



HOUSING DEVELOPMENT INCENTIVE PROGRAM (HDIP)

HDIP ZONE and HDIP PLAN APPLICATION

Contact Person for HD Zone application and HD Zone Plan:

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Authorized Officer Designated to Execute HD Tax Increment Exemption Agreements:

Kimberley Driscoll, Mayor

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By the signature below, I certify that the proposed Application for Housing Development Zone designation was submitted to Salem City Council on November 10, 2016 and approved for submission to DHCD by Salem City Council on April 13, 2017.

Kimberley Driscoll
Mayor, City of Salem

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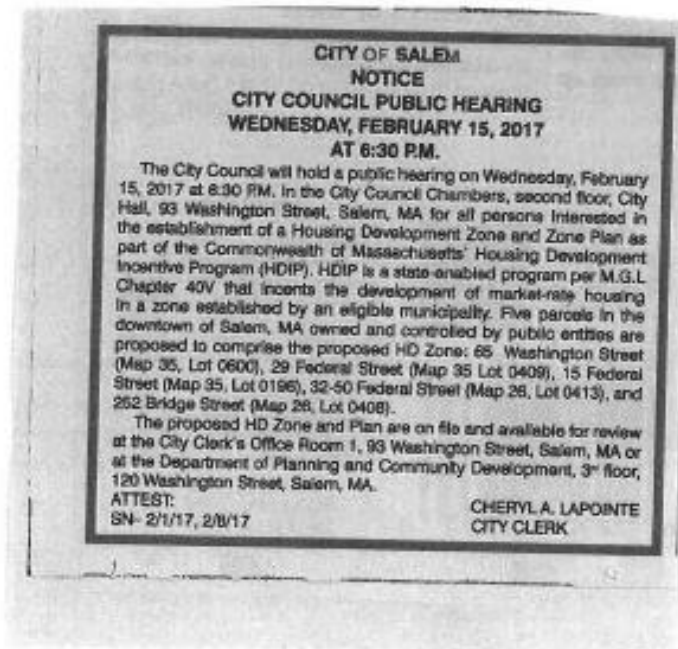
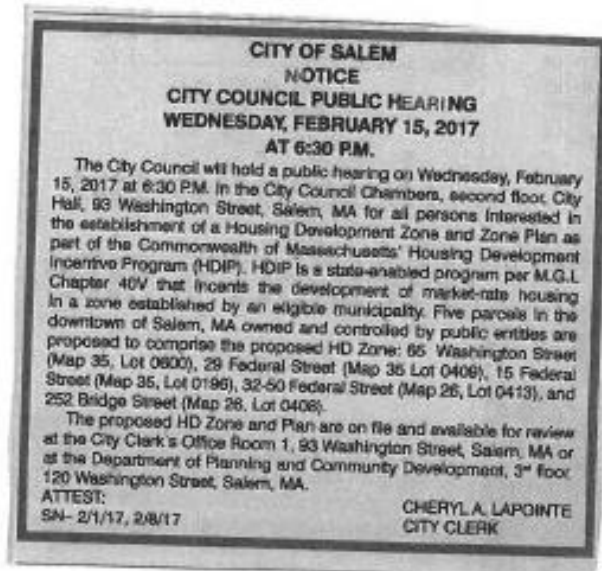
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Appendix 1: Salem Downtown Renewal Plan

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 February 15, 2017. Below are copies of the required newspaper postings published in the Salem Evening News in each of two successive weeks. The last posting is dated February 8, 2017.



A TRUE COPY ATTEST
Cheryl A. Lapointe
CITY CLERK
SALEM, MASS.

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 on April 13, 2017.

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.



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.

In City Council November 17, 2016

Referred to the Committee on Economic Development coposted with Committee of the Whole

In City Council April 13, 2017

Amended to include the Tabernacle Church

Adopted as amended

Approved by the Mayor on April 26, 2017

ATTEST:

Cheryl A. Lapointe
CHERYL A. LAPOINTE
CITY CLERK

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 six 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 six properties in the proposed HD Zone are all within the boundaries of the City's Urban Renewal Area, which is governed by 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, 62-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 62 onsite parking spaces, a retail component on the first floor, and 62 condos on floors two through six. The condos are proposed to be comprised of a mix of one, two, and three bedroom units. The prices range from about \$339,000 for a one-bedroom condo to \$569,000 for three bedroom units. The 62 condominiums total approximately 61,344 square feet. First floor retail totals an additional ~3,000 square feet.

