



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

November 17, 2016

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

Enclosed is an Order seeking Council approval to implement a parking ticket amnesty program to waive up to \$30 in late fees on parking violations collected from December 1-23 in exchange for a donation of canned goods and non-perishable items. All food will go to local Salem food pantries.

The "Peas for Fees" program has become an annual tradition in Salem and has proved to be successful bringing in donations of food for those in need and also additional receipts for the City. In the spirit of the holidays, this amnesty program will once again give individuals who owe late fees an incentive to pay their tickets, providing additional food supplies to very needy food pantries and hopefully resulting in an extra infusion of funds for the City.

This has been a practice that has been used in Massachusetts and other communities across the country as a way to provide residents and others with a benefit that relieves late penalties. While the City benefits from recovering unpaid ticket revenues, the added advantage to this initiative is the receipt of the canned goods, which are donated to local food pantries during the holiday season.

I wholeheartedly request the adoption of the enclosed Order. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Kim Driscoll", is written over a light blue circular stamp.

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM

In City Council, November 17, 2016

Ordered:

Upon payment of an unpaid parking fine and the donation of two non-perishable items or canned goods to be donated to local food pantries, the City Collector shall waive, from December 1, 2016 to December 23, 2016, up to thirty dollars in late fees added to an unpaid parking fine, as provided in Section 17A of the City of Salem Traffic Code.

The Collector shall not waive any surcharge imposed by the Massachusetts Registry of Motor Vehicles if the Collector has notified the Registry of Motor Vehicles of an unpaid fine and a non-renewal of license and/or registration has been recorded by the Registry of Motor Vehicles.



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

November 17, 2016

Honorable Salem City Council
Salem City Hall
93 Washington Street
Salem, MA 01970

Ladies and Gentlemen of the Council:

In July, the City submitted an application to the Commonwealth's Parkland Acquisitions and Renovations for Communities (PARC) grant program for improvements to McGlew Park. Planned improvements include an accessible entrance into the park, a circulation path around the park, new irrigation for the softball field, and the addition of a variety of modern equipment for children of all ages and abilities.

Although the state has yet to announce its PARC Grant awards, it requires a City Council vote before the end of the calendar year to authorize the project and affirm that the park will be permanently dedicated to park use. This resolution is similar to other PARC Grant authorizations that have been approved by the City Council for other parks throughout Salem.

If you have any questions, please contact me or our Director of Planning and Community Development Tom Daniel.

Very truly yours,

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

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM

In City Council,

Resolved

A RESOLUTION TO FILE AND ACCEPT GRANTS WITH AND FROM THE COMMONWEALTH OF MASSACHUSETTS, EXECUTIVE OFFICE OF ENERGY AND ENVIRONMENTAL AFFAIRS FOR THE OUR COMMON BACKYARDS PROGRAM FOR IMPROVEMENTS TO MCGLEW PARK

Whereas: McGlew Park is far and away a community asset and the preservation and improvements to this facility are a City priority as evidenced in the most recent Open Space and Recreation Plan; and

Whereas: Improvements to McGlew Park greatly enhance this facility with installation of play equipment, construction of a circulation path, additional trees, improvements to the basketball court and softball field, and new irrigation; and

Whereas: The overall cost and fiscal budget constraints prevented the City from proceeding forward with implementation of the project; and

Whereas: The project was instead viewed as feasible only when fiscal resources were available, with the intention of securing grant funding, when and if available, to assist in this effort; and

Whereas: The Executive Office of Energy and Environmental Affairs (EOEEA) is offering reimbursable grants to cities to support preservation and restoration of urban parks through the PARC Program, Chapter 933 Acts of 1977, as amended, and

Whereas: the project will cost a total of \$622,357;

NOW, THEREFORE, BE IT RESOLVED

1. That the Mayor be and is hereby authorized to file and accept grants from the Executive Office of Energy and Environmental Affairs; and
2. That the Mayor be and is hereby authorized to expend from available funds an amount equal to the total project cost to be reimbursed up to a maximum amount of \$400,000 by the Executive Office of Energy and Environmental Affairs; and
3. That the Mayor be and is hereby authorized to take such other actions as are necessary to carry out the terms, purposes, and conditions of this grant to be administered by the Department of Planning and Community Development; and
4. That McGlew Park shall be dedicated to park purposes under M.G.L. chapter 45, section 3; and
5. That this resolution shall take effect upon passage.



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

November 17, 2016

Honorable Salem City Council
Salem City Hall
93 Washington Street
Salem, MA 01970

Ladies and Gentlemen of the Council,

I am writing to request you approve a Housing Development Zone and Zone Plan as part of the Housing Development Incentive Program (HDIP) for select parcels on the northern end of downtown. The HDIP was established by M.G.L., Chapter 40V in 2012. It provides Gateway cities with a development tool to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas.

The Housing Development Zone and Zone Plan are being initiated as a direct result of challenges faced by Diamond Sinacori, LLC to redevelop the former Salem District Court property (65 Washington Street) into a mixed-use building consisting of 61 condominium units, ground floor retail space, and a combination of underground and surface parking.

The challenges that the development group faces relate specifically to the removal of hazardous materials both in the existing structure and in the ground. The estimated cost for removal of these hazardous materials from just the existing structure is approximately \$850,000. This figure exceeds what the development group would have reasonably expected to absorb as part of the project, and it impacts the project's feasibility. The methodology to arrive at the estimate for hazardous material removal and environmental reporting has been corroborated by Licensed Site Professional (LSP) Tighe and Bond, which performed a peer review analysis of this information on behalf of the City.

The HDIP provides two tax incentives to encourage substantial rehabilitation of properties for lease or sale as multi-unit market rate 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 (comparable to a traditional TIF); and
2. A state tax credit for Qualified Substantial Rehabilitation Expenditures (QSREs) that is awarded through a rolling application process

Approval of the proposed Downtown Salem Housing Development Zone and Zone Plan by this body, and subsequently by the Commonwealth's Department of Housing and Community Development (DHCD), will enable Diamond Sinacori, LLC to negotiate a local TIE agreement (which will need to be approved by the City Council) and apply for state tax credits. The financial incentives will offset all or most of the gap created by the expected work to remove hazardous materials.

The TIE agreement between the developer and the City is required for the developer to be able to access the state tax credits. I will be recommending a TIE agreement with the minimum terms allowed by DCHD, which is an exemption of ten percent of the property tax increment over a period of five years.

In addition to 65 Washington Street, the enclosed Housing Development Zone includes four other parcels. The rationale for this is that HDIP requires that a Housing Development Zone include at least two contiguous parcels and not be project specific. The other proposed parcels are:

				<u>Owner of Record</u>
1.) 29 Federal Street	Map 35, Lot 0409	(.25 acres)		Salem Red. Authority
2.) 15 Federal Street	Map 35, Lot 0196	(1.29 acres)		Salem Red. Authority
3.) 32-50 Federal Street	Map 26, Lot 0413	(1.96 acres)		Essex County
4.) 252 Bridge Street	Map 26, Lot 0408	(.84 acres)		City of Salem

The properties at 15 and 29 Federal Street comprise the Church Street parking lots Street, 32-50 Federal Street is the Superior Court Complex, and 252 Bridge Street is the City-owned parcel directly adjacent to the MBTA Station. Each of these parcels is controlled by a public entity; hence private land owners are not subject to the proposed HDIP. The City, in cooperation with the SRA, can determine at any time in the future if it would like to entertain market rate housing projects on these sites that would then be able to access the benefits of the HDIP. Likewise, the parcels can remain undeveloped or developed in another fashion without utilizing the HDIP. At this time the City is not in discussions with any developer about the future redevelopment or disposition of any of these four other parcels.

The approval process of the Housing Development Zone and Zone Plan 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. Because of the time sensitivity of the project, I request you schedule the public hearing as soon as possible.

Again, I am kindly requesting your support and approval of the proposed Downtown Salem Housing Development Zone and Zone Plan. Not only will the financial benefits of this state-enabled tool allow Diamond Sinacori to advance the District Court project, it will also incent worthy developers to consider high quality market rate 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 Zone would be excellent examples of Smart Growth transit-oriented development given the proximity of Salem MBTA Station. Thank you for your consideration.

Enclosed for your review are:

- 1.) City Council Order approving the Housing Development Zone and Zone Plan and authorizing future action by the Mayor, including negotiation of a TIE agreement with eligible project sponsors;
- 2.) An HDIP FAQ sheet; and
- 3.) HDIP Plan with associated attachments, including proposed Downtown Salem HD Zone Map

Sincerely,

A handwritten signature in dark ink, appearing to read "Kimberley Driscoll". The signature is written in a cursive, slightly slanted style.

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM

In City Council, November 17, 2016

Ordered:

WHEREAS, the Commonwealth of Massachusetts (hereinafter "the Commonwealth") established the Housing Development Incentive Program (hereinafter "HDIP") per M.G.L., Chapter 40V; and

WHEREAS, the HDIP requires a municipality to participate in a Tax Increment Exemption (hereinafter "TIE") agreement with a program applicant in order for that applicant to be eligible to receive state tax credits that will incent the development of market rate housing in Commonwealth designated Gateway Cities, of which Salem is one;

Now, Therefore, Be It Ordered:

1. That a Housing Development Zone as illustrated on the map shown in the enclosed Housing Development Zone Plan (Map 1: Downtown Salem HD Zone Boundaries) is hereby established and approved;
2. That the Housing Development Zone Plan and the activities described therein are hereby approved;
3. That the Mayor is hereby authorized to submit the Housing Development Zone and Zone Plan to the Commonwealth's Department of Housing and Community Development;
4. That the Mayor is authorized to act subsequent to submittal of the Zone and Zone Plan and to provide such additional information as may be required by the Commonwealth's Department of Housing and Community Development; and
5. That the Mayor, subject to City Council approval, is hereby authorized to negotiate tax increment exemption (TIE) agreements with eligible project applicants who endeavor to utilize the benefits of the Housing Development Zone and Zone Plan and that such tax increment exemptions shall be of not less than 10% and not more than 100% of the resulting increment from the market rate units within Certified HD Projects for a period not to exceed 20 years for all or a portion of the increment in accordance with M.G.L. c. 59 section 5M.

SALEM'S PROPOSED PARTICIPATION IN THE HOUSING DEVELOPMENT INCENTIVE PROGRAM (HDIP)

FREQUENTLY ASKED QUESTIONS

1. What is the Housing Development Incentive Program (HDIP)?

The Housing Development Incentive Program (HDIP) was established by the Commonwealth of Massachusetts in 2012. The program seeks to increase residential growth, expand the diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas in Gateway Cities. The specific focus is on the creation of multi-unit market rate housing.

2. What are the incentives?

The HDIP provides two tax incentives to encourage substantial rehabilitation of properties for lease or sale as multi-unit market rate housing.

First, there is a local-option real estate tax exemption on all or part of the increased property value resulting from improvements. The minimum exemption is ten percent of the increment for five years. The maximum exemption is 100 percent of the increment for twenty years.

The tax exemption is comparable to tax increment financing (TIF) on a commercial project. Instead of being called a TIF, the HDIP program calls this a tax increment exemption (TIE). The principle is the same as a TIF—the base property tax is paid in full, but a portion of the tax increment resulting from the development is exempted for a period of time. The municipality and developer negotiate the terms of the TIE Agreement.

Second, the State provides a Tax Credit for Qualified Substantial Rehabilitation Expenditures (QSREs) in the development. Again, this mirrors TIF projects where the State provides an investment tax credit on a percentage of the business investment. In the HDIP, the State determines the amount of the tax credit based on the QSREs. The maximum tax credit award is ten percent of the QSREs and is capped at \$2 million per project.

3. What is the HDIP process?

First, the City must set the geographic boundaries of a Housing Development Zone and approve a Housing Development Zone Plan. With local approval of the Zone and Plan, the City can then apply to the Department of Housing and Community Development (DHCD) for State approval.

