

**Joint meeting of the
Affordable Housing Trust Fund Board and Salem Redevelopment Authority
Approved Meeting Minutes
September 1, 2020**

A meeting of the Salem Affordable Housing Trust Fund Board was held on Tuesday, September 1, 2020 at a Remote Zoom meeting at 6:00 p.m.

Members present: Mayor Kim Driscoll, Mickey Northcutt, Filipe Zamborlini, Rebecca Curran, John Boris, Ben Anderson, Councilor Patricia Morsillo, and Councilor Ty Hapworth.

Salem Redevelopment Authority Members present: Grace Napolitano, Cynthia Nina-Soto, Dean Rubin.

Staff present: Amanda Chiancola, Tom Daniel, and Kate Newhall Smith, and Matt Zahler.

Chair Mayor Kim Driscoll called the meeting to order with a roll call vote at 6:03 p.m.

NEW BUSINESS

The Mayor thanks all the Board members for attending, acknowledging they are volunteers carving out time of their day to participate in the discussion tonight.

The Mayor explains that the SRA is looking at the reuse of the two court buildings on federal street that have been combined with the crescent shaped lot across the street as one redevelopment opportunity. A request for proposals has been sought and are currently being reviewed. The Mayor asks Tom Daniel to talk about the project in summary, what is before the Salem Redevelopment Authority (SRA), what the approach is, the criteria in the RFP.

Tom Daniel introduces Matt Zahler who is at the meeting too, he is a financial consultant working with the SRA on reviewing the proposals. Mr. Zahler formerly worked with Trinity and now provides consultant services to municipalities.

Chair of the SRA, Grace Napolitano thanks the Affordable Housing Trust Fund Board for having them, they appreciate the opportunity to have this conversation around affordability goals and the goals of this project. Ms. Napolitano explains that Tom will give a brief presentation about the history, how we got here to give everyone some context before we begin the discussion then they can go into conversation and answer questions. Ms. Napolitano notes that they are in the middle of the review process so they are not going to discuss the merits of any single proposal versus another, they have interviews with teams set up for September they are open to the public and there will be opportunities for public comment, she turns it over to Tom.

Mr. Daniel gives an overview of what a redevelopment authority is. A redevelopment authority is a separate entity from the City, Salem's began in the early 1960 to address disinvestment in downtown. Nationally urban renewal was a program to provide money from the federal government for demolition, and then in the early 1970s Mayor Zoll. had new appointments as there was opposition to demolition and started using federal money for preservation rather than demolition, so preservation is a core value woven into the SRA and that 1972 plan ran through 2012 eliminate blight, preservation is still a core value. Tom shares his screen walks through the background legislation:

- Chapter 290, Acts of 2004: Planning, design, development, land acquisition, renovation, repairs and construction of court facilities in Salem
- Chapter 122, Acts of 2006: Amendment to Chapter 290, Acts of 2004 ☐ Chapter 304, Acts of 2008: Capital facility repairs and improvements including J. Michael Ruane Judicial Center
- Chapter 216, Acts of 2014: District Court Conveyance to SRA
- Chapter 462, Acts of 2016: Superior Court and County Commissioners Conveyance to SRA with RoD requirement: requirements for specific spaces
- Chapter 156, Acts of 2018: Superior Court and County Commissioners Conveyance to SRA with RoD best effort lifted the required spaces but SRA is still required to make best faith efforts to get the registry of deeds there.

Although we are focused on the two court buildings now the project began a couple decades ago. There has been lots of legislation going back to 2004 (listed above).

The economic impact of the courts are outlined, direct jobs and businesses related to it, customers and employees, led to three development sites, one is the district court and the two historic court houses were an opportunity for new jobs.

Historic preservation being a core value and the build form there was a memorandum of understanding with DCAMM and the City to ensure the two court buildings would be preserved and reused.

Tom goes through the timeline (listed below) of the vision and goal setting for the project:

- 2004-2018: Legislation
- 2011: Urban Renewal Plan
- 2017: Imagine Salem
- 2017: ULI Strategic Assistance Panel
- 2018: Joint Meeting of SRA and City Council
- 2018: North Downtown Vision Workshop
- 2019: Crescent Lot Transfer

Vision and Goals Development Core Policy Framework for SRA: The Urban Renewal Plan

This is the guiding planning policy document for all of downtown Salem's urban renewal area. In general, the Plan looks to:

- Eliminate and prevent blight
- Preserve and enhance historic architecture
- Achieve coordinated development downtown with compatible uses and high-quality architecture and urban design
- Accomplish redevelopment of vacant or underutilized land and buildings

Tom explains that this project hits every bell for the redevelopment authority.