Legislation has been signed by the Governor to allow disposition of 32-50 Federal Street (the former Superior Court Complex) to move forward. The process will entail having the SRA issue an RFP for selection of a highly advantageous proposal for adaptive reuse/redevelopment of the property, much as it did for the District Court property.

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.

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

Other parcels proposed for inclusion in the HD Zone are 29 and 15 Federal Street, which are both owned by the SRA but do not currently have active plans for redevelopment attached to them. The final parcel proposed for the HD Zone is 50 Washington Street, which currently has an active church and is the only property in the HD Zone that is privately owned. The church leadership wrote a letter to the City Council requesting that its property be included in the proposed HD Zone, which indicates that there is interest in exploring opportunities for the sale of the property.

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
6.	50 Washington Street	Map 35, Lot 0023	(.55 acres)	Tabernacle Church

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). Three properties—32-50 Federal Street, 65 Washington Street, and 50 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.

50 Washington Street hosts the Tabernacle Church and is located at the corner of Washington and Federal Street, directly across the street from both the Salem District Court property and the Superior Court property. A portion of the property contains a surface parking lot that is used by the church. This property is included in the proposed HD Zone at the request of church leadership.

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, with the exception of 50 Washington Street, 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 all but one parcel (50 Washington Street) is controlled by a public entity, making site control and disposition an easier process in most cases.

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. As currently proposed, the five upper floors would consist of ownership housing in a mix of sixty-two (62) 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 five 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 is representative of the kinds of TOD opportunities the City and SRA support.

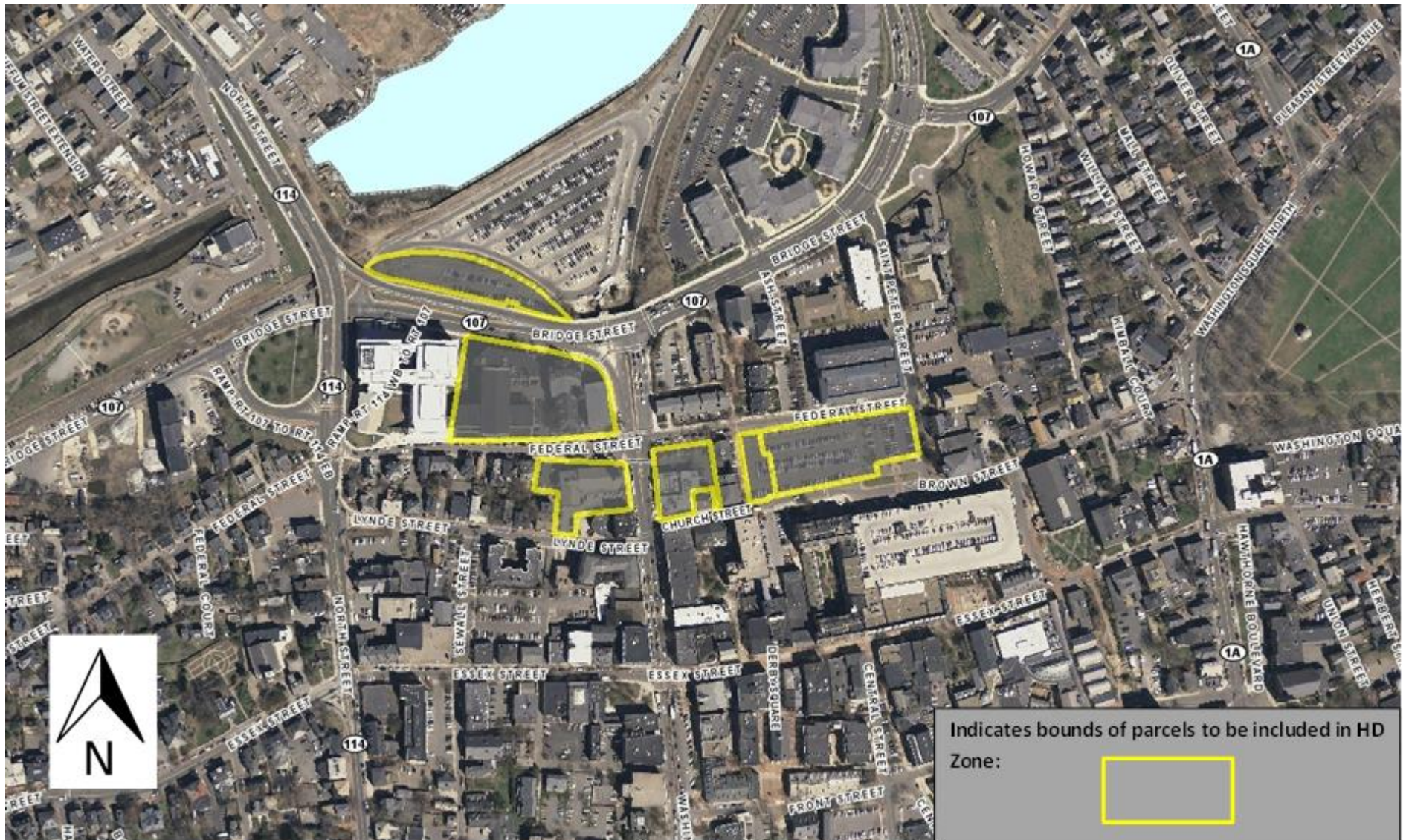
A need for market rate housing has been demonstrated in the previous section. In addition, Diamond Sinacori's proposal for the redevelopment of 65 Washington Street, which was selected over two other proposals, clearly demonstrates developer interest in bringing much needed market rate housing to the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