Once the Zone and Plan are approved by DHCD, developers can begin the process to have a specific Housing Development Project certified by DHCD. The process begins with a Preliminary Certification followed by a Conditional Certification. When the State grants Conditional Certification, it also allocates tax credits for the Project. However, the tax credits are not awarded until the project is completed, and DHCD grants Final Certification. Note: The developer must have local approval of the TIE Agreement by the time he/she seeks Conditional Certification from the State.

4. Where is Salem's proposed Housing Development Zone?

The HDIP guidelines indicate that a Housing Development Zone may be located in any area of a Gateway City characterized by a need for multi-unit market rate housing. The Zone must consist of two or more contiguous parcels of land and must be of sufficient size that implementation of the Zone Plan will have an impact on housing development, diversity of housing supply, economic development, and neighborhood stability.

Salem's Housing Development Zone is proposed to consist of five publicly owned parcels on the northern end of downtown. The properties are the two parcels that comprise the Church Street parking lots, the former District Court building, the former Superior Court and County Commissioner's building, and the City-owned lot at the MBTA commuter rail station.

5. Why does the City want to participate in the HDIP?

Downtown multi-unit market rate housing is consistent with the 2011 *Salem Downtown Renewal Plan* and the 2015 *Salem Housing Needs and Demand Analysis*. The HDIP is a relatively new tool that can support the redevelopment of the five publicly owned properties in the Housing Development Zone.

The HDIP is being initiated now in order to support the redevelopment of the former District Court property at 65 Washington Street. During due diligence, the contamination of the property was found to be greater than anticipated. Diamond Sinacori, the selected developer, estimates the cost for removal of hazardous materials from the existing structure to be approximately \$850,000. (Cleanup of subsurface contamination is in addition to this figure.) The project cannot bear this magnitude of cleanup costs. The HDIP is one tool to make the development project feasible. Because 90 percent of the units will be market rate, the redevelopment proposal would qualify for the HDIP.

Future multi-unit market rate housing proposals for the other properties in the Housing Development Zone would also be eligible for participation in the HDIP.

6. When does the HDIP happen?

The Housing Development Zone and Zone Plan will be introduced to the City Council at its meeting on November 17, 2016. The approval process requires a public hearing before the City Council makes a final vote.

Once submitted, it will likely take DHCD four weeks to review the Housing Development Zone and Zone Plan. If all is found to be in order, DHCD would then approve the Zone and Plan.

The TIE Agreement may be considered by the City Council at the same time as the Housing Development Zone and Zone Plan or on a subsequent cycle. The TIE Agreement will be the minimum amount and term allowed by the State—ten percent of the increment for five years. Once DHCD approves the City's Housing Development Zone and Zone Plan, Diamond Sinacori can begin the process with DHCD to obtain Housing Development Project certification. Preliminary Certification of the Project is anticipated in early March and Conditional Certification is anticipated in May 2016.



HOUSING DEVELOPMENT INCENTIVE PROGRAM (HDIP)

HDIP ZONE and HDIP PLAN APPLICATION

Contact Person for HD Zone application and HD Zone Plan:

Tom Daniel, AICP
Director of Planning and Community Development
Salem Department of Planning and Community Development
120 Washington Street, 3rd Floor
Salem, MA 01970
TDaniel@Salem.com

Authorized Officer Designated to Execute HD Tax Increment Exemption Agreements:

Kimberley Driscoll, Mayor
Salem City Hall
93 Washington Street
Salem, MA 01970
KDriscoll@Salem.com

By the signature below, I certify that the proposed Application for Housing Development Zone designation was submitted to Salem City Council on November 17, 2016 and approved for submission to DHCD by Salem City Council on November __, 2016.

Kimberley Driscoll
Mayor, City of Salem

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Appendix 1: Salem Downtown Renewal Plan

Appendix 2: Salem Housing Needs and Demand Analysis

C. Evidence of Public Hearing

The public hearing for the proposed Housing Development Zone was held on November __, 2016. Below are copies of the required newspaper postings published in the Salem News in each of two successive weeks. The last posting is dated November __, 2016—four days prior to the public hearing.

D. Approval by Municipal Legislative Body

The Salem City Council voted to adopt an Order approving the Housing Development Incentive Plan, and associated Downtown Salem HD Zone and HD Tax Increment Exemptions on November__, 2016.

Below is the certified copy of the Order to approve the City of Salem's proposed Housing Development Incentive Plan Zone and Map adopted by City Council and certified in the Salem City Council meeting minutes (including the public hearing) during which the Order was approved.

E. Executive Summary

The City of Salem seeks to designate a portion of its downtown as a State enabled Housing Development Zone (HD Zone) to incent and better enable potential future redevelopment of certain publicly owned (whether by City, Salem Redevelopment Authority, or State) parcels. The HD Zone is proposed to be comprised of five properties on the northern edge of Salem's downtown and is consistent with objectives in both the *Salem Downtown Renewal Plan* and the *Salem Housing Needs and Demand Analysis*.

The five properties in the proposed HD Zone are all within the boundaries of the *Salem Downtown Renewal Plan* (SDRP). 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 *Salem Housing Needs and Demand Analysis* (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)."

Specific Redevelopment Proposal and Potential for Future Development

Within the proposed HD Zone, there is a proposal in place to redevelop the former Salem District Court property on Washington Street. The property is publicly owned (by Essex County and the Commonwealth of Massachusetts) and under the management of the Massachusetts Division of Capital Asset Management and Maintenance (DCAMM).

In 2015, the Salem Redevelopment Authority (SRA) issued a Request for Proposals (RFP) for the development rights to the District Court site. In August of that year, after receiving multiple proposals for redevelopment of the site, the SRA selected the proposal submitted by Diamond Sinacori LLC ("Diamond Sinacori") a Boston-based development team, subject to concurrence by DCAMM¹. Specifically, the redevelopment team is organized as 65 Washington Street, LLC ("65 Washington")—an affiliate of Diamond Sinacori that also includes Gregory Winter in the ownership team. 65 Washington proposes to demolish the existing structure and construct a new six-story, 61-unit condominium development that will include six (6) affordable units at 80% of area median income (AMI); 90% of the units will be market rate.

The project will include underground parking for 61 spaces, a retail component on the first floor (as well as 21 additional surface level spaces facing the rear of the building) and 61 condos on floors two through six. The condos are proposed to be comprised of 44 two-bedroom units, nine (9) three-bedroom units, and eight (8) one-bedroom units. The prices range from about \$339,000 for a one-bedroom condo to \$569,000 for three bedroom units. The 61 condominiums total approximately 61,344 square feet. First floor retail totals an additional 8,000 square feet.

The SRA and City are working actively with elected officials to have disposition of 32-50 Federal Street (the former Superior Court Complex) approved by the Commonwealth, which would enable a similar process as described above to go forward with respect to selecting a developer through an RFP process to adaptively reuse the site and buildings. The City also recently contracted with Arrowstreet Architects of Boston to undertake a pre-development study of 252 Bridge Street, which is a City-owned parcel that directly abuts Salem's intermodal MBTA Station and garage. The results of the study will be used to develop an RFP for redevelopment of the site. The other parcels in the proposed HD Zone (29 and 15

¹ DCAMM concurred with the selection of Diamond Sinacori and its proposal for redevelopment of the District Court site.

Federal Street) are both owned by the SRA but do not currently have active plan for redevelopment attached to them. Combined with the proposed redevelopment of the former District Court site, we believe that there are strong downtown transportation oriented development (TOD) opportunities for market rate housing with vibrant mixed-use components. As described earlier, these developments would be in congruence with the SDRP and would align well with the needs demonstrated by the SHNADA; the projects would no doubt be further buttressed by the approval of this proposed HDIP Plan and Zone.

F. HD Zone

1. Name

The proposed HD Zone will be known as the “Downtown Salem HD Zone.”

2. Written Designation

The Downtown Salem HD Zone is 4.855 total acres located in Downtown Salem and is comprised of the following publicly owned properties outlined on Map 1 on page XX of this document:

			<u>Owner of Record</u>
1. 65 Washington Street	Map 35, Lot 0600	(.515 acres)	Essex County
2. 29 Federal Street	Map 35, Lot 0409	(.25 acres)	Salem Red. Authority
3. 15 Federal Street	Map 35, Lot 0196	(1.29 acres)	Salem Red. Authority
4. 32-50 Federal Street	Map 26, Lot 0413	(1.96 acres)	Essex County
5. 252 Bridge Street	Map 26, Lot 0408	(.84 acres)	City of Salem

The proposed HD Zone properties all fall within the northern section of the Downtown Salem Urban Renewal Area as described in the *Salem Downtown Renewal Plan* (attached). Two properties—32-50 Federal Street and 65 Washington Street—contain structures; the other properties do not.

65 Washington Street houses the former Salem District Court, an approximately 15,000 square foot brick facility described in Diamond Sinacori’s RFP as follows:

The building’s ‘Brutalist’ architectural style and lack of historic charm makes it an unlikely candidate for a high quality adaptive re-use project. The design and environmental challenges posed by the existing building, combined with the need for empty-nester housing in Downtown Salem cry out for a solution to this important site that will improve the urban fabric of downtown Salem (Diamond Sinacori RFP, p.27).

29 and 15 Federal Street are two parcels that abut each other and represent the area furthest east in the proposed HD Zone. They are both owned by the SRA and currently serve as surface parking lots. At present there are no active plans to solicit redevelopment proposals for these parcels.

32-50 Federal Street includes three buildings: the former Essex County Commissioners Building, the former Essex County Superior Court, and the recently renovated Salem Probate and Family Court. Given the recent renovation, this last building will not be redeveloped to a housing use. The monumental granite County Commissioner’s Building (built in 1841) was described by architectural historian Bryant Tolles as one of the most outstanding Greek revival style civic buildings surviving in New England. The three-story brick Italianate and Romanesque Revival Essex County Superior Courthouse Building (built in 1862, modified ten years later) features dramatic brownstone embellishments and retains much of its architecturally-significant interior including its original courtroom and law library.

252 Bridge Street is a City-owned parcel that serves as a surface parking lot. It directly abuts the Salem MBTA Intermodal Station and is being examined by Arrowstreet Architects as part of a City sponsored pre-development study. The City may look to solicit developer interest for this parcel in the first quarter of calendar year 2017.

3. Rationale for defining boundaries as proposed

As noted in the Executive Summary section of this document, the *Salem Downtown Renewal Plan* (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).” Additionally, the SDRP authorizes the Salem Redevelopment Authority (SRA) to “undertake activities and initiatives to accomplish public or private redevelopment of vacant or underutilized land and buildings” while “maintaining a diverse and high quality architecture character...and respecting the integrity of both historic and contemporary styles (SDRP, Plan Objectives, E6).”

All of the parcels captured within the proposed Downtown Salem HD Zone are what the City would consider to be vacant or underutilized; thus, they are ripe for redevelopment under the purview of the City and the SRA. Moreover, each parcel is within a short walking distance, or directly adjacent to the Salem MBTA Intermodal Station, therefore creating rich opportunities for sustainable transportation oriented development (TOD). The City and SRA value this approach to development and believe that every effort should be made to encourage Smart Growth of parcels proximate to mass transit modes of travel with easy connections to Salem’s downtown. It should also be noted that each parcel is controlled by a public entity, making site control and disposition an easier process.

An additional and timely rationale for the proposed Downtown Salem HD Zone is in response to the proposed redevelopment of Salem’s former District Court property. In 2015, Boston based development team Diamond Sinacori responded to the SRA’s RFP seeking plans for the future use of the 65 Washington Street property. In August, 2015, The SRA selected Diamond Sinacori’s proposal for the property based upon plans to replace the existing structure with a six-story housing development featuring ground-floor commercial space for retail and restaurant uses along Federal, Washington, and Church Streets. The five upper floors would consist of ownership housing in a mix of sixty-one (61) one, two, and three bedroom units.