Vision and Goals Development Community Values: Imagine Salem

- Guiding Principles in the following areas: Community, Housing, Employment, and Transportation. Key Values: Diverse, Inclusive, Historic, Vibrant/Livable, Green.

The Urban Land Institute Panel met with stakeholders and empathized the importance of the buildings to the northern downtown and the goal of access into the Superior Court Building.

The North Downtown Vision Workshop held in 2018 the focus was the northern end of downtown but overall these four goals were affirmed as being appropriate:

- Economic Vitality – redevelopment should activate the north end of downtown Salem and generate jobs and tax revenue.
- Compatibility – redevelopment should be compatible with surrounding uses in terms of scale, use, design, and character.
- Housing Production – Redevelopment should provide transit-accessible housing that targets a diversity of ages and income levels.
- Connectivity – Redevelopment should increase walkability through downtown and to the train station.

Participants came up with a variety of use ideas including café, grocery store, day care facility, restaurant to serve daytime population as well as community Enhancements: museum/cultural center, market hall for food, small/innovative retail, office space. Participants agreed that housing on the Crescent Lot made sense. Some expressed concern about the viability of housing in the courthouses.

The City Council established the following goals for the Crescent Lot in its 2019 conveyance to the SRA:

- Economic Development: Investment on the lot needs to maximize commercial tax revenues, create jobs, and facilitate the reuse of the historic courthouses.
- Catalyst for Activity: Development of the lot will increase economic activity at the northern end of the downtown central business district, thereby facilitating the reuse of the historic courthouses.
- Improve the Physical Environment: Redevelopment needs to enhance and improve the physical conditions both on and around the lot in a way that is compatible with uses in terms of scale, use, design, and historic character.
- Enhance Surrounding Property Values: Redevelopment of the lot should serve as an impetus for enhancing property values within the downtown

The SRA synthesized the three top goals as:

1. Economic Vitality: Redevelopment plan (including specific tenants) is financially sustainable so buildings continue to be a part of the community for the next century.
2. Historic Preservation: Top Priority: Project preserves the exterior facades through Preservation Restrictions (PR) and/or historic covenants for both buildings.
3. Public Realm: The redevelopment and reuse of the courthouses and the development on the Crescent Lot are compatible with each other and with the neighborhood in terms of scale, use, design, and character. Improve the Washington/Bridge street intersection.

In the RFP itself, which is available on the website, these are the selection criteria that we told the qualifying teams they would be evaluated against. We are also interested in their qualifications and permitting timeline. Housing diversity is one of the goals, when we started this process we didn't know if people would propose housing or not and if they did we wanted to make sure there is diversity of types, unit size, affordability levels etc. also looking at sustainability and livability.

Next week the SRA will meet, interviews will be on the 15th and 17th there will be an opportunity for public comments at those meetings. We are looking to have a preferred developer by the end of the calendar year.

In addition to the SRA review, there are state partners that we are working with- DCAMM and the MBTA we have MOUs with they have a role in one way or another. The number of organizations and individuals that have been championing this work for many years. Legislative partners at the state level lining this up for success. DCAMM sponsored a study working through many months to see what would be feasible the result of that study assumed zero land sale proceeds and layered in state tax credits you got to something that might be feasible for housing. But it is looking at something that is possible, so they took that information and that led to the request for including the crescent lot because the core focus of the project is the two court buildings and ensuring they will be put into to help make the project pencil, and that is what they have heard back from the teams, none of them would have responded if it was just the two court buildings, it is the crescent lot that made it of interest, the level of complexity with permitting on the crescent, the adaptive reuse of the courts inefficient, everyone loves the buildings.

The three teams are: 1. Winn, 2. Hillary Rocket- waterfront hotel, property on Highland Avenue, 3. Partnership between urban spaces and Diamond Sinacori, same team that is doing the district court.

Mayor Driscoll asks about the renovation costs. Tom says it is \$50 million to rehabilitate the shell space, one of the complexities is how to you make that work, even with the parking lot it is still a tough project. It is a given that everyone is using historic tax credits, the SRA is understanding from day 1 is these are tough buildings to repurpose, this is a long term return, the key piece is ensuring that they are transitioned to a partner who has a long term viable plan because that is the best historic preservation strategy, someone who can invest and maintain the properties, we are also looking for access into the buildings, public realm improvements, there are a number of opportunities the redevelopment authority is looking to leverage.