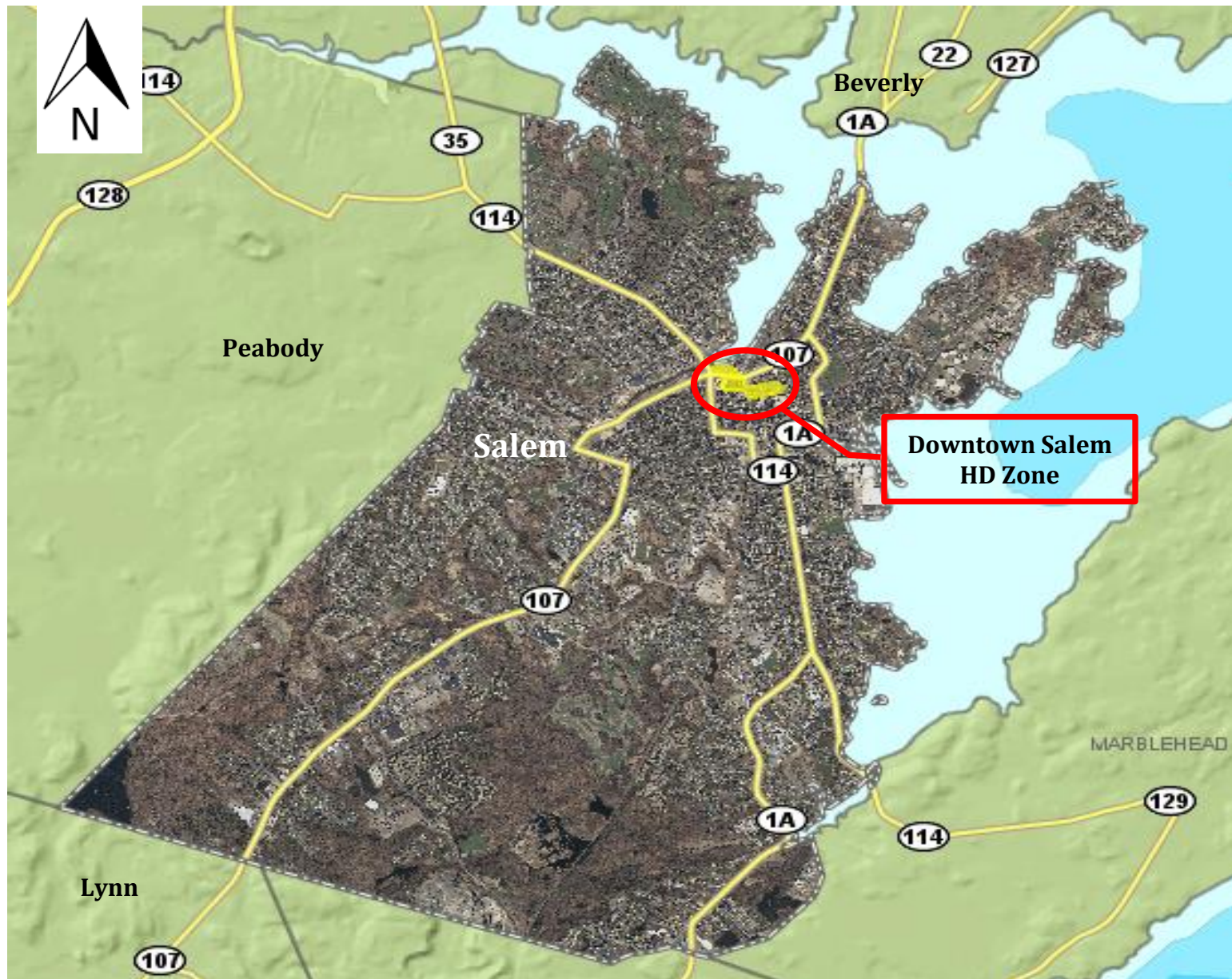
1. 50 St. Peter Street: 14 new construction market rate rental housing units. Note that this project is just beyond the eastern most edge of the proposed HD Zone and also qualifies as TOD.
2. Washington and Dodge Street: Will include 70-100 market rate rental residential units as part of a \$50+ million 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)

