



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

September 27, 2018

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

I reappoint, subject to City Council confirmation, Ms. Robin Seidel, of 18 Williams Street, to the Salem Traffic & Parking Commission for a term of three years to expire September 27, 2021.

I enthusiastically recommend confirmation of her reappointment to the Traffic & Parking Commission and ask that you join me in thanking her for her continued dedicated service and commitment to our community.

Very truly yours,

A handwritten signature in black ink that reads "Kim Driscoll". The signature is written in a cursive, flowing style.

Kimberley Driscoll
Mayor
City of Salem



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Kimberley Driscoll
Mayor

September 27, 2018

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

The enclosed Ordinance would allow for the Director of Inspectional Services to establish an annual registration fee for short-term rental properties in order to fund the monitoring and enforcement associated with the City's short-term rentals regulations.

I recommend adoption of this Ordinance so that the cost for ensuring compliance with our new requirements for short-term rentals will be directly supported by those subject to the regulations and not City taxpayers as a whole.

Sincerely,

A handwritten signature in black ink that reads "Kim Driscoll".

Kimberley Driscoll
Mayor
City of Salem

City of Salem

In the year Two Thousand and Eighteen

An Ordinance to amend the Ordinance regarding Short-Term Residential Rentals to allow registration fees for short-term rentals in the City of Salem.

Be it ordained by the City Council of the City of Salem, as follows:

Section 1. An amendment to **City of Salem Code, Ordinances, PART III, Chapter 15, Section 15-6 Requirements for Short-Term Rentals, Subsection a. Registration**, is hereby enacted to include the following additional language at the end of the subsection:

“To cover the expenses associated with monitoring compliance with the requirements of the ordinance, the Director of Inspectional Services shall be authorized to set an annual registration fee per Short-Term Rental unit, in addition to any fee that may be charged for certificate of fitness inspection(s), not to exceed the pro-rata cost to the City for monitoring and enforcement of this section.”

SECTION 2.

This ordinance shall take effect on April 15, 2019.



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll

Mayor

September 27, 2018

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

I am writing to request you approve an amendment to expand the City's Housing Development (HD) Zone program area and Plan to include all parcels within the B-5 and North River Canal Corridor (NRCC) zoning districts, as well as 5 Broad Street, 17 Hawthorne Boulevard, and 150 Federal Street.

Enclosed for your review are:

- 1.) a City Council Order approving the expansion of the Housing Development Zone and Plan and
- 2.) the HDIP Plan Amendment with associated attachments, including Downtown Salem HD Zone Map as newly proposed.

The expansion would include 339 parcels over 130 acres and would help foster continued positive growth and pedestrian activity within our downtown. By encouraging housing opportunities in this area of the City, an expanded HD program area will bring stronger mixed residential and business activity to downtown Salem.

The Housing Development Incentive Program (HDIP) was established by M.G.L., Chapter 40V in 2012. It provides Gateway municipalities with a development tool to increase residential growth, expand the diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas. The HDIP provides two tax incentives to encourage substantial rehabilitation of properties for lease or sale as multi-unit housing:

1. A local-option real estate tax exemption (called a Tax Increment Exemption—TIE) on all or part of the increased property value resulting from improvements. This is a concept most comparable to a traditional TIF.
2. A state tax credit for Qualified Substantial Rehabilitation Expenditures (QSREs) that is awarded through a rolling application process.

The City's existing HD Plan and program area were approved by the City Council and the state Department of Housing and Community Development (DHCD) in 2017. The program area included six

parcels located in the northern portion of the downtown within the Urban Renewal area¹. Earlier this year the City Council approved a local TIE agreement with 65 Washington, LLC, a property in the original HD program area and which is now currently applying for state tax credits. The financial incentives from these will offset all or most of the gap created by the expected work to remove hazardous materials, ultimately making this project possible.

The expansion of the HD program area will increase the feasibility of residential growth in targeted areas in the City suitable for mixed-use, multifamily development by providing an additional financing tool to overcome development challenges. It is anticipated that future projects within the B-5 and North River Canal Corridor zoning districts will experience similar challenges as 65 Washington Street did. The expansion of Salem's HD program area to include the entire B-5 and North River Canal Corridor zoning districts will provide a useful tool to aid in the production of greatly needed housing in these target areas.

The proposed amendment to expand the HD program area to include three additional parcels outside of, but in close proximity to, either the B-5 or NRCC zoning districts is in response to specific housing projects under consideration at those locations. The 17 Hawthorne Boulevard and 150 Federal Street parcels both include former Catholic schools intended to be converted to residential units. The building at 5 Broad Street is a former public school built in 1856 and used until this past month as the City's Senior Center for the past 40 years. The City has issued a Request for Proposals (RFP) for the sale and reuse of the building and, as a 2009 feasibility study identified, residential units is the most likely reuse. All three parcels are potential housing projects in close proximity to the Salem Commuter Rail Station and other downtown services and amenities.