The property is within two hundred yards of the Salem MBTA Intermodal Station and the Essex Street Pedestrian Mall (a primary commercial area in the heart of the city). The Center for Transit-Oriented Development defines Transit Oriented Development (“TOD”) as a “high-density, mixed-use residential and commercial area designed within walking distance (1/4 mile) of a transit station. Designed to maximize access to public transport, a TOD project incorporates features to encourage transit ridership.” The market rate condominium proposal for the re-use of 65 Washington Street hits on every component of this TOD definition.

Yet there are significant impediments to the redevelopment of the property. Diamond Sinacori’s proposal notes:

The redevelopment of this site poses some unique economic challenges. Asbestos in the sheetrock “mud,” mercury in the fluorescent lights and light switches, and extensive use of batteries in the backup power supply to the basement makes an adaptive re-use for office environmentally problematic. Our preliminary Construction Cost estimate indicates a cost in excess of \$3.83 million just for hazardous materials remediation, demolition, excavation,

and the additional concrete, masonry and structural steel that will create a podium in order to support a six-story, sixty-one unit condo development...\$62,917 per unit...these costs do not account for the likely discovery of additional asbestos on this site when destructive testing is begun (p. 28, Diamond Sinacori 65 Washington Street Proposal, July 17, 2015).

In the 12 months following the Salem Redevelopment Authority's selection of Diamond Sinacori's 65 Washington Street proposal, property due diligence and testing have identified further redevelopment challenges. Specifically, these challenges include asbestos and lead contamination within the existing building structure and multiple underground storage tanks from auto service businesses that were long ago torn down at the site.

Today it is clear the property has existing contaminants on site and significant redevelopment challenges. Less clear are the size and scope of these hazardous materials—and total cleanup costs.

The 65 Washington Street project will bring market rate housing to Downtown Salem. The challenges to bring the project to completion are anticipated not to be unique to 65 Washington Street. Therefore, the City of Salem seeks to designate 65 Washington Street and the other four properties previously identified as an HD Zone. In so doing, the immediate redevelopment project at 65 Washington Street will be able to participate in the Massachusetts Housing Development Incentive Program (HDIP). Future development on the other properties will also be able to access the HDIP. For the 65 Washington Street project, participation in the HDIP, including access to the state HDIP Tax Credit and local Tax Increment Exemption (TIE) Agreement, is required to help offset the extraordinary redevelopment challenges noted above.

4. Independent and verifiable documentation demonstrating the need for multi-unit market rate housing development in the proposed HD Zone

Addressing Salem's (and all of Massachusetts') anticipated aging population, the *Salem Housing Needs and Demand Analysis*, 2015 (SHNADA) states, "Salem's population is growing older, a result of the aging Baby Boomers. As this generation ages, the 65-74-year-old population in Salem is projected to increase by 91%, an increase of 2,438 residents (SHNADA, p.13)."

The study later reports, "Aging Baby-Boomers (those born between 1945 and 1970) will have a substantial influence on housing demand in Salem. As this large generation ages, it will increase the number of households over 60 by 42% statewide through 2030, and their share of all households will increase from 29% to 37% over the same period (SHNADA p.37)."

The SHNADA also notes that "If Salem continues to retain and attract young workers, the number of households is projected to increase significantly from 17,842 to 20,500 between 2010 and 2030, a 14% increase, according to MAPC's Stronger Region projections (SHNADA p. 12)." "Salem is attracting and retaining young residents and householders. Should these trends continue, Salem is expected to see significant increases in housing demand over the next decade (SHNADA p. 67)."

Further illustrating the need for market rate condominiums in Downtown Salem, in September 2016, the Haverhill-based real estate advisory firm Buyers Brokers Only, LLC, noted the following Salem, MA real estate and condominium trends:

Salem, Massachusetts real estate sales and median prices have increased during the first seven months of 2016, with condominium sales leading the way, according to data compiled by the Massachusetts Association of Realtors.

Condos sales increased 23.1 percent through July to 245 units sold compared to 199 condo sales during the same seven-month period last year; however, sales in July declined 35.2 percent to 35 units sold from 54 sales the previous July. Pending sales—condos under agreement that have yet to close—were flat in July, decreasing by just one to 41.

The slowdown in July condo sales can be attributed to tightening inventory and a decline in new listings. ***The number of condominiums on the market declined 48.6 percent in July to 57 units compared to 111 units for sale in July 2015. The month's supply of inventory declined 61 percent to just 1.6 months of supply. About six months supply of inventory is considered a balanced market between buyers and sellers. It doesn't appear the inventory situation will improve for buyers in the short term. New condo listings declined 36.2 percent to 37 from 58 new listings in July 2015.***

The median condo price increased 3 percent to \$278,000 through July compared to \$270,000 during the same time frame last year. The median price in July declined 3.4 percent to \$275,000. Homebuyers, on average 99.6 percent of the original list price in July and 97.5 percent of the original list price through July (Buyer Brokers Only, LLC September 4, 2016).

With respect to Diamond Sinacori's proposed mixed-use project for redevelopment of 65 Washington Street, it has been described as "classic, transit-oriented" redevelopment. The project's targeted demographic will focus on young professionals and retiring Baby-Boomers. As such, it will address a number of the City's goals and objectives outlined in both the 2011 *Salem Downtown Renewal Plan* and 2015 *Salem Housing Needs and Demand Analysis*. The proposed redevelopment addresses both the need to maintain the architectural integrity of Salem's vibrant downtown while providing new (and much needed) ownership housing opportunities for young professionals and down-sizing Baby Boomers. In return, each of these important demographic groups will contribute to the continued revitalization of Salem's historic Downtown.

5. Explanation of how proposed HD Zone is appropriately located to support the objectives of the HD Zone Plan, including sufficient likelihood that market rate housing will be developed

The City of Salem and SRA are committed to transportation oriented development (TOD) that maximizes the opportunities inherent with the proximity to the busiest MBTA Commuter Rail station in Massachusetts and having a vibrant downtown with an eclectic mix of shops, restaurants, and cultural attractions. The proposed Downtown Salem HD Zone is comprised of parcels appropriate for redevelopment due to their underutilization and are representative of the kinds of TOD opportunities the City and SRA support.

A need for market rate housing has been demonstrated in the previous section. In addition, Diamond Sinacori's proposal for the redevelopment of 65 Washington Street, which was selected over two other proposals, clearly demonstrates developer interest in bringing much needed market rate housing to the proposed HD Zone.

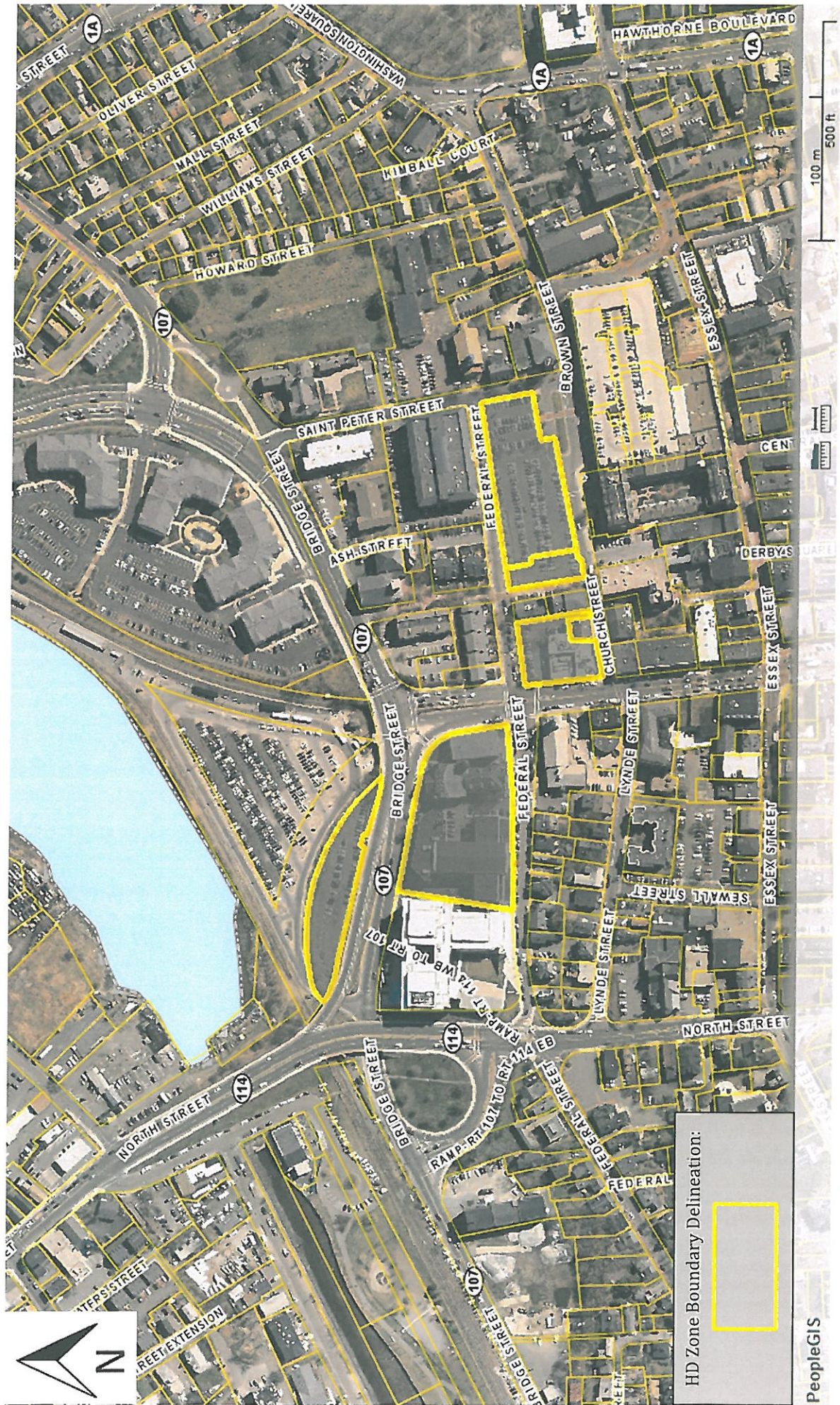
Moreover, the City of Salem has recently fielded much developer interest for the development of market rate housing in its downtown and other areas of the city. There has been a smattering of smaller projects recently built-out throughout the Downtown, and two others are either mid or pre-construction:

1. 50 St. Peter Street: 14 new construction market rate rental housing units. Note that this project is just beyond the eastern most edge of the proposed HD Zone and also qualifies as TOD.
2. Washington and Dodge Street: Will include 70-100 market rate rental residential units as part of a \$50+ million mixed-use project to also include a 100+ room hotel, 20,000 +/- sf of commercial space, and 265 parking spaces. This project is toward the southern end of Salem's downtown.