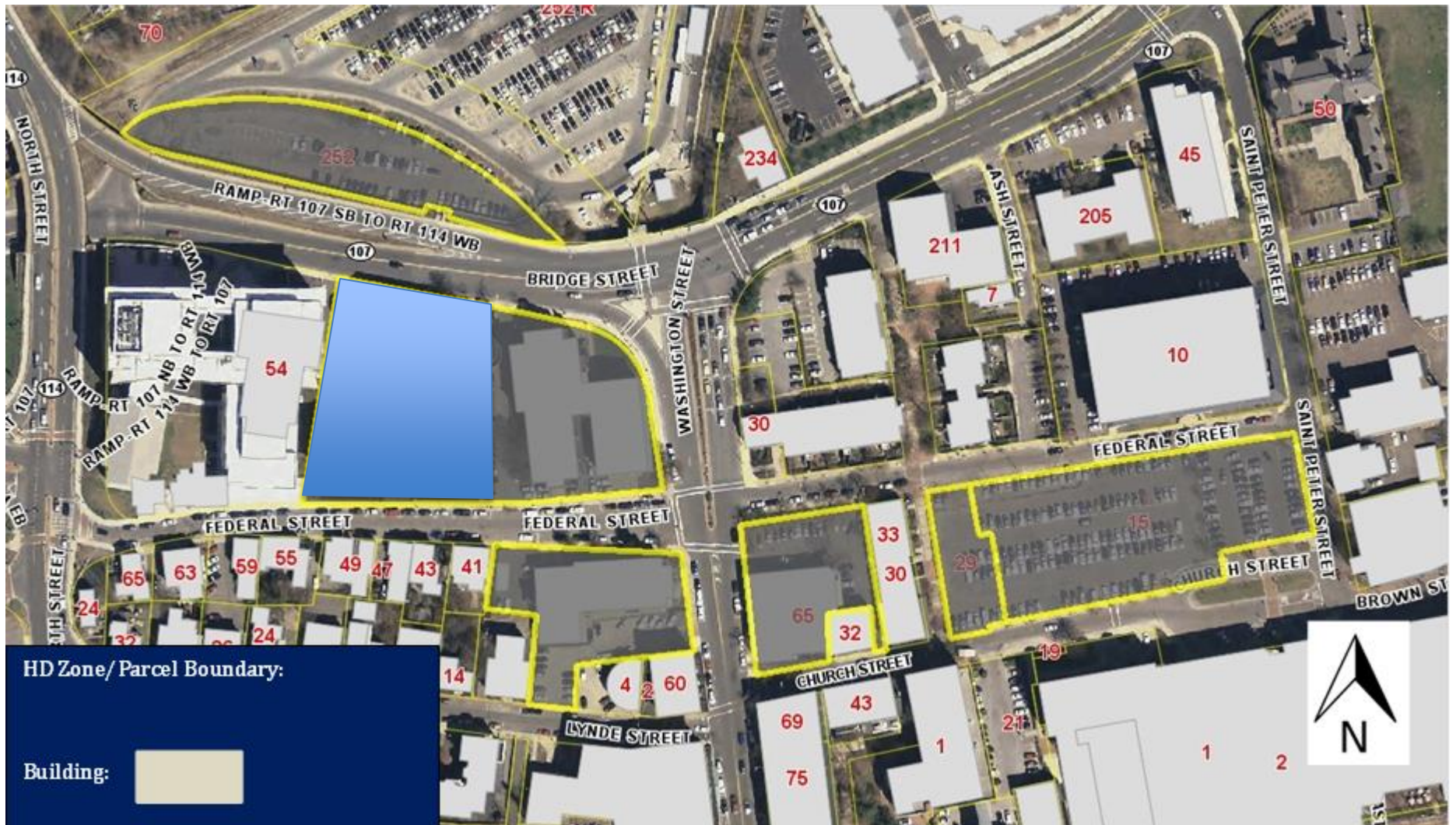
MAP 1: DOWNTOWN SALEM HD ZONE BOUNDARIES