The City has the flexibility to determine at any time in the future if it would like to entertain housing projects on any parcel within the HD program area, which would then be able to access the benefits of the HDIP. Likewise, parcels can remain undeveloped or developed in another fashion without utilizing the HDIP. The approval process to expand the Housing Development program area requires a public hearing. The public hearing must be advertised for two successive weeks with the second notice being at least three days prior to the hearing.

I am requesting your approval to expand the Downtown Salem Housing Development program area. Not only have the financial benefits of this state-authorized tool allowed 65 Washington, LLC to advance the District Court project, it will also incent worthy projects to consider high quality housing projects at the other sites. As you know, housing – in all forms – is needed throughout Salem. Projects that would be developed in the Housing Development program area would be excellent examples of Smart Growth transit-oriented development given the proximity of Salem MBTA Station and would help us meet the growing need for housing demonstrated by the 2015 MAPC Housing Needs and Demand Analysis projections. Thank you for your consideration.

Sincerely,



Kimberley Driscoll
Mayor
City of Salem

¹ The six parcels are 50 Washington Street, 65 Washington Street, 29 Federal Street, 15 Federal Street, 32-50 Federal Street and 252 Bridge Street.



CITY OF SALEM

In City Council, Sept. 27, 2018

Ordered: In accordance with 760 CMR 66.08, the Mayor, on behalf of the City of Salem, is hereby authorized to submit to the Massachusetts Department of Housing and Community Development (DHCD) an amendment to the existing Downtown Salem Housing Development (HD) Zone and Housing Development Incentive Program Plan originally approved by DHCD in 2017. The HD Zone shall be expanded to include all parcels within the Center Development (B5) zoning district, the adjacent North River Canal Corridor zoning district and three additional parcels, specifically 5 Broad Street, 17 Hawthorne Boulevard, and 150 Federal Street.



CITY OF SALEM, MASSACHUSETTS
HOUSING DEVELOPMENT INCENTIVE PROGRAM
HDIP ZONE AMENDMENT PROPOSAL

The City would like to expand the existing Downtown Salem HD Zone. Below is a memo summarizing the change in accordance to 760 CMR 66.08.

1. Detailed description of each proposed change

In accordance with 760 CMR 66.08, the City of Salem would like to expand its existing Downtown Salem HD Zone approved by DHCD in 2017. The expansion would include all parcels within the Center Development (B5) and the adjacent North River Canal Corridor (NRCC) zoning districts. Three additional parcels would also be included in this expansion, 5 Broad Street, 17 Hawthorne Boulevard, and 150 Federal Street. These parcels are proximate to the B5 and NRCC zoning districts and are being included because of pending redevelopment. The proposed zone change would add approximately 130 acres over 339 parcels. The current HD Zone consists of six parcels located within the Urban Renewal Area in the B5 zoning district in Downtown Salem. In total the proposed change would increase the size of the zone from 5.4 acres in 6 parcels to 135 acres in 345 parcels.

2. The purpose of the change – i.e., the reason why each change is needed

The expansion of the HD Zone will increase market rate residential development in targeted areas in the city suitable for mixed-use, multifamily development by providing an additional financing tool to overcome development challenges, as well as increase the feasibility of market rate housing projects. The Urban Renewal Area—which covers most of the B5 zoning district—was identified in the approved HDIP Plan as a targeted area for transit-oriented, market rate housing production. Expanding the zone to include all parcels in the district does not necessarily guarantee that all housing projects will participate in the HDIP but provides a tool for development should developers want to collaborate with the City and DHCD.

The 65 Washington Street project is a prime example of how HDIP incentives helped a project in the Urban Renewal Area overcome redevelopment challenges. It is anticipated that future projects within the B5 and NRCC will experience similar challenges, and the expansion of Salem's

HD Zone to include the entire B5 and NRCC zoning districts will provide a useful tool to aid in the production of market rate housing in target areas.

The City pursued the creation of an HDIP plan and zone partly in response to redevelopment challenges at the former District Court Building at 65 Washington Street. 65 Washington Street is scheduled to be transferred from DCAMM to the Salem Redevelopment Authority (SRA) by December 31, 2018, and the SRA intends to sell the property to 65 Washington Street LLC. to raise the existing structure and replace it with a six-story housing development featuring ground-floor commercial space for retail and restaurant use. This project would not be progressing without the adoption of Salem's HD Zone and Plan. Contamination was discovered during the due diligence process, including asbestos, lead contamination, and several underground storage tanks from a past auto service facility. The HDIP incentives will help off-set these extraordinary redevelopment challenges and make the project feasible. 65 Washington Street LLC now has a fully permitted project, has executed a TIE with the City of Salem, has received Preliminary Certification from DHCD and expects Conditional Certification in September.