Filipe Zamborlini thanks Tom for the presentation, took some time to look at in advance. He has noticed there has been a pattern, wonders if at any point during the study, what was the feasibility of using the overhead airspace of the MBTA airspace, perhaps could increase the number of affordable units because right now the proposals are at 10% of affordability.

Mr. Daniel responds: on the affordability requirements on the RFP we communicated that the policy was 10% at 80% A AMI we let them know we had inclusionary housing pending, in the ranking highly advantageous is doing more than 10% at 80%, the third project is not specific but speaks to significant afford housing and they are applying to Masshousing and DHCD to support a range of affordability. Regarding air rights, we explored that with the MBTA when the parking garage was designed, we looked at a joint development at that time with the City land that wasn't possible at that time but the garage was designed to allow for air rights to be possible in the future. So while that is possible from a technical perspective the MBTA was not open to exploring it at this point in time, the feedback they had was the cost the configuration of the airtightness development would be complicated and expensive from their perspective but that does not preclude something from occurring In the future.

Councillor Hapworth thanks tom for the context. He asks if two proposals are 10% and the third is more but specific. Tom says yes.

Councillor Hapworth notes that while this maybe backward looking, we have a difficult time there is some concern saying things around mixed income housing types when we need one housing type, we need affordable homes. Venting these sorts of sales where it is city owned land, we can look at deeper stronger asks from developers from his perspective he acknowledges this is retroactive, but it feels weak to ask for 10% on transit-oriented development right on the MBTA lot.

Tom responds that the SRA is balancing a myriad of goals and ultimately it has to be a project that is financially feasible. At the SRA's meeting last month he sensed that there is a sentiment that the SRA is looking to maximize land sale proceeds, he wants to be clear that the economic impact direct and indirect is one of many criteria the SRA is looking at and they even said in the RFP if 0 is the number they can offer just explain that because they anticipated how expensive the preservation would be. Two of the developments are saying 10% of the units will be affordable. The SRA is evaluating all the proposals there will be public comments and what is submitted in the proposal is not necessarily what the project will be, the projects evolve, ultimately the project needs to pencil out, when you look at the public benefits clearly affordable housing is one and historic preservation is another some of the public realm pieces are as well.

Ben Anderson doesn't want to comment too much on the existing RFP because he doesn't know a lot about it other than what is presented but he wants to talk about the beginning of the process, was PPP (public private partnership) with municipal participation considered, that process may allow for the experts in each one of those fields could run the numbers to see if more affordable units could work not aware of the financials but just wants to see if there was any thought given to that. Tom responds that from day one they considered PPP, from an economic perspective it's the land sale value financing the capital stack, layering public subsidies whether it's from Historic tax credits, DIF, TIF, HDIP, land sale, LIHTC, as well as the technical permitting piece, this is complicated. They retained Matt Zahler to review the proposals in a deeper dive to review the financial and proforma.

Ben asks when the RFP was issued was it clear that historic preservation, would that make more sense to get the numbers to work. Tom says in terms of the financing structure we were open whether that was a conveyance or a long term lease, we have been open throughout we were clear we are looking for firms with experience with historic preservation, Chapter 91, got an article in the Boston business journal lots of outreach folks at ULI to help structure the RFP, Ben says he has heard of a true partnership between three parties a three part development team was curious if anyone has comments if something like that would make affordable housing more feasible.

Mayor Driscoll responds that going forward looking at PPPs is a way we could look at city land going forward, Riley Plaza etc. it is land not historic adaptive reuse might be easier going into it. Yes, those are worthy goals, this started out as old court houses that cost \$50m to renovate how do we strike a balance to get them renovated?

Mickey Northcutt has a comment and two questions, his comment is it strikes him in that list of priorities that affordability is not on that list, usually not in the banner of housing diversity, he has never seen it under that. Usually diversity is the types of homes not affordable homes, going forward affordability should be higher- we should get that better that time around. It strikes him that affordability was not a higher goal. He asks if anyone has asked the question can we specifically look at the feasibility to maximize affordability he has seen the cost to get the courts houses renovated but they have the ability to generate significant commercial income so asks if the question was ever asked or the analysis done to do 100% affordable or maximizing affordability.

Matt Zahler thanks Mr. Northcutt for his question and everyone's thoughts on the project. Mr. Zahler says that the SRA has had an open and inclusive process and detailed process. We have three great proposals we are reviewing. You have seen the outward public face as we dig in there are lots of factors at play. All of these developers are qualified to do this at this scale, different developers have different expertise, some developers can do many different things some can do affordable housing, historic preservation, PPP. All of those teams have done all of those things so he feels that you are getting a PPP of this affordable housing is one of the legs of the stool going into the details and looking forward to interviews a lot of this is challenging with the court houses is not small but it isn't easy to get a commercial tenant into those spaces, they have received creative ideas on how to leverage the buildings to get a value add, ultimately affordability is a requirement per the city's 10% and we can leverage it going forward this is the beginning of the process, these are the proposals so the conversation continues and all this feedback is helpful and can be incorporated moving forward.

