

City of Salem, Massachusetts



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City Ordinance Sections 2-2028 through 2-2033."**

The City Council Committee on Ordinances, Licenses and Legal Affairs Co-Posted COW
met in the Council Chamber on Thursday May 14, 2020 at 6:00 P.M.
for the purpose of discussing the matters(s) listed below. Notice of this meeting was posted on
May 12, 2020 at 3:14 P.M.

(This meeting is being recorded)

ATTENDANCE

ABSENT WERE: All members present. Also present are Councillors Flynn, Hapworth, Riccardi, Dominguez and Staff Planner Amanda Chiancola.

SUBJECT(S)

Order #76 Home Rule Petition for an Act relative to Property Tax Exemptions for Rental Properties as Affordable Housing.

Staff Planner Amanda Chiancola provided an overview of the Home Rule Petition to the Massachusetts State Legislature to allow for City of Salem to offer a property tax exemption to homeowners with ADUs if they offer the ADU at an affordable rent. The exemption must be applied for each year that the owner seeks to receive it, and the application must provide a copy of the lease and proof that the tenant does not earn more than 60% of Area Median Income. For a single-person household, this is \$49,800 per year; for 2 people \$56,880; for 3 people \$64,020. To receive the property tax exemption, the homeowner cannot charge monthly rent more than \$1,245 for single households, \$1,333 for 2 people, and \$1,600 for 3 people.

Filed with order #76 is a proposed ADU loan program that homeowners may apply with City of Salem to offset costs to build a compliant ADU. In order to qualify for the loan, the same restrictions proposed for the tax exemption apply. A requirement for receiving the loan is to deed restrict the ADU as an affordable unit. This made sense because loans are a longer-term commitment instead of a year-to-year basis like the tax exemption. This loan program will be funded by federal HOME funds that Salem receives annually as an entitlement community in addition to other grants. This loan program will not be funded by City's general funds. Further details on the terms of the loan program is on hold until funding is secured.

Amanda adds that this homeowner incentive package was prepared in response to Councillor Dominguez's concern regarding the lack of affordability language in the proposed ADU ordinance currently before the City Council. These two programs will provide a financial incentive for homeowners who may be looking to build these units but didn't have the funds to do so, if they are willing to keep the rents low and provide housing to low income families. If affordability was required in the ADU ordinance these units would simply not be produced because the process to register these units with DHCD would be too cumbersome. Other communities including Lincoln, Provincetown, and Wellesley have similar programs to incentivize creation of ADUs.

C. Dibble: What are federal HOME funds and what grants will be pursued to fund the loan program?

Amanda: HOME funds is federal funding Salem receives annually. The amount of funding received is calculate based on a formula that looks at local demographic data. The City's First-time Homebuyers' Program is funded by HOME funds. Grant funding sources can come from quasi-public agencies like MassHousing or Massachusetts Housing Partnership. Since the ADU

ordinance has not been adopted, the City cannot pursue these grants based on an ordinance that does not exist. These grant programs have a competitive application process.

C. Dibble: I am concerned about how much will be taken away from HOME funds if we use it towards ADUs.

Amanda: Salem's First-time Homebuyers' Program is not well-utilized because we do not have many first-time homebuyers in Salem. A reason for this is because housing is so expensive in Salem. As a result, there's often program funds left behind and unused.

C. Madore: Understanding that as a HOME recipient the City is required to prepare a 5-year consolidated plan to outline use of HOME funds, will the loan program be included? Does it obligate us to fund it, if included?

Amanda: We are currently drafting the 5-year consolidated plan and will include this as a potential use. It will not obligate us to fund the program.

C. Dibble: We want homeownership because it makes sense for most of the families in Salem. They have a vested interest in Salem and it makes the neighborhoods more stable. Who is paying for City services for the families that live in these ADUs to send their children to our public schools? Who is paying for their trash fees if they are not paying taxes and the property owner is getting a tax break?

Amanda: to clarify, a homeowner cannot apply to both tax exemption and loan programs. If a homeowner is receiving this loan, they cannot also apply for the tax exemption. The tax exemption only applies to the ADU itself, so the homeowner is still paying property taxes on the building. The tax exemption is also on an annual basis.

C. Dibble feels that the families who live in the ADUs do not contribute to the community. They pay zero towards City's coffers despite sending their kids to schools and use our streets. They pay no trash fees.

C. Madore adds that data from other communities who have adopted these has shown that the number of ADUs produced is too insignificant to have an impact on city services and school population. The trash fees are paid by the landlord. We should not measure value of our community members based on the amount of taxes they pay. There are many people who rent in Salem and contribute to our community in other ways.

Amanda will follow up with an answer on how trash fee is handled for ADUs, since C. Riccardi also asked the same question via email. Will also follow up with City Assessor on how much the exemption will likely be based on a unit of no more than 800 square feet.

C. Morsillo: would like to see addition of language to clarify you cannot apply to or benefit from both tax exemption and loan program.

Amanda will look into adding this language.

C. Flynn: Would like to know from Amanda what kind of restrictions we are putting in the ADU ordinance compared with other communities like Swampscott and Marblehead, i.e., limiting to 3 people living in each unit, zoning restrictions, neighborhoods.

C. Madore: the matter before OLLA is the Home Rule Petition, Amanda will respond to C. Flynn separately via email.

C. Prosniewski: Can you run through scenario on how the tax exemption would play out in numbers to give us a baseline understanding.

Amanda: The cost of creating an ADU within an existing building range between \$50,000-\$80,000. The cost of an ADU as an addition to an existing building is around \$100,000. Amanda will ask the Assessor on how ADUs are valued and get back to us. The Assessor has been talking to other communities on how to value ADUs.

C. Sargent: Is there a scenario where an owner of a 2-family home can rent out one unit that complies with ADU and take advantage of the tax exemption?

Amanda: The Tax Exemption Special Act only applies to ADUs and would not apply to duplexes or homes more than 800 square feet.

Public Comment

Robert Kennedy, 17 Carlton Street: Would the use of HOME funds for the loan program compete with other uses towards lead paint remediation, etc.

Amanda will provide a breakdown of the HOME budget in a follow up response.

C. Dibble would like to know from C. Madore why a hearing on this order was scheduled before adoption of the ADU ordinance when C. Madore said earlier that it would be scheduled after adoption.

C. Madore: Tom Daniel and Amanda Chiancola reached out asking when the matter will be scheduled. I anticipated many questions on the matter and decided to get the discussion started to give ample time for Councillors to get their questions

answered. Tonight's discussion proved that we are in fact many valid questions that we should get answers for so the timing of the discussion is better aligned with the ADU proposal. It is my preference to keep the discussion open and keep this matter in committee.

C. Dibble moves to keep the matter in committee, seconded by C. Morsillo. 5-0 the motion carries.

On the motion of C. Dibble the meeting adjourned at 6:35 P.M.

A handwritten signature in dark ink, reading "Christine Madore". The script is cursive and fluid, with the first name and last name clearly legible.

Christine Madore, Chair