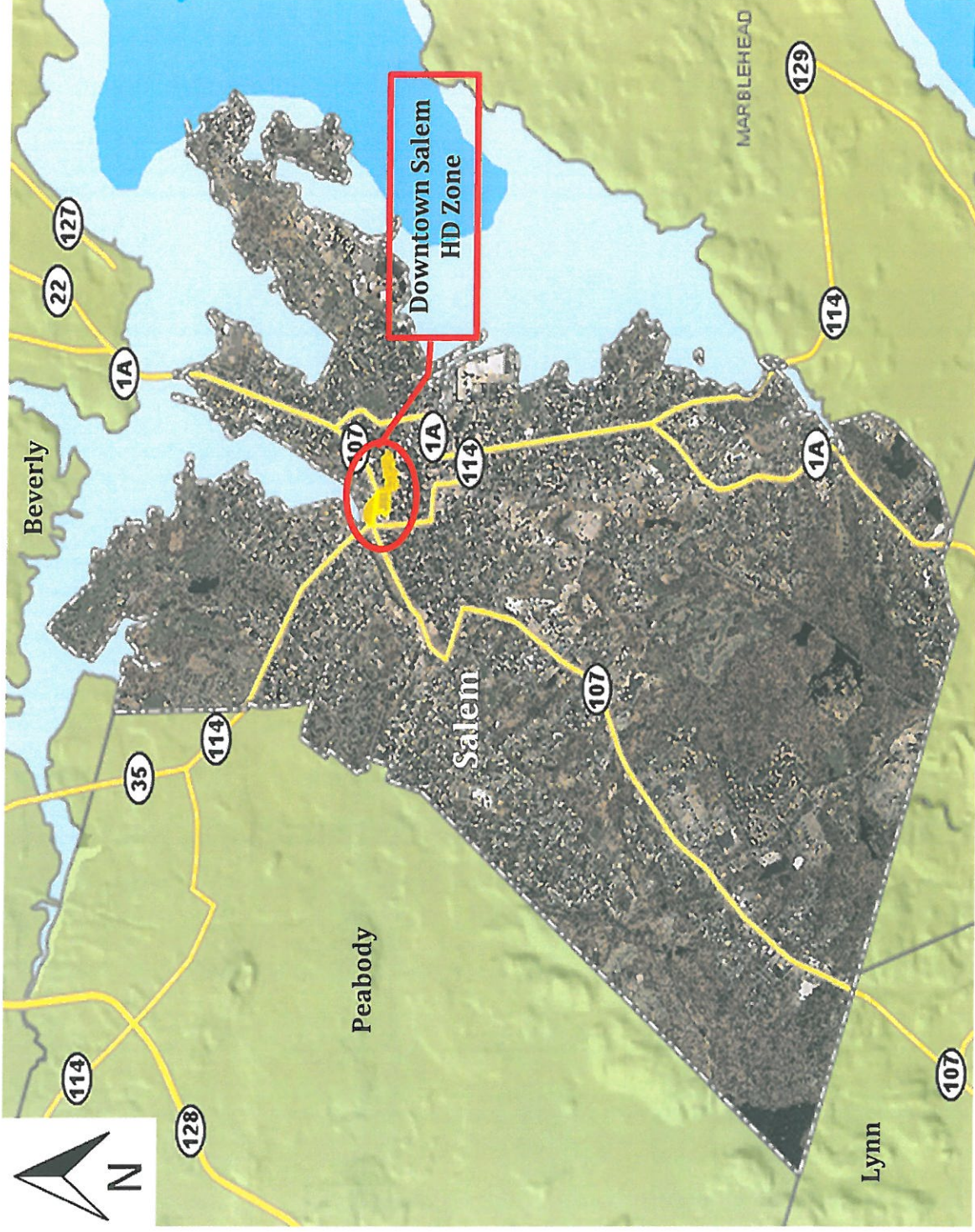
6. Maps (see five following pages)

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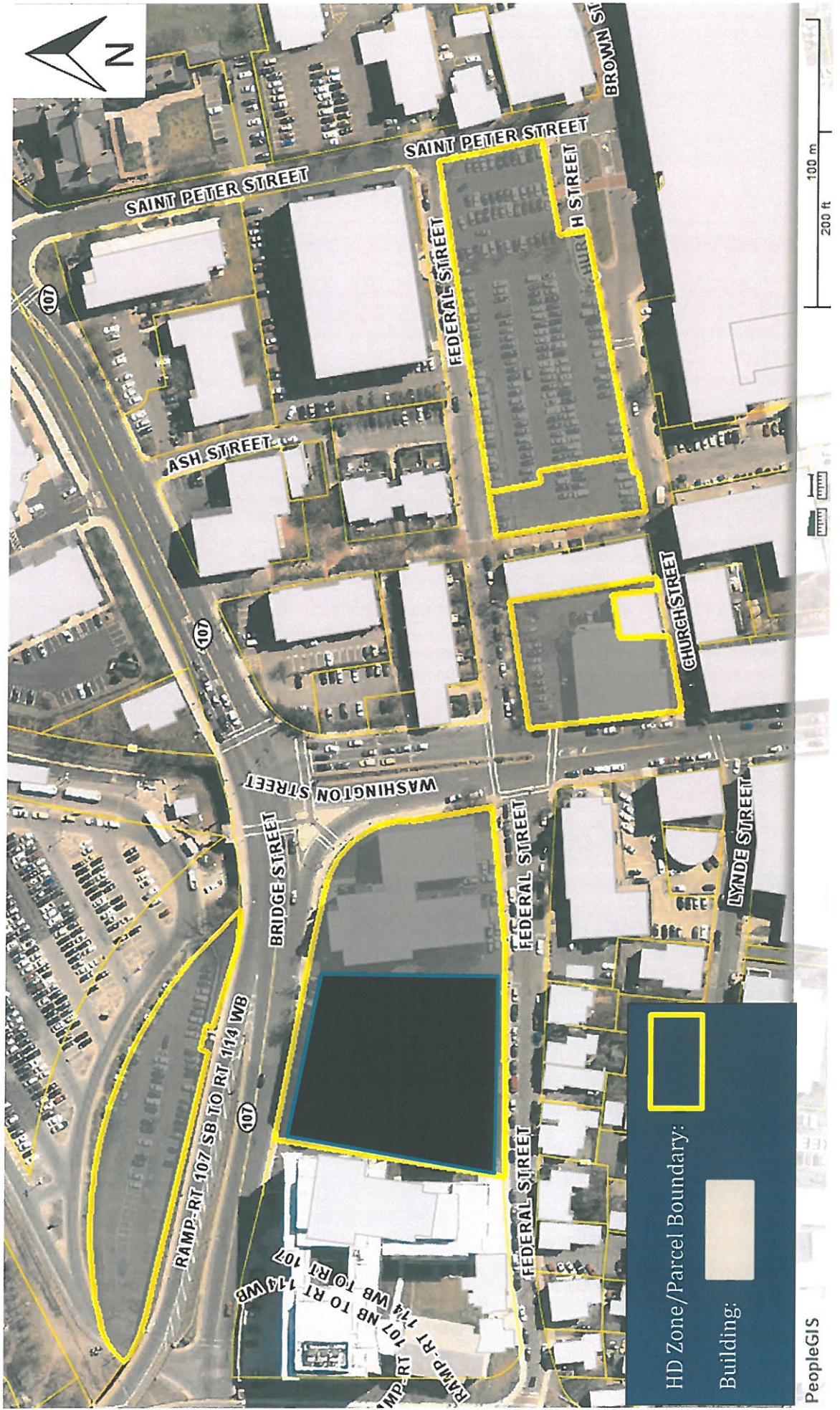
MAP 1: DOWNTOWN SALEM HD ZONE BOUNDARIES



