



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

Office of the Mayor

July 18, 2019

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

Ladies and Gentlemen of the City Council:

The enclosed Order extends the City's existing Housing Development Incentive Program (HDIP) zone from the B5, NRCC, and three specific parcels, to all districts in the City.

As you know, HDIP is a tool that allows residential builders to seek a Tax Increment Exemption, which is similar to a commercial Tax Increment Finance (TIF) agreement. A property owner in the HDIP zone with a qualifying residential project can apply to the City Council for consideration of a TIE, which provides a partial reduction in their tax obligation for a set amount of time. As with a TIF, this reduction only applies to the *new value* of the project. The City will never collect less than the base value of the property and, after the TIE concludes, it will collect the full tax obligation on the improved property.

TIEs are important tools that can make the difference between an abandoned brownfield or vacant building being left in a neighborhood and an improved, clean, and productive home for Salem residents. Because every single TIE application must be approved first by the City Council, there is a powerful backstop to ensure projects meet the Council and our community's standards. You can read more about HDIP at <https://www.mass.gov/service-details/housing-development-incentive-program-hdip>.

We view this measure as one more tool in our housing toolbox. All of these proposals, including this one, are intended to lower the cost to rent or buy a home here in Salem by expanding the diversity and supply of housing for our families, seniors, and workers. I strongly recommend adoption of this Order.

Very truly yours,

Kimberley Driscoll
Mayor
City of Salem



CITY OF SALEM, MASSACHUSETTS
HOUSING DEVELOPMENT INCENTIVE PROGRAM
HDIP ZONE AMENDMENT PROPOSAL

The City would like to expand and rename the existing Downtown Salem HD Zone. Below is a memo summarizing the change in accordance to 760 CMR 66.08.

1. Detailed description of each proposed change

In accordance with 760 CMR 66.08, the City of Salem would like to expand and rename its existing Downtown Salem HD Zone approved by DHCD in 2017 and amended in 2019. The expansion would include all parcels within the City of Salem and the would be renamed, "Salem HD Zone."

2. The purpose of the change – i.e., the reason why each change is needed

The need for multifamily housing extends beyond the current HD Zone. New requests are being made as developers explore opportunities to produce more housing. The expansion of the HD Zone will increase market rate residential development in the city on sites suitable for mixed-use, multifamily development by providing an additional financing tool to overcome development challenges, as well as increase the feasibility of market rate housing projects. Expanding the zone to include all parcels in the city does not necessarily guarantee that all housing projects will participate in the HDIP but provides a tool for development should developers want to collaborate with the City and DHCD.

The objective of the HD Plan and the amendment to expand the zone is to foster appropriately scaled residential development throughout the city. The proposed expansion is consistent with objectives in the *Salem Housing Needs and Demand Analysis* and will assist in meeting projected housing needs. The 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)."

The cost of redevelopment in Salem is high considering prior uses that frequently have environmental issues, sites with challenging elevations or ledge, and significant wetland areas.

The expansion of the HD Zone would afford developers an additional incentive to overcome high redevelopment costs.

3. The effect of each change on individual HD Projects

This proposal will not have an effect on the parcels currently in Salem's HD Zone. The only approved HD project is 65 Washington Street. The project is progressing in large part because of the City's initial adoption of the HD Plan and Zone. Other projects are in the conceptual or pre-development phase and are contemplating utilizing the HDIP.

4. Pertinent revisions of the original Application for approval of the HD Zone designation or HD Zone Plan, or to the HD Tax Increment Exemption Agreement, to reflect the changes

The City is not proposing any amendments to the HD Zone Plan that would affect the existing HD Tax Increment Exemption Agreement. The timelines for the implementation of the HD Zone Plan and the duration of the HD Zone Plan as laid out in the City's current approved plan will remain unchanged.

5. A statement of whether the Municipality considers the amendment to be material or nonmaterial

The City of Salem considers the proposed amendment to be material.

6. Evidence of a public hearing, as appropriate, including a copy of hearing notices and minutes

The Department of Planning and Community Development intends to submit the amendment plan to the City Council in July 2019. The City Council will then hold a public hearing. A copy of the hearing notice and minutes will be provided to DHCD. DHCD has already advised of this proposed amendment.

7. Certification by the Town or City Clerk of local approval pursuant to 760 CMR 66.08 (3)

The City will provide DCHCD with a certification from the City Clerk once the amendment plan has been approved by the City Council.