$12 million per year. This level of direct spending is expected to induce an added (or secondary) impact of \$4 to \$5 million in Indirect Sales. Total Direct and Indirect Sales of \$14 to \$17 million are expected to benefit local businesses, particularly restaurants, retail stores and service establishments, located in the Downtown Business District.

Job Creation

Of equal importance, the Project will support 300 permanent jobs, 160 of which will be at the Hotel and Conference Center and the remaining jobs will be created in Restaurants, Retail Stores and Service Establishments - principally those located in the Downtown Business District. The annual wage impact of the 300 permanent jobs has been estimated at \$7 million. Further the Project will create 300+ construction jobs, during its 18 month construction period.

Real Estate Taxes

The Hotel, along with the Condominium Residences, is expected to generate annual real estate taxes of \$750,000.

In HRI's view, the Combined Project will accomplish a number of 'key' strategic benefits for the City including: (1) a significant increase in the flow of tourism receipts to the region; (2) an improvement in Portsmouth's position among Northeast locations competing for both Conference and Tourism Revenues (i.e., Boston, Portland, Concord, Nashua and Manchester); and (3) sustaining and improving the economic viability of Portsmouth's Downtown Business District, the 'economic engine' for New Hampshire's Southeast Coastal Region.

Narrative Summary (Continued)

After reviewing the HVS Market and Feasibility Study prepared for the Applicant, HRI developed independent operating projections considering current market and competitive conditions and known supply additions including the Proposed Hotel. Further, HRI utilized its proprietary financial models to develop independent financial projections for the Proposed Hotel, the Condominium Residences and the Conference Center. HRI's independent financial projections, included herein as Appendix 1, reflect detailed statements of the Project's Capital Cost, Operating Cash Flows, Value Determinations and Potential Returns. Noted below is a summary of HRI's projected results

Capital Costs

The 'All-In' cost of developing the Hotel Conference Center and the 21 Condominium Residences has been estimated at \$54.6 million (\$220.00 per square foot). The estimated Capital Cost includes the following components: (1) allocation for contributed land costs; (2) an allowance for site improvements; (3) a provision for building construction costs; (4) allowances for furniture, fixtures and equipment; (5) franchise costs including the initial acquisition fee and opening inventories and supplies; (6) an allowance for architectural and engineering fees; (7) an allowance for project contingencies; (8) a provision for bank fees and loan origination fees; (9) separate allowances for pre-opening staff and promotions; and (10) a separate allowance for interest paid during the construction period. HRI's estimates of Capital Costs are preliminary planning determinations which remain subject to further specification, bids and negotiations.

Project Financing

HRI anticipates that the Hotel and Conference Center components of the Project can be financed with a construction with a construction loan at 75% of cost and that the Hotel construction loan will be refinanced to a long term mortgage loan within one year of the Hotels's opening. Separately, HRI anticipates that the financing required to construct and equip the Condominium Residences will be repaid from proceeds as the Condominium Residences are sold.

Project Returns

The Project, including the Hotel, Conference Center and the Condominium Residences, but excluding the Garage, is projected to provide returns considered sufficient to attract project financing. Therefore, HRI views the Project, as proposed, as economically viable and financially feasible. Hotel investments of this magnitude are expected to provide an un-leveraged return on assets (often called the Project's Internal Rate of Return or its IRR) ranging from 12% to 15%. The Project, as proposed is expected to provide returns within that range.