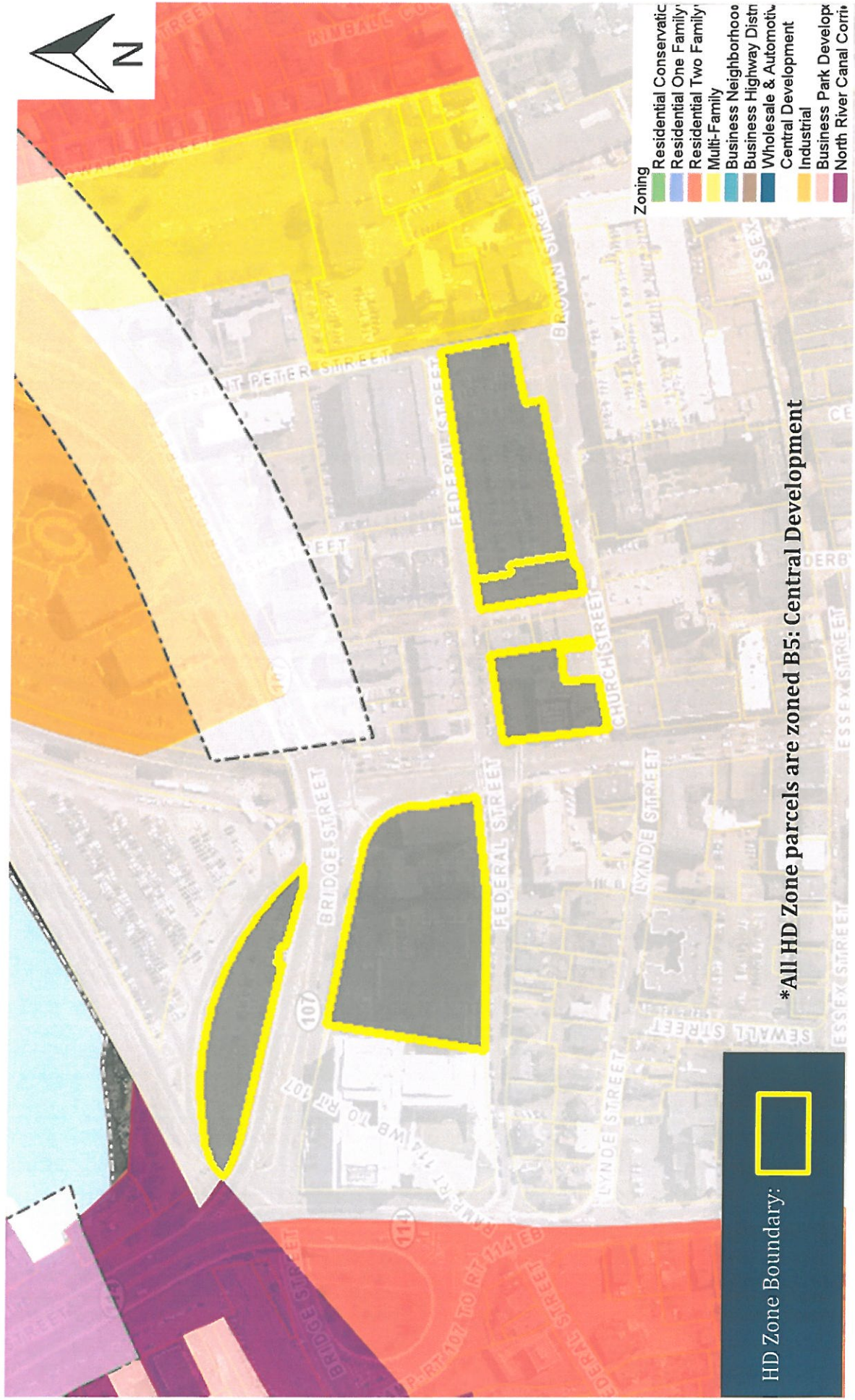
MAP2: LOCUS



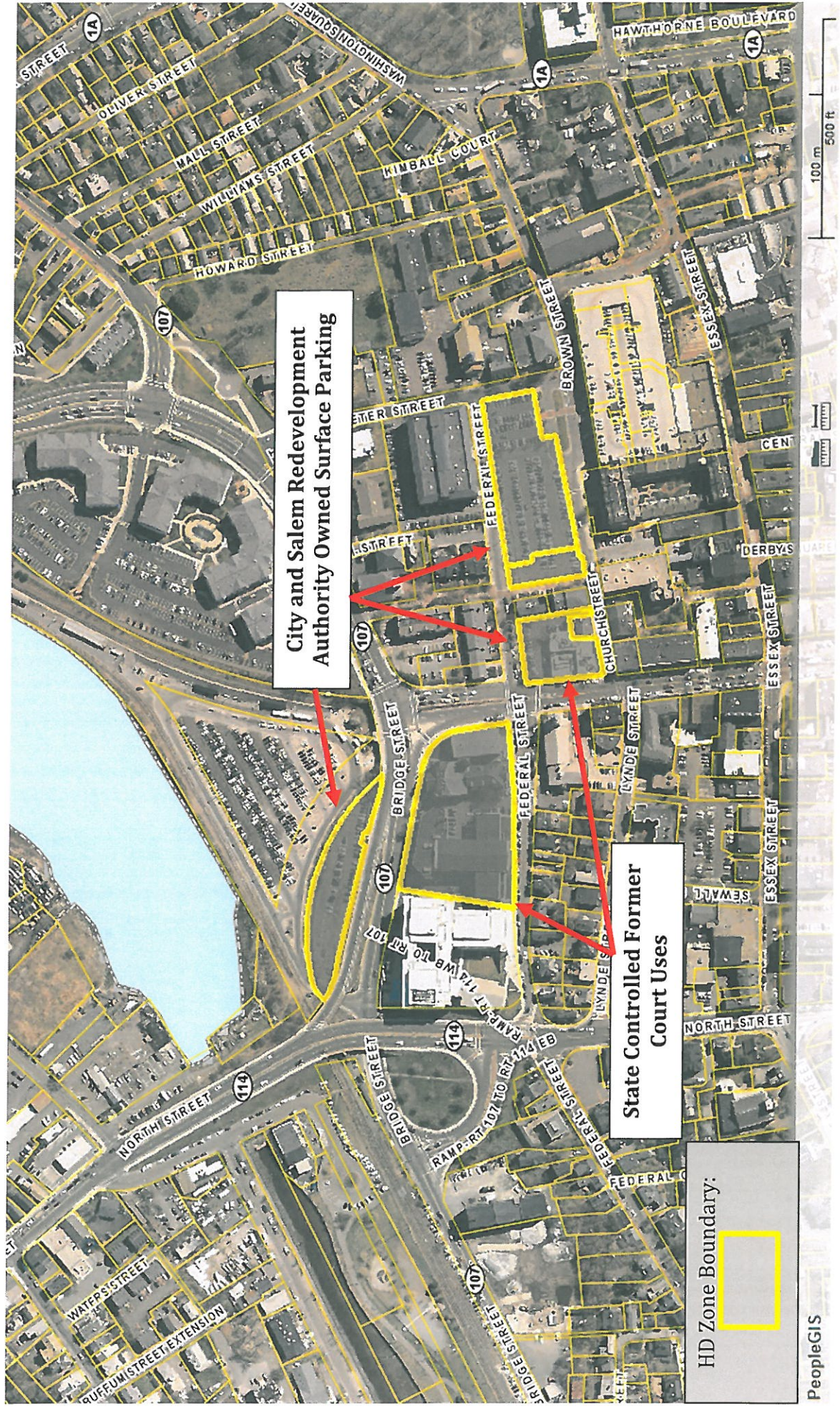
MAP 3: EXISTING PROPERTY LINES AND BUILDING FOOTPRINTS



MAP 4: EXISTING ZONING



MAP 5: EXISTING LAND USES



G. HD Zone Plan

1. Objectives of the HD Zone Plan

The *Salem Downtown Renewal Plan* discusses the ongoing development needs for Downtown Salem and serves as the guiding planning and policy document for the HD Zone Plan. To advance the goals of the *Salem Downtown Renewal Plan*, the Downtown Salem HD Zone and Plan are proposed to encourage the development of transportation oriented market rate housing proximate to Salem's MBTA commuter rail station on properties currently controlled by public entities. The HD Zone and Plan are also proposed in response to a specific market rate condominium project under consideration for the site of the former Salem District Court at 65 Washington Street which is one of five publicly owned parcels that comprise the proposed HD Zone (the others are 15 Federal Street, 29 Federal Street, 32-50 Federal Street, and 252 Bridge Street).

While the 65 Washington Street project is the current market rate venture under review, the HD Plan includes other parcels that have strong future development potential. 32-50 Federal Street is home to the former Salem Superior Court Complex, which is currently owned by Essex County and managed by DCAMM. The City of Salem is working closely with its elected representatives to advance legislation that would enable the Salem Redevelopment Authority to oversee a request for proposals (RFP) process to solicit redevelopment proposals for the property.

252 Bridge Street is a parcel owned by the City of Salem that is directly adjacent to the Salem MBTA Station. The City recently contracted with Arrowstreet Architects of Boston to perform a pre-development study of the parcel that will ultimately be used to develop an RFP to solicit development proposals.

15 and 29 Federal Street are both owned by the Salem Redevelopment Authority and serve as surface parking. Neither figures immediately in the City's plans for future development, but given the amount of potential activity in the area, the City feels it would be wise to include the parcels in the proposed HD Zone.

The objective of the HD Plan is to foster the continued redevelopment and pedestrian activity within Downtown Salem. By encouraging market rate housing opportunities (and, specifically, the 65 Washington Street venture) in this area of the City, the HD Plan will bring stronger mixed residential and business activity in Downtown Salem. Finally, the current project under consideration in the HD Plan would bring valuable new residential tax dollars to the City of Salem and diversify Salem's existing tax base.

As mentioned earlier, the 65 Washington Street property has significant redevelopment challenges. Specifically, the building and site are known to have asbestos contamination, underground storage tanks and other Brownfields issues that make the market rate condominium project prohibitively expensive. HD Plan designation will provide an opportunity for the 65 Washington Street developers to participate in the HDIP Program. Benefits associated with the HDIP Program, including the state HDIP-Tax Credit and local Tax Increment Exemption, will provide resources to overcome the extraordinary project costs thereby making the market rate condominium project feasible.

2. Proposed related construction, reconstruction, and rehabilitation activities for the HD Zone

Other than the 65 Washington Street (former District Court site) proposal to build 61 market rate condominium units above ground floor retail storefronts, there are no proposed redevelopment activities within the HD Zone per se, as the Zone is comprised of specific parcels. As mentioned earlier in this document, both 32-50 Federal Street and 252 Bridge Street are slated for potential future redevelopment.

32-50 Federal Street, which contains the former Superior Court Complex, has legislation pending before the State House of Representatives and Senate for transfer to the SRA. The SRA would then undertake an RFP process similar to that of the District Court Property. With respect to 252 Bridge Street, the City contracted with Arrowstreet Architects of Boston to undertake a pre-development study of the parcel. This study, which should be done by the end of 2016, will enable the City to move forward with an RFP process to solicit redevelopment proposals.

Other than this, many of the investments being made to Salem's downtown are within a close proximity to the proposed HD Zone, such as:

Mixed-Use Projects:

90 Washington Street: The three-story building will be redeveloped as office space with ground floor retail. The City of Salem has entered into a 20-year lease for the office space to accommodate personnel currently located in other leased premises. As of October 2016, the project is undergoing permitting. Construction is expected to be completed in fall 2017.

Washington and Dodge Street Redevelopment: This 160,000-square foot, \$50 million project includes a mixed-use development with 64 residential units, proposed hotel with approximately 100 rooms, commercial space, 212 parking spaces, associated landscaping, and pedestrian and transportation improvements. Construction begins in fall 2016. When completed, this project will dramatically increase the footprint of Salem's downtown. The City was awarded a state grant in the amount of \$3.36 million for infrastructure improvements to support this proposed project

Hotel Projects:

The Hotel Salem: A 44-room boutique hotel is planned for the Newmark Building located on the Essex Street Pedestrian Mall. The project has received approval from the Salem Redevelopment Authority. It will include loft style and micro rooms, a basement lounge with shuffleboard, roof deck restaurant, and high-end fixtures and furnishings. It will be a catalyst for further economic development activity on the pedestrian mall.

The Merchant: A new Lark Properties hotel opened in 2016 in the historic Joshua Ward House in downtown Salem.

Housing Projects:

Old Salem Jail Complex Redevelopment: The first phase was completed in 2010, which includes 23 housing units, a restaurant, and a jail exhibit. Phase 2 includes an additional 14 market rate rental housing units in a new building for a total project cost of approximately \$11 million. Phase 2 began construction in summer 2016.

Institutional / Public Projects:

J. Michael Ruane Judicial Center: The new facility opened at the end of 2011; a consolidation of several court functions, including the District and Superior courts. The project opened the way for redevelopment of the former District Court site at 65 Washington Street, as well as the Superior Court Complex on Federal Street. This \$106 million court expansion in downtown Salem continues to have a significant positive economic impact on the downtown and the City.

Salem (MBTA) Intermodal Station: Completed in 2014, the \$45M, 250,000 square foot, fully accessible intermodal station includes a passenger waiting shelter, a 690-space, five-level parking structure with parking on all levels for electric cars, ride share vehicles, motorcycles and bicycles. The station includes

an at-grade bus platform, taxi lane and kiss-and-ride drop-off/pick-up area, pedestrian sidewalks and a pedestrian bridge connecting a raised street to the second level of the structure. Station amenities include seating, lighting, signage systems, site improvements and landscaping. The presence of this facility directly adjacent to the proposed Downtown Salem HD Zone will enable sustainable TOD to occur.

Essex Street Revitalization Projects:

Pedestrian Mall: The Essex Street Pedestrian Mall is often considered the heart of Downtown Salem's commercial center. In 2010, City stakeholders identified the Essex Street Pedestrian Mall as a "Gateway" to the City and began a four-year commitment to update and repair the walkway with the intention of attracting more foot-traffic to the area. Physical issues included: cobblestones that were uncomfortable for walking; landscaping in poor health and/or obscure storefronts and architecture; sidewalks pinched along Museum Place Mall; benches that didn't relate well to context; and maintenance challenges with the two fountains bookending the Pedestrian Mall. Today, after multiple grants and partnerships with public and private organizations, the Essex Street Pedestrian Mall acts as an attractive gateway to Downtown Salem. Concrete planters and a bulletin board kiosk have been removed, new trees have been planted, and brick to match the existing brick surface has been replaced from Museum Place Mall to Washington Street. Cobblestone areas have been reduced or removed. The final phase was the renovation of the Washington Street fountain. The businesses along the Mall are an increasingly attractive mix of retail and restaurants. Newer investments along Essex Street include a \$9,000,000 renovation of the historic Newmark Building by Lark Hotels to create a new 44 room luxury boutique hotel with three dining venues; and an adaptive reuse of the ground floor of 217 Essex Street into a high-end coffee shop.

Peabody-Essex Museum: The Peabody Essex Museum, which is situated at the eastern most end of the Essex Street Pedestrian Mall is now planning a 40,000 gross square foot expansion. It will include three floors of state-of-the-art galleries, a secondary entrance to the museum and a full basement for mechanical and electrical equipment. Permitting is underway for this project and construction is set to begin in 2017.

Each of these projects speaks to the ongoing commitment by the City of Salem to encourage economic development through creative commercial and residential housing development—each with the goal of drawing more visitors and residential home-owners to the community.

3. Description of who will undertake HD Zone redevelopment activities

In August, 2015 the Salem Redevelopment Authority selected a proposal put forth by the development group Diamond Sinacori, LLC ("Diamond Sinacori") to redevelop the District Courthouse property at 65 Washington Street in Salem. As noted throughout this application, Diamond Sinacori's "repurposing plan" for 65 Washington Street involves replacing the existing 15,006 square foot structure with a mixed-use development featuring sixty-one (61) owner-occupied, market rate condominiums.

About Diamond Sinacori Principal Merrill Diamond:

Over a three-decade career, Merrill H. Diamond has received national recognition for creative branding and marketing in the residential marketplace, both locally and across the country. Mr. Diamond's marketing awards include numerous Prism Awards, most recently for the marketing of *The Waterworks at Chestnut Hill* (Best Sales Center, Best Brochure); several Prism Awards for General Marketing Excellence from the Builder's Association of Greater Boston; the Builder's Spotlight Awards for Excellence in Marketing from Builder Magazine; and several Target Awards for Marketing Excellence by Professional Builder magazine. Mr. Diamond was also named a Master in Residential Marketing (MIRM), the most prestigious designation offered by the Institute of Residential Marketing (IRM).

In addition, Mr. Diamond was named “Entrepreneur of the Year” by Arthur Young / Venture Magazine; “Merchant Builder of the Year” by the National Association of Homebuilders (NAHB), and one of “America’s Most Valuable People” by USA Today, the nation’s national newspaper. His branding and marketing acumen has been profiled in Jeffrey L. Seglin’s book, *America’s New Breed of Entrepreneurs*, and his development/marketing firm has twice been named “One of America’s Fastest Growing Companies” by Inc. Magazine.

Mr. Diamond has spoken on all aspects of residential marketing in venues as diverse as Build Boston; the Sales and Marketing Council of the Greater Boston Real Estate Board; Harvard University’s School of Business Administration; as well as having moderated several symposiums on multi-family marketing, including the prestigious GBREB Mortgage Finance Division Symposium at the Federal Reserve Bank.