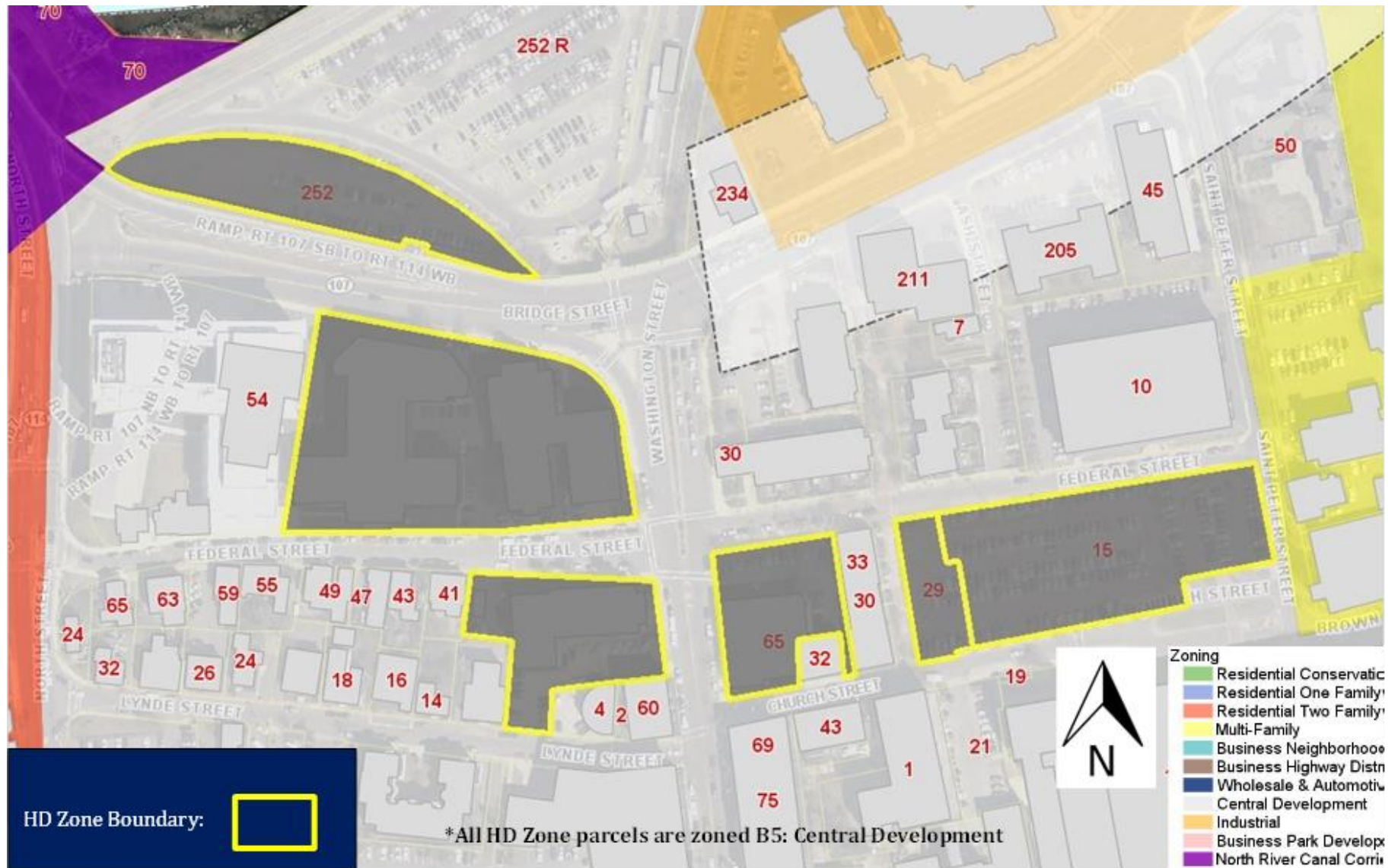
MAP2: LOCUS



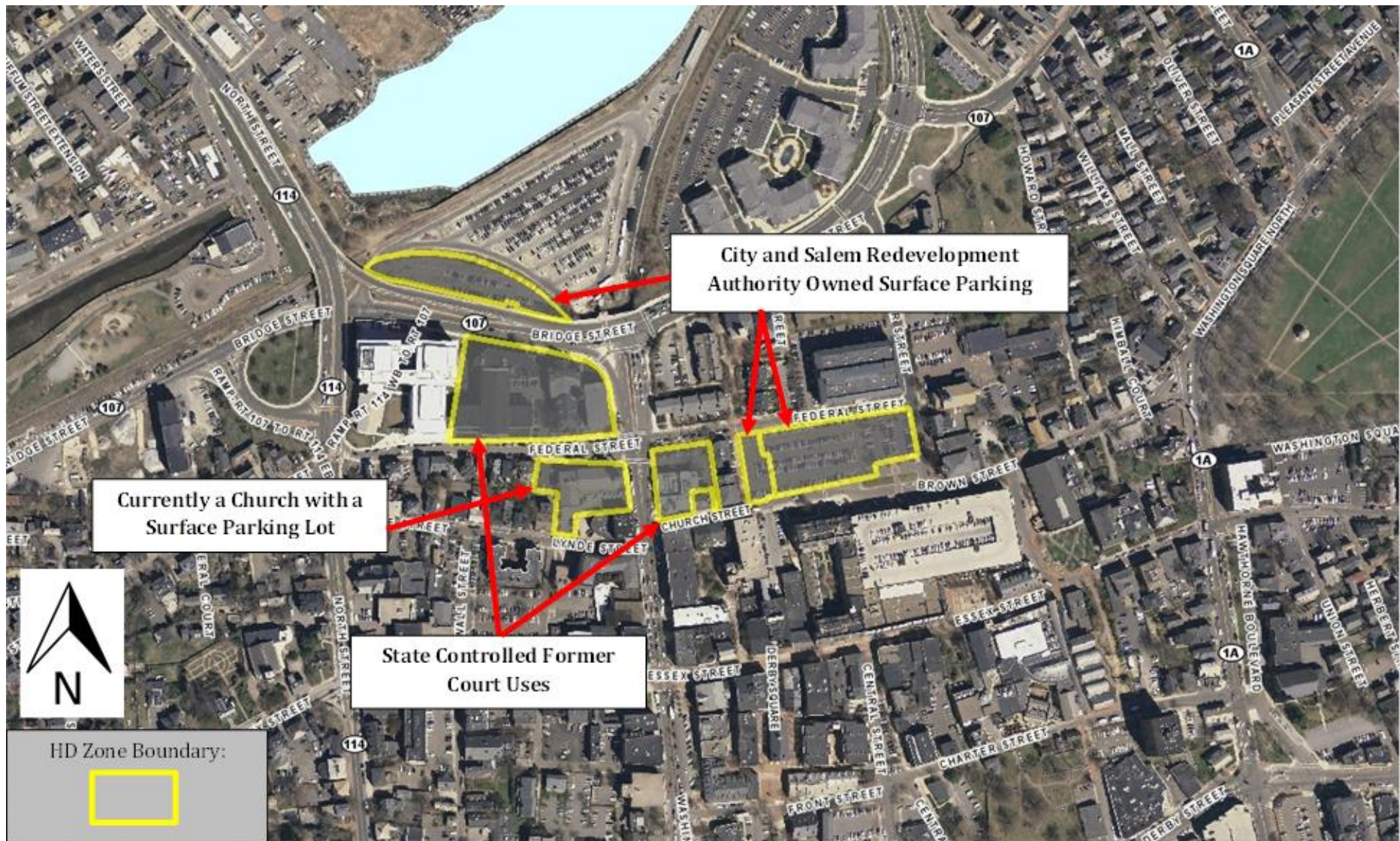
MAP 3: EXISTING PROPERTY LINES AND BUILDING FOOTPRINTS



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 six parcels that comprise the proposed HD Zone (the others are 15 Federal Street, 29 Federal Street, 32-50 Federal Street, 50 Washington 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.