The objective of the HD Plan and the amendment to expand the zone is to foster the continued redevelopment and pedestrian activity within Downtown Salem and the adjacent North River area. By encouraging market rate housing opportunities in this area of the city, the HD Plan will bring stronger mixed residential and business activity. The proposed expansion is consistent with objectives in both the *Salem Downtown Renewal Plan* the *Salem Housing Needs and Demand Analysis*. The SDRP speaks to a coordinated commitment to "restore conditions of health, safety, amenity and economic viability" with "a range of compatible uses, each well suited to its location (SDRP, Plan Objectives, E6). The SHNADA opens by noting "Creating homes for the next generation of workers while also addressing the complex needs of an aging and increasingly diverse population is one of those challenges (SHNADA Introduction, p. 7)."

The North River Canal Corridor zoning district was adopted in direct response to the 2003 Neighborhood Master Plan for the North River Canal Corridor. Formerly known as Blubber Hollow, up until the late 20th century the area was home to various industrial uses including tanneries and mills, many of which used the canal for the disposal of waste. Many of these industries have left, leaving large underutilized parcels and mill buildings near the Salem Commuter Rail Station and other transit, services and amenities, and parks and green space, making the area prime for adaptive reuse and redevelopment into mixed use, pedestrian oriented and transit oriented projects. The Master Plan calls for the City to "encourage public and private developments in the area that provide connections and links to the adjacent train station to promote transit use, reduce and manage existing traffic congestion; address parking demand; and provide a more pedestrian-friendly area", and that development "contributes to the quality of life for all Salem residents by providing housing options, livable wage employment prospects, and cultural and recreational opportunities". The cost of redevelopment is particularly high in the NRCC considering the contaminants associated with the previous industrial uses, and the expansion of the HD Zone to include the district would afford developers an additional incentive to overcome high redevelopment costs.

In addition to expanding the HD Zone to include all of the B5 and NRCC districts in order to advance planning goals, the proposed amendment includes three properties outside of but adjacent or nearly adjacent to the B5 and NRCC districts. The three properties have specific market rate housing projects under consideration. The 17 Hawthorne Boulevard and 150 Federal Street parcels both include former Catholic schools intended to be converted to residential units. 5 Broad Street is a former public school built in 1856 currently used as City offices. The City has issued a Request for Proposals (RFP) for the sale and reuse of the building, and residential units is the most likely reuse. All three parcels are ideal locations for market rate housing in close proximity to the Salem Commuter Rail Station and other downtown services and amenities.

All three parcels contain historic buildings and will have similar reuse challenges. Two of the three buildings are located within a local historic district and under jurisdiction of the Salem Historical Commission. The exterior preservation of these buildings will most likely be a priority for the community in addition to any requirements by the Historical Commission. Based on their age, it is likely that there will be contaminants that will need to be abated. The environmental mitigation and preservation challenges to convert while preserve the character of these buildings and produce market rate housing will be significant for a developer. Expanding the HDIP to include these parcels will provide another tool that can help overcome extraordinary development challenges and produce market rate housing in a targeted area.

3. The effect of each change on individual HD Projects

This proposal will not have an effect on the parcels currently in Salem's HD Zone since they are all located within the Urban Renewal Area in the B5 zoning district. As mentioned, the 65 Washington Street project is progressing in large part because of the City's adoption of the parcel into the HD Zone. The SRA is currently working with a consultant on a downtown visioning process that will focus on the other five parcels in the existing HD Zone, 29 Federal Street, 15 Federal Street, 32-50 Federal Street, 252 Bridge Street, and 50 Washington Street. The goal is to solicit proposals for some of these parcels in 2019.

4. Pertinent revisions of the original Application for approval of the HD Zone designation or HD Zone Plan, or to the HD Tax Increment Exemption Agreement, to reflect the changes

The City is not proposing any amendments to the HD Zone Plan that would affect the existing HD Tax Increment Exemption Agreement. The timelines for the implementation of the HD Zone Plan and the duration of the HD Zone Plan as laid out in the City's current approved plan will remain unchanged.

5. A statement of whether the Municipality considers the amendment to be material or nonmaterial

The City of Salem considers the proposed amendment to the Downtown Salem HD Zone to be material.

6. Evidence of a public hearing, as appropriate, including a copy of hearing notices and minutes

The Department of Planning and Community Development intends to submit the amendment plan to the City Council in September 2018. The City Council will then hold a public hearing. A copy of the hearing notice and minutes will be provided to DHCD. DHCD has already reviewed a draft of this amendment.