Mr. Diamond’s was responsible for the marketing of a number of recent private-sector developments, inclusive of *Stoneleigh*, the historic preservation and revitalization of the Old Norfolk County Jail in Dedham, Massachusetts into residential condominiums; *Kendall Crescent*, the adaptive-reuse, historic preservation, and new construction of the historic Public Works Complex in Brookline, Massachusetts into residential condominiums and office space; and *The Waterworks at Chestnut Hill*, a 112 unit condominium complex and museum overlooking the Chestnut Hill Reservoir in Chestnut Hill, Massachusetts in conjunction with the family of the late Edward A. Fish. He is currently working on *Charing Cross*, a new construction, 56 unit development in Boston, Massachusetts with marketing slated to begin in the spring of 2012.

The development team consists of the following:

Developer: Diamond Sinacori, LLC (90% owner) in collaboration with Greg Winter (10% owner)

Principal in Charge: Merrill H. Diamond (Diamond Sinacori, LLC)

Project Manager: Gregory Winter (Winter Real Estate Advisors, LLC and TR Advisors, LLC)

Architecture: Tise Design and DiMella Shaffer

Landscape Architecture: Stimson Associates

Residential Marketing: Merry Fox Realty in collaboration with IGNITION Residential, LLC

Construction: BayPointBuilders Corp.

Financial Consultant: Fantini& Gorga

Legal: Joseph Correnti of Serafini, Darling and Correnti, L.L.P. – Permits and Approvals

Stephen Carr Anderson – Financing and Contracts

Civil Engineer: Concord Land Design, Inc.

Environmental & LSP: CDW Consultants, Inc.

Geotechnical Engineer: GZA Environmental, Inc.

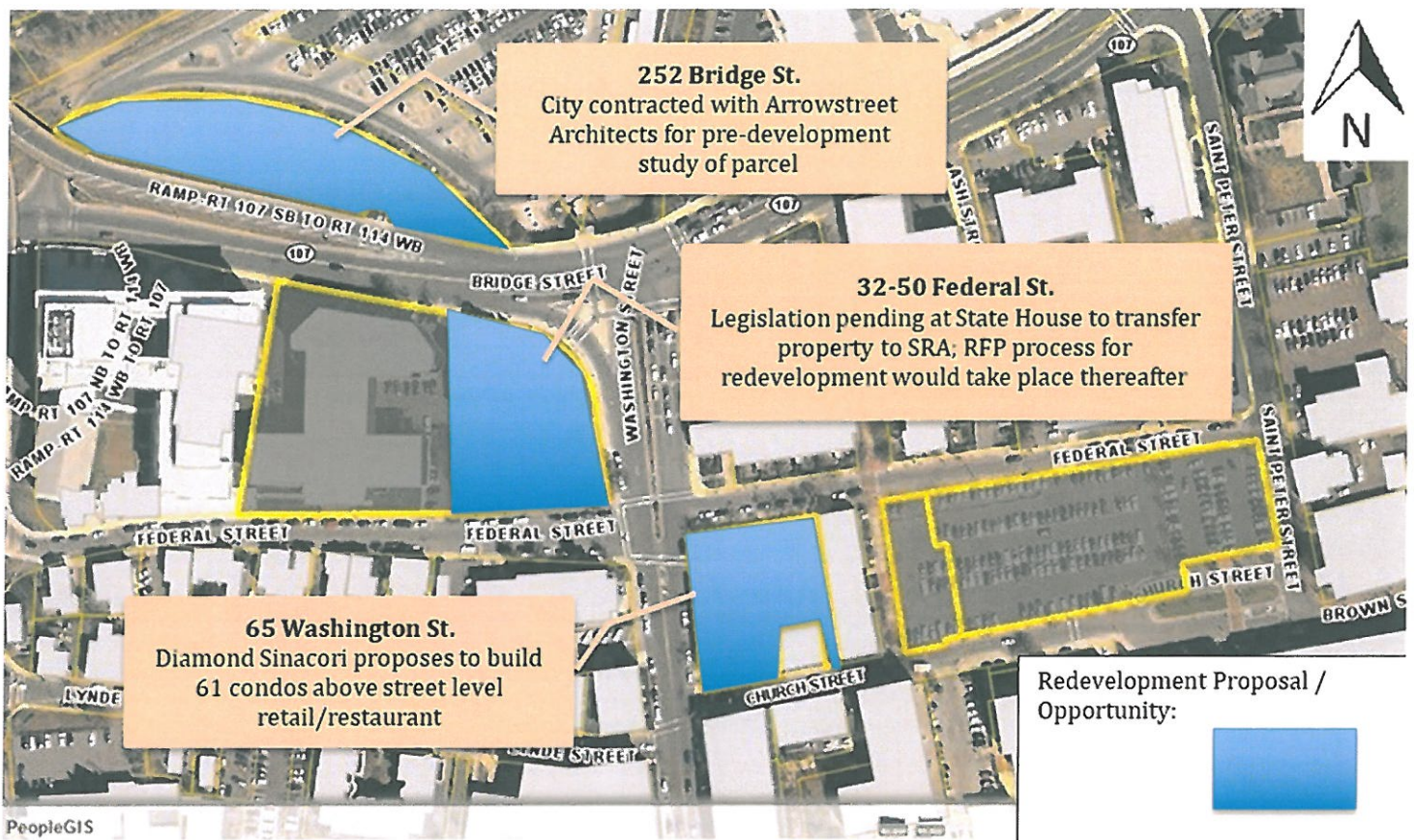
Structural Engineer: McNamara/Salvia, Inc.

M/E/P Engineer: Cosentini Associates, Inc.

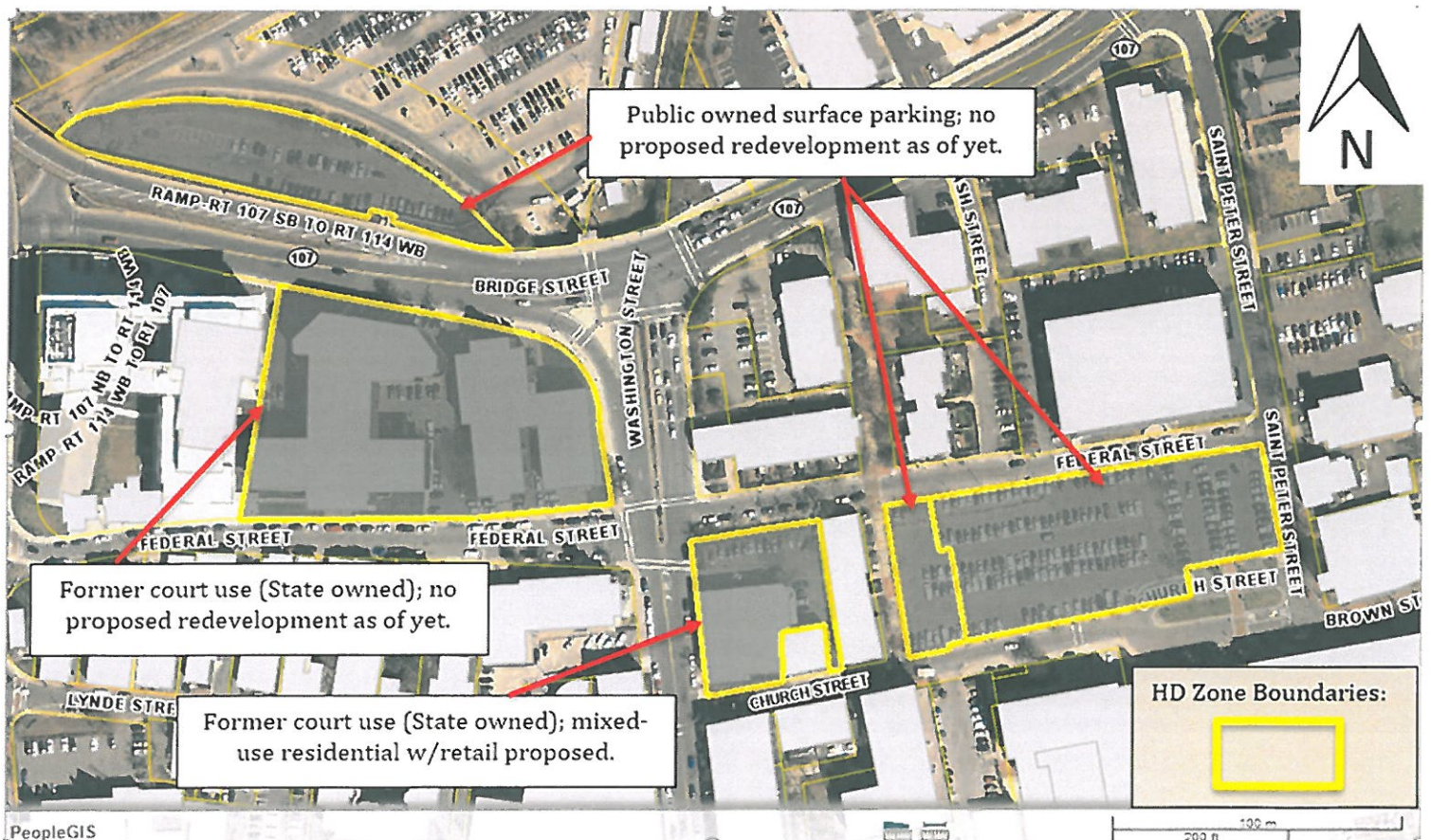
Traffic & Parking: Howard/Stein-Hudson Associates, Inc.

4. Maps depicting proposed redevelopment activities in the proposed HD Zone

MAP 6: LOCATION OF PROPOSED REDEVELOPMENT ACTIVITIES



MAP 7: PROPOSED USE OF EACH HD PARCEL



MAP 8: ALL EXISTING AND PROPOSED HD ZONES IN SALEM*

*Refer to Map 1 on page 11, which depicts proposed HD Zone boundaries. There are no existing HD Zones in Salem.

5. Zoning

All properties within the proposed HD Zone and HD Plan are zoned B5 Central Development District. This zoning district allows for the greatest mixture of uses in the city, and no rezoning changes are anticipated.

Zoning Relief Required

Because the redevelopment project at 65 Washington Street will be new construction and the B5 dimensional requirements would apply to it, 65 Washington Street LLC will apply to the Salem Planning Board for a special permit to authorize the 65 Washington Street project as a Planned Unit Development ("PUD").

Planned Unit Developments

Planned Unit Developments are provided for in Section 7.3 of the Salem Zoning Ordinance for lots of a minimum size in certain districts. All of the lots in the proposed HD Zone would be eligible for a PUD. At over 22,000 square feet, the former District Court lot more than meets the required 10,000 square feet for a PUD in the B5 district.

Uses in a PUD

The many uses permitted in a PUD in the B5 District include all of those uses in a mixed-use downtown setting. The specific uses proposed in the 65 Washington Street redevelopment—multi-family, retail, office, and restaurant—are all permitted as are accessory parking and loading.

Dimensional Requirements

For any PUD application, the Salem Planning Board, in its role as the special permit granting authority for PUDs, will be asked to establish maximum and minimum requirements for each of the following dimensional categories in accordance with Section 7.3.4 as noted below:

- Minimum Lot Area Per Dwelling Unit
- Maximum Lot Cover
- Floor Area Ratio

6. Statement of proposed HD Project Preliminary Certification eligibility

The proposed project at 65 Washington Street is eligible to receive Preliminary Certification pursuant to 760 CMR 66.05(2) given that the project will qualify as a substantial rehabilitation that will result in the development of market rate housing units (over 80% of which will be market rate in total), within the proposed HD Zone.

7. Identification of the geographic area used in calculating the area's median household income that is the target for market rate units in HD Projects, and the Target Median Household Income established for the pricing area and the methodology used

Salem's citywide Median Household Income according to the 2010-2014 American Community Survey is \$59,044. 110% of \$59,044 is \$64,948.40. For the purposes of this plan, the citywide Median Household Income represents the HDIP Area Household Median Income (HDIP AMI) and \$64,948.40 is the Target Median Household Income at 110% of the HDIP AMI.