50 Washington Street is owned by the Tabernacle Church, which expressed a desire to the City for its property to be included in the proposed HD Zone. It sits directly adjacent (across the street from) to both the District and Superior Court sites, and as such, is also within a distance of one block from the MBTA Commuter Rail station. The City cannot speculate as to the immediate plans of the church, but there is a sense that if it has requested to be included in the HD Zone, church leadership may be considering future opportunities to sell the property to the developer. The church is a historic structure; therefore the City envisions any future redevelopment scenarios to be realized as a historic adaptive reuse project. The surface parking lot that comprises part of the property offers an opportunity to maintain adequate onsite parking.

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, will undergo an RFP process managed by the SRA to solicit proposals for adaptively reusing the existing structures onsite. 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 mid-2017, 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. The project is underway with some light demolition activities occurring on the interior of the building.

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 11 room luxury boutique hotel that 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, recently began construction activities for 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.

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 (per the current proposal) sixty-two (62) 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.

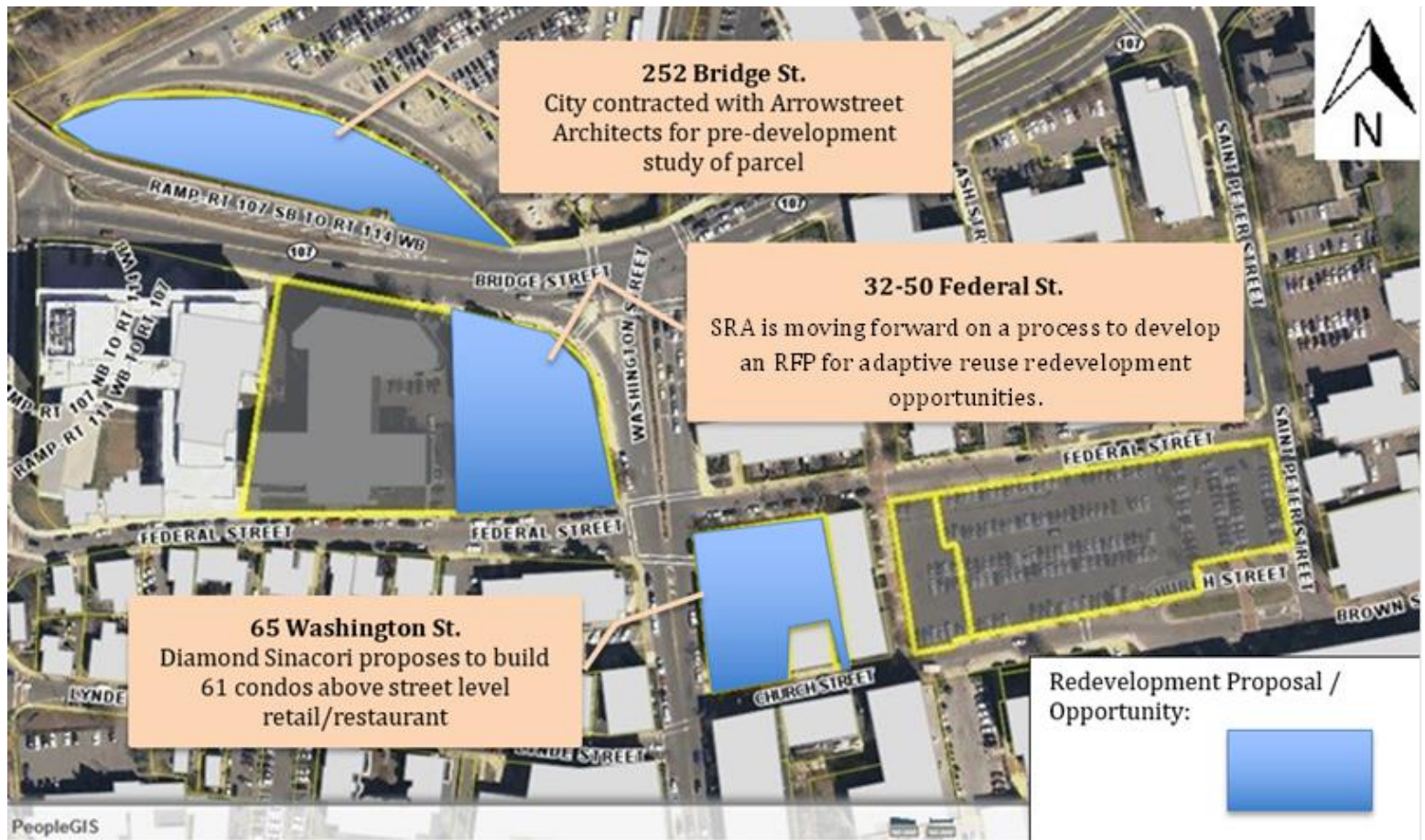
Geotechnical Engineer: GZA Environmental, Inc.