Mr. Northcutt asks in his specific question did anyone ask the question what would it mean to maximize affordability on that site from the city's perspective did anyone ask you to perform that question it is a yes or no question. He feels that there are two analysis that would be helpful to this setting aside the past and what we ought to do on future projects. For the one before us he would propose or ask the SRA if there is an interest on what it would look like financially to do 100% affordability NSCDC hasn't done this because there is a cost and time associated with it but if Matt was retained for financial analysis could he look at it through this lens, fair to say that all three are for profit developers that will make a lot of money so to do some sort of analysis to see objective view second, there is a process that is used by municipalities when developers use Chapter 40B permits and anytime a zoning board wants to include conditions sometimes the conditions are financially onerous the process dictated by the statute at the developers expense a third party independent financially expert has to be rough in using a reasonable rate of return does xyz condition make this infeasible and that determines whether the condition sticks, and he shares that because it is super relevant, the three teams could be put through some similar financial analysis test the max percentage and still make a reasonable return there is a process like that wondering if the SRA would be willing to undertake a process like that.

Mr. Zahler responds to the initial question about 100% affordability explaining there are certain constraints around affordable housing. The Department of Housing and Community Development (DHCD) puts out a qualified allocation plan in which they require least amount of subsidy necessary to get these things completed. A project as this scale would need significant federal subsidy. He has done many Hope 6 type projects which is a HUD grant that existed years ago, and you need to leverage that resource with other state resources, so it would be a larger conversation to see if 100% affordability would be feasible because we are talking about tens of millions of the question as a market rate or affordable project. He believes is it would be a question, is a proper use of the resource. As it relates to 40B he is not a 40B consultant. When you do that analysis that acceptable return for a 40B is 10% that's not that much and when these developers are making returns on fee those numbers are not the eye popping numbers you thinking they are, there are lots of other pots the funds have to go to return to investors, the developer is just part of the equation to get to the end result so much more complicated analysis.

Mickey wants to make it really clear not suggesting that the site has to be 100% affordable, it would be lovely but when a developer says they can do 80% area median income but not 60% are median income, they are lying. His concept of having a 40B consultant come in is not to create 100% affordable clearly that ship has sailed because the way the RFP was constructed but there are significant margins, the developer will make money he disagrees that 10% is a low profit margin on a project like this. 10% of a huge amount of money is a huge amount of money so there is room to put additional pressure to maximize affordability

at deeper affordability levels. Someone could come in and knows how to look at for profit budgets and affordable housing budgets it is worth at least looking at the subsidy landscape to see if there are resources products out there that would allow them to increase the level or quantity of affordability. That is not a huge consultant to task to undertake.

Mayor Driscoll says the SRA is in the process of vetting these proposals, and we are looking for a partner that can get something built. This is a complex project; this is going to take a lot of money. 10% has always been the threshold that has been part of the conversation, if we can get more affordability than of course we want to. There is lots of room to marinate as we move forward with the SRA the proposals are going to shift and change, take for example the Salem Jail site. What started in one economy got completed in a different economy what subsidies are available. This is a good conversation to have so the SRA can hear the perspectives of the Affordable Housing Trust Fund Board, but we are in a different place than 5-10 years ago. We are hoping to have a viable project and maximize affordability, we spent months talking about inclusionary housing and percentages, we know we need a little more density bonus to get to 10% at 60% if that could be part of the equation here to, just wants to recognize that these are private sector projects.

Dean Rubin, comment goes back to Ben's comment on PPP- each developer has assembled a team of experts, a Chp 91 expert, a historic preservation expert, he thinks going forward the missing piece is the affordable housing expert, perhaps could have got an afford housing expert on the team going forward.

Becky notes her extensive experience writing and evaluating RFPs, she says she read the RFP and she thinks the RFP was very well done, you have a threshold of 10% and it rates higher if you do more, that is a good way to do it, in the future since you are far along on this process, this board is going to want to see more afford housing whenever we can, in the future if you have other things we would like to have a discussion early on and hopefully you would take some of our suggestions early on.

Mayor suggests thinking about a community affordable housing goal. Think about it in those terms. need more housing that meets community needs, some will be highly subsidized.