Salem is in the Boston-Cambridge-Quincy, MA-NH HUD Metro Fair Market Rent Area. The 60% income limit for a 2 person household in this area is \$47,100. This income satisfies the MGL Chapter 40V HDIP Implementation Guidelines that state that 110% of the median household income for the HDIP pricing area must be greater than 60% of the median household, as determined by HUD. The AMI of the proposed HDIP Pricing Area is at a level that will allow the HD Zone Plan to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in the HD Zone.

8. and 9. Timeline for implementation of HD Zone Plan and statement identifying the duration of the HD Zone Plan that is not less than five years and or more than 20 years from the date of DCHD's approval the HD Zone designation

The proposed HD Zone and HD Plan will last for twenty (20) years from the date of DHCD's approval of the plan which is targeted for early 2017. Developers considering market rate housing projects in Salem may approach the City to discuss project participation in the HDIP Program and specific use of a Tax Increment Exemption (TIE) once DHCD has approved this HD Zone and HD Zone Plan. The HD Zone and HD Zone Plan may be extended if TIE Agreements are awarded which would surpass the duration of the HD Zone and Plan.

The Salem City Council will have the authority to approve TIE Agreements with developers upon the recommendation of Salem's Mayor and the Salem Department of Planning and Community Development.

HD Plan Years 1-5

1. Approval and implementation of HD Zone and Plan.
2. Consideration of 65 Washington Street for HDIP and TIE.
3. Work to enable potential redevelopment of Salem Superior Court (32-50 Federal Street), and 52 Bridge Street.
4. 65 Washington Street project is permitted, constructed, and then completed. TIE and State tax credits are realized for project. Permitting is slated to begin in December of 2016 with the beginning of construction planned for fourth quarter of calendar year 2018.
5. Continue to work with developers considering other market rate housing projects in Salem.

HD Plan Years 6-20

Implementation of additional housing and mixed use projects will be considered and potentially executed. There will be continued cooperation between City, State, developers, and other organizations to promote ongoing market rate housing development projects in Salem.

Following DHCD approval of the proposed HD Zone and HD Plan, projects within this HD Zone will be eligible to receive a Preliminary Certification pursuant to 760 CMR 66.05(2) if DHCD determines that the project meets the standard of a Certified Housing Development Project—either in their present state or following substantial rehabilitation.

10. Request to amend HD Zone and Plan

This is a newly proposed HD Zone and Plan; hence there are no amendments to request at this time.

11. Statement of Fair Housing Obligations

The City of Salem will advance its Affirmative Fair Housing obligations through the implementation of the HD Zone associated with this application. Market rate units must be affirmatively marketed by the stakeholders of 65 Washington Street LLC and any other sponsor of an HDIP project in the Downtown Salem HD Zone. The City of Salem will adhere to DHCD's Affirmative Fair Housing and Civil Rights policy.

12. HD Zone Plan consistency with municipal and/or regional plans

It is noted throughout this application how the five properties identified in the proposed Downtown Salem HD Zone—and specifically the 65 Washington Street development—help to further execute the goals identified in both the Salem Redevelopment Authority's 2011 *Downtown Renewal Plan* and 2015's *Salem Housing Needs and Demand Analysis*.

Specifically, the five properties that comprise the borders of the proposed Housing Development Zone associated with this application all fall within the original boundaries of the *Salem Downtown Renewal Plan* ("SDRP"). 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)."

In addition, the plan authorizes the Salem Redevelopment Authority to "undertake activities and initiatives to accomplish public or private redevelopment of vacant or underutilized land and buildings" while "maintaining a diverse and high quality architecture character...and respecting the integrity of both historic and contemporary styles (SDRP, Plan Objectives, E-6)."

The *Salem Housing Needs and Demand Analysis* (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)."

Later, SHNADA notes "If Salem continues to retain and attract young workers, the number of households is projected to increase significantly from 17,842 to 20,500 between 2010 and 2030, a 14% increase, according to MAPC's Stronger Region projections (SHNADA p. 12)."

SHNADA continues "Salem is attracting and retaining young residents and householders. Should these trends continue, Salem is expected to see significant increases in housing demand over the next decade (SHNADA p. 67)."

Addressing Salem's (and all of Massachusetts') anticipated aging population, SHNADA states "Salem's population is growing older, a result of the aging Baby Boomers. As this generation ages, the 65-74-year-old population in Salem is projected to increase by 91%, an increase of 2,438 residents ("SHNADA, p.13)."

The study later reports that "Aging Baby-Boomers (those born between 1945 and 1970) will have a substantial influence on housing demand in Salem. As this large generation ages, it will increase the number of households over 60 by 42% statewide through 2030, and their share of all households will increase from 29% to 37% over the same period (SHNADA p.37)."

The proposed HD Zone Plan is also consistent with several goals and objectives outlined in the Metropolitan Area Planning Council's (MAPC) Metro Future Regional Plan, which was issued in May of 2008. The following are some areas of congruence between Metro Future and this proposed HD Zone Plan:

- "Most new growth will occur through reuse of previously developed land and buildings (Metro Future, 17).
 - None of the parcels within the proposed Downtown Salem HD Zone are green fields. All were developed at one time or another, and all are underutilized and could benefit from redevelopment.

- “In suburban municipalities, most new growth will occur near town and village centers (Metro Future, 19).”
 - The proposed Downtown Salem HD Zone is, as the name suggests, in Downtown Salem. The centralized location of the parcels contained in the Zone is conducive for access to downtown and all of its amenities.
- “Most new homes and jobs will be near train stops and bus routes, and new growth will be designed to promote transit use (Metro Future, 19)”
 - The proposed Downtown Salem HD Zone is directly adjacent to the Salem MBTA Intermodal Station. Any and all projects developed within the HD Zone can and will be considered “Transportation Oriented Development (TOD),” and their proximity to the MBTA Station will easily promote transit use by residents or commuters.



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

November 17, 2016

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

Enclosed please find a request to authorize the City of Salem to acquire the vacant parcel located at 289 Derby Street via a 'friendly' eminent domain procedure, along with an Order seeking approval to bond for this acquisition at the appraised value of \$1,400,000.

As you know, a previous Order was filed with the City Council requesting authorization to purchase this parcel, consistent with the recommendation of the Community Preservation Committee (CPC), along with a proposed bond Order that would utilize Community Preservation Act (CPA) proceeds to pay off annual indebtedness. However, during discussions with members of the City Council during subcommittee meetings, several councilors expressed a preference to utilize traditional bond financing to purchase this parcel. Thus, we are submitting an alternative Order that would enable this lot to be purchased using traditional bond financing. Since we would not be using CPA proceeds, we will need to exercise a 'friendly' eminent domain procedure in order to acquire the parcel in compliance with state statutes.

As you know, this lot formerly housed Dave and Jack's Gas Station, but more recently has been used for private parking except for the last two weeks of October, during which time the Fiesta Shows carnival is set up on the site. The proposal was submitted to the Community Preservation Committee by my administration with the goal of transforming this site into a dynamic open space that offers a link from our downtown to our waterfront.

The recent award by the Baker Administration to provide \$750,000 in grant funds for improvements to this site if acquired by the City means that we will have the ability to get to work immediately on a public process to plan and implement this transformation. Ideally, this will be an active, vibrant space that can host events and activities designed to reactivate the South River with kayaks, small boats, viewing areas for special events like Water Fire or light shows, outdoor dining, music or theater performances. We expect to be able to

complete another section of the harbor walkway and establish a strong pedestrian corridor along the channel to the downtown Riley Plaza area, the Point Neighborhood, as well as to and from the Visitors Center and Pickering Wharf.

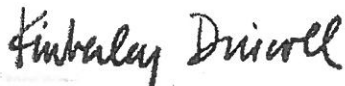
In anticipation of potentially acquiring this parcel the City has retained a licensed site professional to conduct a careful analysis of the site's soil characteristics. While a high level of contamination, such as would require costly remediation in order to allow for public use, is not anticipated, we will work with our LSP to ensure the acquisition of this site does not pose any risks to the City. Once that review is complete, we will be back before the Council subcommittee to discuss in further detail the opportunity to acquire this waterfront parcel.

As mentioned above, our initial intention was to utilize CPA funds exclusively to make the required bond payments over the 20 years of the bond. In the event the Council would prefer to bond with City dollars the annual costs would not change. Based on our most recent experience, annual bond costs are expected to be between \$80,000 to \$100,000 per year, based on current interest rates and our strong bond rating. While CPA funds allow for some of the bond payments to be made using state matching dollars, conventional City bonding would be entirely made with City funds.

We all know how long this parcel has sat vacant and underutilized along one of our most vibrant corridors, which is now bustling with new restaurants, stores, and so much more. This is truly a unique opportunity to help continue the forward momentum along this portion of Derby Street and around the South River in general, to create a new waterfront public space. As a community, I know we place a high value on quality of life and investing in great public spaces can provide the dual benefit of capturing new growth, while also contributing to an enhanced urban infrastructure. There is ample evidence to suggest that an improved Derby Street lot will also enhance and increase the values of the nearby parcels.

I look forward to working with you to continue to advance the vision for all the potential that this site holds.

Sincerely,

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

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM

In City Council, November 17, 2016

Ordered: Pursuant to Massachusetts General Law Chapter 79, the City Solicitor shall prepare and submit to the City Council all necessary documents, including an Order of Taking, to take by eminent domain, on behalf of the City of Salem, the property located at 289 Derby Street.



CITY OF SALEM

In City Council, November 17, 2016

Ordered:

That the sum of One Million Four Hundred Thousand Dollars (\$1,400,000) be and hereby is appropriated to pay costs for the following project:

PURPOSE	AMOUNT
Eminent Domain Taking of 289 Derby Street	1,400,000.00
	<hr/>
	1,400,000.00

and for the payment of all costs incidental and related thereto, and that to meet said appropriation the Treasurer, with the approval of the Mayor, is authorized to borrow said amount under and pursuant to MGL Chapter 44, Section 7(1), or pursuant to any other enabling authority and to issue bonds or notes of the City therefore.

FURTHER ORDERED, that any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

FURTHER ORDERED, that the Treasurer is authorized to file an application to qualify under Chapter 44A of the Massachusetts General Laws any and all bonds of the City issued under the pursuant hereto, and to provide such information and execute such documents as may be required in connection therewith.



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

November 17, 2016

Salem City Council
City Hall
Salem, Massachusetts

Ladies and Gentlemen of the Council:

Enclosed herewith is an Order authorizing the execution of a Memorandum of Sale and instrument conveying Lot 1, a portion of City owned property at 297 Bridge Street, to F.W. Webb Co. or its affiliate for a purchase price of Four Hundred Ninety-Eight Thousand Five Hundred Fifty Dollars (\$498,550.00).

F.W. Webb Co. was the only registered bidder at a public auction of the Lot held on November 14, 2016 and bid the minimum price set by the City. The auction was held by Tache Auctions and Sales in concert with the City's Tax Title Attorney Scott Grover. An announcement was made at the auction amending the notice of sale to state that, due to an advertiser's error, the B-4 rezoning of the Lot had not received the second and final passage and that such final passage was pending and expected on November 17, 2016. The Memorandum of Sale was read aloud and the bid was contingent upon the conditions therein and approval of the City Council.

I wholeheartedly recommend adoption of the attached Order.