Structural Engineer: McNamara/Salvia, Inc.

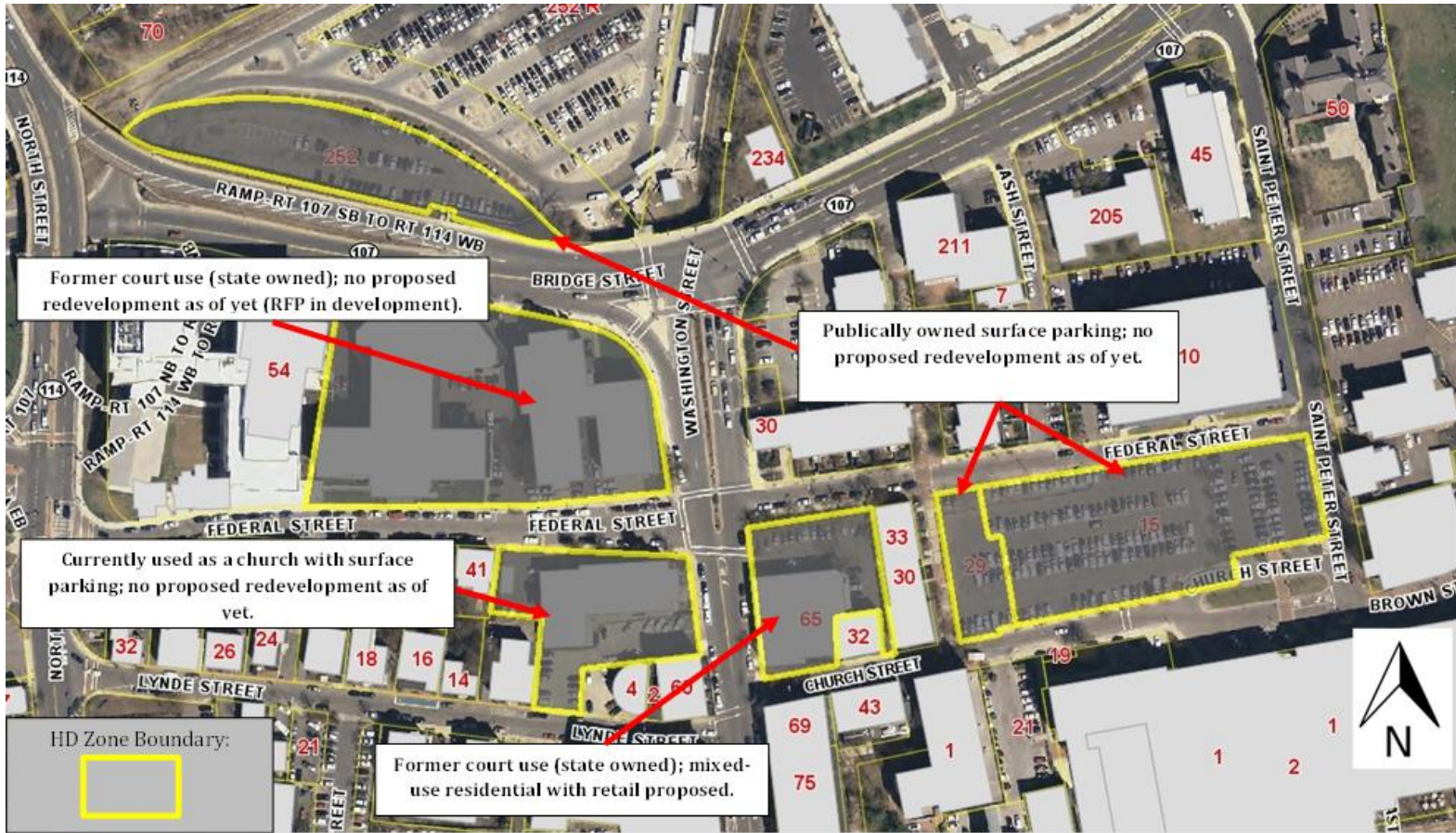
M/E/P Engineer: Cosentini Associates, Inc.
Traffic & Parking: Howard/Stein-Hudson Associates, Inc.

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.