

Affordable Housing Trust Fund Board
Approved Meeting Minutes
August 22, 2019

A meeting of the Salem Affordable Housing Trust Fund Board was held on Thursday, August 22, 2019 in the Board Room at the Community Life Center, 401 Bridge Street, Salem, Massachusetts at 6:00 p.m.

- 1. Roll Call: Members present:** Mayor Kim Driscoll, John Boris, Rebecca Curran, Mickey Northcutt, Ben Anderson, Cynthia Nina-Soto, Councillor Steve Dibble, and Councillor Christine Madore, Councillor Arthur Sargent.

Staff present: Amanda Chiancola, Senior Planner

Mayor Kim Driscoll called the meeting to order at 6:16pm.

- 2. Approval of the minutes:**

- a. *Mickey Northcutt makes a motion to approve the July 22, 2019 Affordable Housing Trust Fund Board meeting minutes, seconded by John Boris and the motion carries unanimously.*

- 3. Unfinished Business**

- a. Receive and file report

- i. *Mickey Northcutt makes a motion to receive and file the 2019 Fiscal report, seconded by Cynthia Nina-Soto and the motion carries unanimously.*

- b. Discussion and vote to expend \$5,000 for a title review.

- i. Councilor Dibble asks where the funds would come from. Amanda Chiancola responds that the request is to use the AHTF Board money, the account currently has a balance of \$11,212.56. Mickey Northcutt says there should be a restriction tied to these funds. Mr. Northcutt explains that if the evaluation leads to the properties being developed, they have to be developed as affordable, or the money should be repaid to the AHTF Board. Rebecca Curran concurs suggesting that part of the development proceeds need to go back to reimburse the AHTF Board if the property is sold.

Councilor Madore recommends that if the properties get redeveloped into affordable housing then the AHTF Board should get paid back, if it is not developable then the AHTF Board does not get any money back. Mr. Northcutt agrees and reiterates the properties must be developed as affordable housing- this is not for market rate housing. Ms. Curran suggests the board include the requirement within the vote. The Mayor explains this is for up to \$5,000, the full \$5,000 might not be needed, any unused portion will remain in the trust account.

Mickey Northcutt makes a motion to expend up to \$5,000 for title work of 56 Memorial Drive, 77 Willson Street and 5R Fredrick Street, with the caveat the funds will be used for deed restricted affordable housing, and repaid to the trust if the land is developed, second by John Boris and passes unanimously.

c. Data Review

Amanda Chiancola provides a summary of the data analysis.

Mr. Northcutt asks what the internal rate of return (IRR) is for ownership units- Ms. Chiancola responds that MAPC identified the IRR for rental but not for ownership. Mr. Northcutt says he would need to know the IRR to understand what the impact of a 60% AMI requirement for ownership units would be on the development community. Councillor Madore concurs, she also would need to see the IRR before making a recommendation.

Mr. Northcutt notes his concern is the units will sit vacant, as might be occurring with the rental units at 80% AMI. He wants to make sure the units fly off the shelf, which they would at 60% AMI.

Councillor Sargent enters at 6:40pm.

Construction costs are discussed. Councillor Madore suggests offering a greater density bonus. Ms. Nina-Soto comments that it is common for low-income households to buy multifamily units to get the rental stream with a 3.5% down payment and the lender takes 70% of market rate income.

Mr. Northcutt says that the assumptions built into to MAPCs model are well informed, noting that he spent about 1.5 hours on the phone with the consultant reviewing budgets to build out the proforma custom to Salem's market. The consultant called several other developers too. The Mayor notes that other communities allow pay in lieu or building offsite- that is not allowed in the proposed ordinance.

Ms. Nina-Soto comments that a development has to be financially feasible to be built, the bank requires 30% equity in order to finance a project.

Councillor Sargent says he is not comfortable at 10% it's the minimum he does not want to see Salem go below 12% affordable housing- he offers that the city is in a good place, and the city should be getting better percentage. The Mayor asks if there is a percentage that would make Councillor Sargent comfortable. Councillor Sargent responds that it depends on what the city is giving. Sargent suggests tying the affordability requirements to variances because it depends on how and why the property is being developed, the city has leverage especially with a friendly 40b in which the city can walk away from a deal.

Councilor Dibble and Rebecca Curran leave at 7pm.

Mr. Northcutt suggests that municipal properties should be set at a higher threshold. Religious buildings philosophically should have a higher percentage.