Very truly yours,

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

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM

In City Council, November 17, 2016

Ordered:

- 1) The Mayor is hereby authorized to execute a Memorandum of Sale, attached hereto, by and between the City of Salem and F.W. Webb Co. or its nominee, meaning a related real estate holding entity, for the purchase of City property described as Lot 1, a 52,491 s.f. portion of a subdivided lot at 297 Bridge Street, Salem, Massachusetts being a portion of land acquired by virtue of a taking by the Collector of Taxes for the City of Salem dated October 7, 2005 and recorded with Essex County (Southern District) Registry of Deeds in Book 24937, Page 350, and shown on a plan recorded with the Essex County (Southern District) Registry of Deeds in Plan Book 455, Plan 75 for a purchase price of \$498,550.00.
- 2) No amendment or modification of the Memorandum of Sale attached hereto shall be executed by the Mayor unless and until such amendment or modification is approved by a 2/3 vote of the City Council.
- 3) The Mayor is further authorized to execute an instrument consistent with the Memorandum of Sale conveying the property to F.W. Webb Co. or its affiliate for a purchase price of \$498,550.00.

MEMORANDUM OF SALE

This Memorandum of Sale is made this 14th day of November, 2016 by and among the City of Salem, a municipal corporation, whose principal address is 93 Washington Street, Salem, Massachusetts (the "Seller"), Tache Auctions and Sales, of Salem, Massachusetts (the "Auctioneer") and F.W. Webb or its nominee, meaning a related real estate holding entity (the "Buyer").

1. SALE AT PUBLIC AUCTION

Pursuant to a public auction conducted on November 14, 2016 by the Auctioneer on behalf of the Seller under Massachusetts General Laws, Chapter 60, Section 77B, the Buyer as the highest bidder agrees to purchase the real property described below (the "Property") in accordance with the terms hereof.

2. DESCRIPTION OF THE PROPERTY

The Property shall mean the following, namely:

Lot 1, a 52,491 s.f. portion of a subdivided lot at 297 Bridge Street, Salem, Massachusetts which is a portion of land acquired by virtue of a taking by the Collector of Taxes for the City of Salem dated October 7, 2005 and recorded with Essex County (Southern District) Registry of Deeds in Book 24937, Page 350. The property is a portion of the property described in a deed from Helen S. Kerr f/k/a Helen S. King f/k/a Helen Krzywicki to Bowley Steel & Trading Corp. dated June 8, 1994 and recorded with said Registry in Book 12612, Page 69.

3. TRANSFER OF THE PROPERTY

The Property shall be conveyed by the instrument described in Massachusetts General Laws, Chapter 60, Section 77B.

The Property shall be conveyed and transferred subject to any outstanding tenancies and/or leases, the rights of parties in possession, rights of redemption and to the provisions of applicable state and local law, including building codes, zoning ordinances and any environmental laws,

including specifically any and all federal and state laws governing the release of hazardous materials upon the Property as defined in said laws. The obligations of the Seller to convey the Property are contingent upon approval of the sale by the Salem City Council. In the event the City Council does not approve the sale on the terms and conditions set forth herein, then all of the obligations of the parties hereunder shall terminate and the Buyer's deposit shall be immediately refunded.

The total bid price will be set forth as the consideration in the deed to the Property.

4. PRICE AND DEPOSIT

The bid price for which the Property has been sold to the Buyer is Four Hundred Ninety-eight Thousand Five Hundred Fifty Dollars (\$498,550.00) of which TEN THOUSAND and 00/100 Dollars (\$10,000.00) has been paid this day in accordance with the terms of the Notice of Public Auction, with the balance to be paid by certified check or bank check at the time of the delivery of the deed. The Seller shall be entitled to any interest earned on the deposit and the amount to be paid by the Buyer shall not be adjusted to reflect any interest earned on the deposit.

5. CLOSING

The deed and associated papers shall be delivered and the balance of the consideration paid at the office of Tinti, Quinn, Grover & Frey, P.C., 27 Congress Street, Suite 414, Salem, Massachusetts on or before one o'clock (1:00 P.M.) on November 14, 2017, or such other time and place as may be mutually agreed upon by the Seller and the Buyer (the "Closing").

6. TITLE

The title to be conveyed shall be that which was conveyed to the Seller by the Tax Taking of the Property, subject to those matters specified in paragraphs 3 and 14 of this Memorandum. In the event the Seller cannot convey title to the Property as stipulated, the deposit, and if applicable, the balance of the purchase price, shall be refunded and all rights hereunder shall cease, and the Buyer shall have no recourse against the Seller, or its employees, agents and representatives, whether at law or in equity; provided, however, that Buyer shall have the election to accept such

title as the Seller can deliver to the Property in its then condition and to pay therefor the purchase price without deduction, in which event the Seller shall convey such title.

7. RISK OF LOSS

Seller shall maintain casualty insurance covering the Property in a reasonable amount as determined in the sole discretion of the Seller. If the Property is damaged by fire or other casualty prior to the closing, Buyer shall accept a deed to the Property and an assignment of so much of the insurance proceeds as had not been used in the restoration of the Property prior to the Closing, paying therefor the full balance of the bid price.

8. ACCEPTANCE OF DEED

The acceptance of a deed to the Property by the Buyer or Buyer's nominee, as the case may be, shall be deemed to be a full performance and discharge of every agreement and obligation herein contained or expressed or arising out of said public auction on the part of the Seller to be performed or observed.

9. CONDITION OF THE PREMISES

The Property shall be conveyed in "as-is" condition, subject to the present manner of use and occupancy of the Property, and with no representation or warranty whatsoever as to their condition, fitness for habitation or whether they conform to applicable state or local building, zoning, environmental laws or health and sanitary codes. The Buyer acknowledges that Buyer has not been influenced to enter this transaction by, nor has it relied upon, any warranties or representations, including specifically any warranties or representations relating to the presence of hazardous materials on the Property, of the Seller or the Auctioneer not set forth or incorporated in this Memorandum. The Buyer agrees to assume responsibility for maintenance of and compliance with the Activity Use Limitation affecting the Property at its sole cost and expense. The Buyer hereby releases the Seller from any claim that might be asserted against the Seller relating to environmental conditions at the Property caused by the Buyer's ownership or operation of the Property.

10. BUYER'S DEFAULT; DAMAGES

If the Buyer shall fail to fulfill the Buyer's agreements herein, all deposits made hereunder by the Buyer shall be retained by the Seller, and the Buyer shall reimburse the Seller for all costs and expenses incurred by the Seller in excess of the amount of the deposit due to the Buyer's default, including the costs and expenses of subsequent sales of the Property or any portion thereof and attorneys' and auctioneers' fees in connection therewith. The Seller may, but shall not be required to, sell the Property to the second highest bidder at the public auction providing that said bidder shall deposit with the Seller the amount of the required deposit within three (3) business days after written notice of the default of the previous high bidder.

11. DEED STAMPS, RECORDING FEES, CLOSING COSTS

Buyer shall pay for and cancel for the benefit of the Seller the excise stamps required to be affixed to the foreclosure deed by the law of the Commonwealth of Massachusetts, if any. The Buyer shall pay all recording fees in connection with the transfer of the Property and shall reimburse the Seller for legal and auctioneer's fees not to exceed \$3,000.00.

12. PRO-RATION OF REAL ESTATE TAXES

The Buyer shall at the Closing pay the balance of the remaining balance of real estate taxes from the date of closing forward for the fiscal year in which the closing occurs which taxes shall be calculated based on the Purchase Price.

13. STATEMENTS REQUIRED BY BUYER

The Buyer shall sign at closing an Affidavit pursuant to M.G.L. c. 60 Section 77B stating the he/she has never been convicted of a crime involving willful and malicious setting of a fire or of a crime involving the aiding, counseling or procuring of a willful and malicious setting of a fire or of a crime involving the fraudulent filing of a claim for fire insurance. The Buyer shall also sign a Disclosure Statement to be filed under Section 40J Chapter 579 of the Acts of 1990 that he/or she holds no elected public office and is not an employee of the Division of Capital Planning and

Operations.

14. SPECIAL CONDITIONS

In the event the Property is utilized in connection with the expansion of a business use on the adjacent parcel located at 293 Bridge Street, Salem, Massachusetts the following conditions shall apply:

- a. In the event such expansion is subject to Site Plan Review by the Planning Board under the Salem Zoning Ordinance, then the Buyer agrees to voluntarily submit the expansion plans to the Salem Design Review Board for recommendation to the Planning Board prior to the issuance of any Site Plan Review Special Permit. Such Design Review Board review shall not exceed 45 calendar days from the time such plans are submitted to it. This condition shall survive delivery of the Deed.
- b. The Buyer shall not be required to purchase the Property unless and until all necessary municipal permits and approvals have been issued beyond appeal, including rezoning of the Property to B-4. Should the rezoning of the Property or any of the required municipal permits and approvals for such expansion plans be appealed to a Court of competent jurisdiction then the Buyer, in its sole discretion, may withdraw from this agreement anytime thereafter by written notice to the Seller, rendering this Purchase and Sale null and void with all deposits being returned to the Buyer and the parties having no further obligations to each other.
- c. The Deed delivered to the Buyer hereunder shall contain the restrictions set forth on Exhibit A attached hereto.

15. CONSTRUCTION OF AGREEMENT

This instrument, executed in triplicate, is to be construed as a Massachusetts contract, is to take effect as a sealed instrument, sets forth the entire contract between the parties, is binding upon and enures to the benefit of the parties hereto and their respective heirs, devisees, executors,

administrators, successors and assigns, and may be canceled, modified or amended only by a written instrument executed by both the Seller and the Buyer. If two or more persons are named herein as Buyer, their obligations hereunder shall be joint and several. The captions and marginal notes are used only as a matter of convenience and are not to be considered a part of this Memorandum or to be used in determining the intent of the parties to it.

IN WITNESS WHEREOF, the parties have executed this Memorandum as a sealed instrument as of the date first written above.

THE CITY OF SALEM

By: _____

TACHE AUCTIONS & SALES

By: _____
Julianna Tache

_____, Buyer

EXHIBIT A

Pursuant to Massachusetts General Law Chapter 184, the Grantor hereby reserves for itself and the direct abutters to this parcel of land, a fifty-year restriction on any construction of structures requiring foundations or footings on the subject parcel. Notwithstanding the aforementioned restriction, an owner of said parcel shall be permitted to place access ramps, loading docks, elevators, stairways and fences, along with any required footings on the subject parcel for the sole purpose of servicing the building erected on the adjacent parcel at 293 Bridge Street.

By acceptance and recording of this Deed, the Grantee, its successors or assigns (hereinafter "Grantee") agrees to the imposition of a fifty-year restriction on the uses of the subject parcel and the adjacent parcel located at 293 Bridge Street, Salem, Massachusetts, and further described in a Deed recorded with the Essex South District Registry of Deeds in Book 10346, Page 361 (together the "Site"), which parcels shall merge for zoning purposes.

The following existing uses shall be specifically permitted on the Site: retail store, except department store, not elsewhere set forth in the Salem Zoning Ordinance; sale and storage of building supplies; and wholesale, warehouse, or distribution facility (the "Ongoing Use"). All other uses otherwise permitted in the B4 zoning district, except arts and crafts studios and workshops by special permit of the Zoning Board of Appeal and business or professional offices, shall be prohibited.

The Grantor shall, as provided in Chapter 184, §27 of the General Laws, record a Notice of Restriction for these encumbrances for the remainder of the fifty-year term before the expiration of thirty years from the date of recording this Deed. Such Notice of Restriction shall be issued by the Grantor or any benefitted abutter to the Site, namely owners of benefitted properties at 30 Beckford Street, 102, 100, 94 and 92 Federal Street and 293 and 311 Bridge Street, and shall include a description of the land being benefitted, identify the affected parcel of land and the name(s) of the record owner of the parcel at the time the notice is recorded and a book and page reference to this deed.

Notwithstanding the foregoing, should the Ongoing Use be discontinued prior to the expiration of the use restriction, then the Grantee agrees as consideration for this Deed, to petition the City of Salem (within 1 year of the discontinuance of use) to rezone the Site to North River Canal Corridor Neighborhood Mixed Use District (NRCC) or the successor district to NRCC should it no longer exist. Upon successful rezoning of the Site, the deed restriction related to the parcel located at 293 Bridge Street shall become null and void and of no further affect. The restrictions set forth herein related to the parcel at 297 Bridge Street shall remain in effect for no less than fifty years from the date of this conveyance.