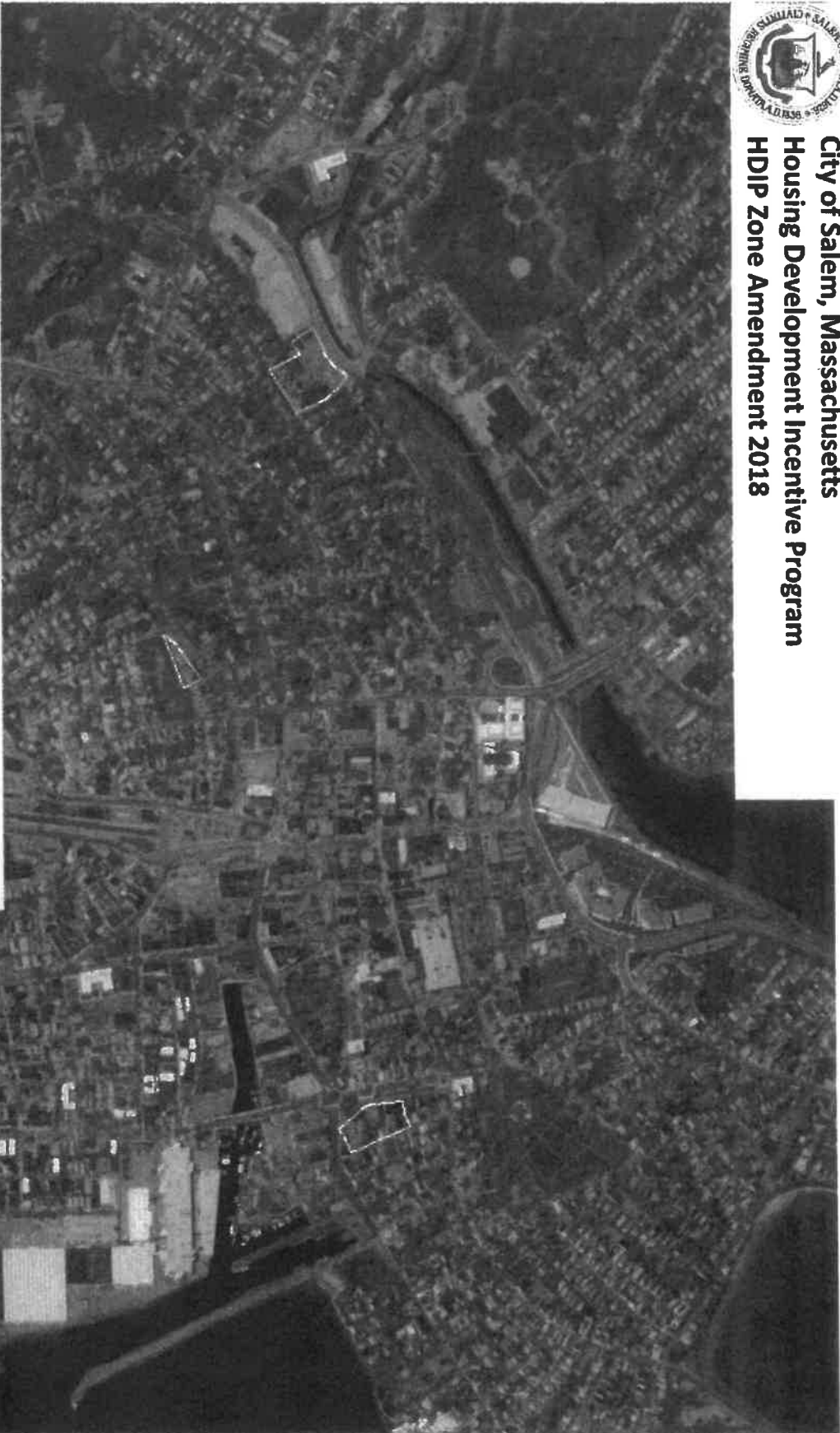
7. Certification by the Town or City Clerk of local approval pursuant to 760 CMR 66.08 (3)

The City will provide DCHCD with a certification from the City Clerk once the amendment plan has been approved by the City Council.

DRAFT



**City of Salem, Massachusetts
Housing Development Incentive Program
HDIP Zone Amendment 2018**



Existing HD Zone

Proposed addition – B5 Zoning District

Proposed addition – NRCC Zoning District

Proposal additional parcels – 5 Broad Street, 17 Hawthorne Blvd, 150 Federal Street

See City Engineer's Department File # 2018-01, U.D.P.A. U.S. 301, Aerial Photo, 2018