Ms. Nina-Soto refers to the Inclusionary Zoning from the Growth Management Fact Book prepared by Robinson & Cole for NAR which looks at different states, many

have higher percentages but are at 80% and see less development and they have more land. There are a lot of factors to take into consideration.

Ms. Nina Soto notes that we have to be realistic in the inclusionary zoning ordinance, the city could require more than 10% of the units but it would have to be at 80% AMI to be financially feasible, she does not recommend going that route. Ms. Nina-Soto explains there is a shortage of housing in general whether it is market or affordable so the mere creation of more units increases the supply will help.

Councillor Sargent says it displaces people when more market rate housing is produced. Mr. Northcutt comments that the affordability restriction will help preserve units where there is pressure for units to increase the price when surrounding properties, increase theirs. Councillor Sargent says if we gentrify Peabody street it will not be affordable, Mr. Northcutt responds that the NSCDC owns most of the buildings on Peabody Street so it will never be gentrified. The Mayor responds that if we build no units, it will impact people here.

The Mayor outlines the next steps- to review the ownership IRR, and for the AHTF Board to take time to review the data and the ordinance.

Mayor Driscoll comments that while 90% of the units will be market rate, this is only one piece of the strategy. She notes that by fiat the city has been requiring 10% of the units at 80% AMI the thinking behind that was to not drop below 10% on the subsidized housing inventory (SHI). There was no science behind it, but now we have data. We do not want people to stop developing in Salem, redeveloping leather factories is a positive thing, getting 10% of those units as affordable is just one bucket, another bucket is building all affordable housing on city land. Mr. Anderson comments that we are trying to take advantage of the economy today- what developers are doing now and getting some units out of it, it is a small piece but it is a start something that we are capturing and we have a good chance at capturing it.

Mr. Northcutt responds that if you put all these strategies together; ADUs municipal land, inclusionary zoning, this would be the most progressive housing policy in the state. Mr. Anderson responds that is not even the end, the Trust is still going to continue to meet because there is a need here. Mayor Driscoll informs the Board that there is a new housing director, Cathy Hoog. Ms. Hoog is already looking at leveraging existing assets and she is interested in creating more units. Also, South Campus at Salem State University is looking to consolidate- the mayor suggests this could be an opportunity for senior living community. While 10% is small we need to remember, that is affordable housing being created without a single public dollar.

4. New Business

Councillor Sargent says that Lynnfield built an over 55 condo development- resale reverse mortgage allows circle of housing to move someone sells their house an apartment or first time buyer buys up rainbow terrace moves up to an apartment would like to see the full circle of housing marble road wanted to build smaller housing but Salem people need

big lots at options to move up, think about 55 plus land. Mayor Driscoll responds that South Campus at Salem State could be a the perfect spot for 55+.

The Mayor gives updates on housing strategies:

- Municipal religious special permit first passage occurred, next step is Olla then second passage.
- The planning Board will provide a recommendation on the Accessory Living Area Ordinance on September 5th, and the ordinance will be back to the City Council on September 12th.

Madore where are we with SHI, Ms. Chiancola says above 10% but that is based on the housing units from the 2010 census. It appears that the city will be below 10% when accounting for total new housing units.

The Mayor comments that years ago the NSCDC ran a survey- what is it like to rent an apartment with barely any units for lower income. The trust discusses whether there a way to better illustrate that- perhaps we could we run an intercept survey and/or work with the Salem News to look at ads what is it like to look for an apartment for \$1400. Mr. Anderson says there are real stories, he has heard them- the stories should be shared on a larger platform. Councillor Sargent asks about the housing rehab program. Ms. Chiancola shares the Consolidated Plan Meeting Schedule. Ms. Chiancola says they will be asking for community members to identify priorities for CDBG funding, if the rehab program is a priority then more funding could be added.

Councillor Sargent asks when did the crisis begin, Ms. Nina-Soto responds that one could say zoning started creating bigger lots etc. regardless, we are facing a crisis.

Motion to adjourn by John Boris, seconded by Mickey Northcutt —passes unanimously.

Meeting adjourned at 7:42 p.m.

Approved by the Affordable Housing Trust Fund Board on 9/10/2019

Approved by the Affordable Housing Meeting Law M.G.L. c. 30A § 18-25 and City Ordinance § 2-2028 through § 2-2033.