

Portsmouth Workforce Housing Incentives — Key Takeaways

Public Meeting: July 10, 2025 · **Presenter:** RKG Associates · **Host:** City Council (Cllr. John Tabor; Asst. Mayor Joanna Kelly)

At-a-glance

- **Voluntary** policy (as required by NH law) means builders opt in only if it **pencils**.
 - “**Workforce**” modeled at **60% of Area Median Income (AMI)** for rentals (100% AMI for ownership scenarios).
 - As modeled, projects do **better by-right** than using the **bonus**—the current policy **disincentivizes** participation.
 - In at least one subdistrict, **bonus units ≈ required workforce units**, wiping out the upside.
 - A **20% set-aside at 60% AMI** is **aggressive** for a voluntary scheme.
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What’s going wrong (mechanics)

- The **set-aside applies to the entire project**, not just the **bonus**—so added density doesn’t improve returns.
 - **Unit math:** When bonus yield is roughly the same size as the required workforce set-aside, every “extra” unit becomes an income-restricted unit.
 - Result: **by-right** scenarios out-perform **bonus** scenarios across tested districts.
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What could fix it (RKG-tested levers)

- 1) **Target the set-aside to bonus units only.**
Example: 33 bonus units → obligation of **~6–7** workforce units (not 33), flipping returns from negative to slightly **positive**.

- 2) **Pro-rata rounding** on fractional obligations.
Avoids developers shrinking projects to dodge a full extra unit; **smooths** returns and keeps more units in play.
 - 3) **Financial inducements** to hold returns harmless (illustrative 130-unit project):
 - **20% @ 60% AMI** ≈ **\$7.5M** gap (≈ **\$50k per unit** overall)
 - **10% @ 60% AMI** ≈ **\$3.5M** gap (≈ **\$25k per unit** overall)
 - 4) **State-level option:** consider enabling **compulsory** inclusionary policies so outcomes are predictable **and** financeable.
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Why this matters

More feasible projects → **more total homes**. Over time, added supply reduces pressure at the lower end of the market and makes room for the workforce Portsmouth relies on.

Status & next steps

- This was **preliminary** analysis. RKG is seeking **feedback** to refine recommendations.
 - City staff, boards, and the public will need to sort **which levers** (or combinations) to adopt and how to calibrate them for Portsmouth.
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