From: Michael Behrendt
To: Tracey Cutler
Subject: FW: Workforce Housing - email from Peyton McManus WEBSITE
Date: Thursday, March 28, 2024 2:59:19 PM

Tracey,
Please post this email under planning board – workforce housing. "Email from Peyton McManus, Planning Board member". Thanks.

Michael Behrendt
Durham Town Planner
8 Newmarket Road
Durham, NH 03824
(603) 868-8064

From: Michael Behrendt
Sent: Thursday, March 28, 2024 2:55 PM
To: 'peyton mcmanus' <peyton_mcmanus@yahoo.com>
Subject: Workforce Housing - email from Peyton McManus

Hi Peyton (cc to Planning Board),
Thank you for your note. I am copying the board. I trust that is fine. And we will post this email on the website.

This is an important concern. We do not worry about this with a typical market multifamily development or subdivision though it can be an appropriate concern even for market projects. Because of substantial potential future costs for the private infrastructure on the Gerrish Drive subdivision, the board discussed this issue with care.

The board should review condominium and HOA documents. The board has not wanted to get into details about budget matters though. Where a significant number of units are being rented below market it can be a concern. We would generally default to the developer/property owner but should be thoughtful about this. That provides another argument for a portion of the units being rented at market levels.

This is worth a discussion but I think the intent of this proposed ordinance is to provide for a significant majority of workforce housing units, whether that is 67%, 70%, 75%, or higher. If the ordinance provided for less than that then I would not consider it a workforce housing ordinance. The justification for the special allowance and the high density is because a project would be mainly workforce housing. But the community seems to be saying that a percentage should (required or at least allowed to) be market rate to offer more diversity, avoid labeling a project in some negative way, and help with financial viability.

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From: peyton mcmanus <peyton_mcmanus@yahoo.com>
Sent: Thursday, March 28, 2024 2:09 PM
To: Michael Behrendt <mbehrendt@ci.durham.nh.us>; peyton_mcmanus@yahoo.com
Subject: Percentage of workforce housing in a project (planning board)

Hi Michael,

Last night, I think that the discussion around % allocation to workforce housing (i.e the % of units that need to meet some price controls) is really important.

I've been involved in several condo associations, as both an owner, board member, and president of the board(s). In all cases, I inherited an association that:
1 Kept dues too low for too long
2 Deferred maintenance on both major and minor projects
3 Did not reserve enough funds to handle major projects
4 Found themselves in a situation with major projects and little funding = complex in trouble

This created a situation where the new board was in rather difficult situation.

Here are the types of things that I saw as major projects at the 15, 20, or maybe 25 year mark: mechanical stuff like AC\Heating, parking lot replacement (600k), building siding (500k), roofing (250k), code updates related to fire, electrical, and plumbing. So, most stuff that a reserve study would indicate – but are easy to skip in the short term (i.e. first 10 years)

Usually, we (board and association) had several options:
1 Increase dues (not an easy ‘sell’, but critical)
2 Borrow money as an association (really difficult)
3 Start to build up reserves (takes time)

In order to stabilize the associations, we generally did all three (raise dues, borrow, and start to build up reserves).

I’m concerned that an ordinance may place a very high bar on % of units with controlled rents (maybe too high) and not enable someone managing the complex to address financial issues that might be encountered at the 10, 15, 20 year mark.

So, while in theory, the initial owner may strive for 100%, and I support the idea of 100%, I’m concerned that the financial side effect of this might create issues down the road (i.e. difficult to keep it going), if the underlying financial model has issues. In other words, I concerned about ‘locking in’ conditions that could make it difficult to ‘adjust certain knobs’ down the road. Of course, if they experience these issues, they could raise the issue and try to have the town adjust the threshold, but we probably want to think about this…

The could voluntarily do 100%, but financially, that might be difficult to sustain long term. I don’t want to over think this, but from a financing perspective, and long term viability, I’d want to think about that % a bit – and understand if there is a tipping point that could create issues down the road.

Peyton