Mr. Zamborlini notes that the language that we were going to send over wants to make it clear for the record maximizing the affordability does not mean 100% affordable, none of the requests here are a demand that this project has to be 100% affordability we want to see more, appreciates the joint meeting. Would suggest it is worthwhile to consider this deeply moving and forward what is that maximization going forward, Salem does have a vibrant downtown but sometimes it feels exclusionary, 10% is sad when we know for a fact that we need more, worthwhile to keep in mind the notion an of max does not have to be 100% just looking for more, we should look into the future

Consistently think about city attached whether it is city or SRA or other public facing how do we max affordable what are the tools

Dean- has a question for the affordable housing trust board, you talk about max the afford what kind of unit is looking for afford is it senior, is it family with 4-5 kids is it single occupancy. Mayor says we can provide housing data, it is all of the above, we have seniors with long waitlists, formerly homeless, primary group of homeless families in public schools, single mothers, lot of different needs. This is not let just get to 10% Matt has been brought on board to look at proformas look under the hood make sure that people can say what that can do and make sure folks are not over profiting at our expense there is infrastructure

that will need to take place etc. we want to frame up and make sure the people not getting rich at the expensive of our property.

Grace concurs and says Matt has provided really valuable feedback, she says as part of the process back in she has been working on this since 2014, what would go into redeveloping the buildings at the outset afford housing wasn't part of the conversation and now it is because it is 7 years having a healthy dialogue with the Affordable Housing Trust Fund Board wants to start a dialog earlier in the process.

Mickey has a comment, thanks the SRA for being willing to meet with them so quickly significant step to having this discuss and would welcome this in the future and feels the need to say out loud when people in general talk about 12 and 14% being an achievement, understands antiquated. European countries actually try to meet the needs of their community is closer to 40% you see the number of kids on free or reduced lunch are indicators of the number of families who qualify are multiple times the number of units that we could great, it's great when the Mayor asked me to join the meeting are we going to do something or talk about it part of the mix is when private properties are being development a percentage affordable is required but another piece is the disposition of public property is because we are never going to get beyond that we are at 10%, when we are disposition of public land that is a huge and precious opt I guess with the SRA you have such a unique position you are one of the only boards that disposes of land, there really hasn't been any affordable housing except that 10% at 80% which is at that very high end, downtown has changed, when you are thinking about new opportunity we would like to have a dialog because getting the units downtown is so critical.

Councillor Morsillo is helping with the elections so will be jumping off soon, helpful convers tonight feels a lot of pressure COVID has just brought out more of a need, the pressure intensified, the frustration you hear is coming from there we want to badly that we more afford but appreciates this convers and looks forward to having more conversation.

UNFINISHED BUSINESS

Save the date for a Special Affordable Housing Trust Fund Board Meeting scheduled for September 22nd at 6pm. The special meeting is being held to hear a presentation from the Urban Land Institute (ULI) Technical Assistance Panel (TAP) on their analysis of the potential to build affordable, teacher housing at the high school property.

PUBLIC COMMENTS

Steve Kapantais says he has also read the RFP and that affordability is not a requirement, expectation of 10% of 80% now you have one board asking another to increase the affordability. He is disappointed the city didn't take an aggressive approach, frankly you got exactly what you asked for, no one is asking how to you get effective at affordable housing. How do you stop the project and go back, amend the RFP he hasn't heard that discussion, well okay give the land away and we will do better on the next project?

Barbara Clearly, 104 Federal Street says she had two roles, she was involved in the rehabilitation of the court houses since about 2004 as president of Historic Salem, she is happy to the proposals but as someone who has over 30 years of affordable housing experience she wants to express support with what the board is asking for in maximizing affordability. There is an opportunity as the residential market is stronger there might be an internal subsidy that can be used. The difference between 80% and 60% is insignificant to developers she asks the SRA to consider whether the AHTF Board members could be privy

to the financial analysis, perhaps in executive session- that could be a good way to have dialogue, and she thanks the affordable housing trust for getting on this issue.

APPROVAL OF THE MINUTES

John Boris makes a motion to approve the August 4, 2020 Affordable Housing Trust Fund Board meeting minutes, seconded by Ben Anderson and the motion carries (7) unanimously.

ADJOURNMENT

Motion to adjourn by Ben Anderson, seconded by John Boris—passes unanimously.

Meeting adjourned at 7:38 p.m.

Approved by the Affordable Housing Trust Fund Board on 10/6/2020

Respectively submitted,
Amanda Chiancola, AICP
Senior Planner

Know your rights under the Open Meeting Law M.G.L. c. 30A § 18-25 and City Ordinance § 2-2028 through § 2-2033.