



Memorandum

To: Amanda Chiancola, Planner, City of Salem
From: Karina Milchman, Chief of Housing +
Neighborhood Development, MAPC
On: January 14, 2019
Re: Salem Inclusionary Zoning + Engagement
Advisory Committee Meeting, 01-14-2019

On January 14, 2019, the MAPC project team (Karina Milchman, Alexis Smith, Alex Koppelman, and Francis Goyes) and City staff met with the Advisory Committee (AC) to discuss work to date and upcoming efforts pertaining to the Inclusionary Zoning + Engagement project. This memo summarizes discussion at this meeting and next steps in this project.

ATTENDEES

- John Boris, Salem Housing Authority
- Amanda Chiancola, City of Salem
- Tom Daniel, City of Salem
- Jen Lynch, League of Women Voters
- Councilor Christine Madore, Ward 2 City Council
- Councilor Domingo Dominguez, City Council
- Mayor Kim Driscoll, City of Salem
- Mickey Northcutt, Salem AHT and NSCDC
- Patricia Zaido, CoChair of the Salem for All Ages task force

INCLUSIONARY ZONING

Update

- MAPC has prepared a working model for discussion purposes; it will be updated to reflect ongoing conversations with local developers, lenders, and the City
- MAPC has been interviewing a variety of developers to understand the local development context and conditions that will shape the Inclusionary Zoning (IZ) ordinance for Salem

Model

- This model is a work in progress; metrics will change as MAPC continues to speak with developers and lenders

- Note: do not draw project-specific conclusions from the model; this is about general development conditions in Salem
- What is the model?
 - Same format as a developer pro forma, which helps developers figure out whether their project pencils
 - The model considers how the scale of a project, the unit mix, land acquisition costs, construction costs, costs associated with permitting, financing constraints like interest rate and maximum loan amount, rents in the area, maintenance costs like property taxes and snow removal, and other costs
 - Internal rate of return (IRR) is a measure of whether the project is financially feasible based on the above features; Salem developers shoot for 11-13% IRR
- What does the model matter?
 - We want to get a good policy that serves the City and its residents, but don't want to push so hard as to deter development

Tradeoffs

- MAPC explained area median income (AMI) for the area including Salem, how it relates to the Salem median income, and how AMI calculated for Affordable Housing eligibility purposes varies by household size
- MAPC walked through a 50-unit project with a 12% IRR and no IZ requirements as example
 - We discussed how different set-asides and depths of affordability affects IRR
 - 10% @ 80% AMI = 10.5% IRR
 - 10% @ 60% AMI = 9.7% IRR
 - 15% @ 100% = 11.5% IRR
- Discussion of priorities (depth of affordability versus number of units, etc.)
 - Salem has a lot of need for housing with greater depths of affordability
 - Salem needs a range of Affordable Housing price points
 - General agreement that anything above 60% AMI is not affordable in Salem; the market meets the needs of 80% AMI households; focus IZ on 50-60% AMI
 - Some feeling that the City should get as many Affordable units as quickly as possible at a range of affordability levels
 - Some feeling that renters should be the focus of IZ given how many there are in Salem and the small pool of eligible households for homeownership (those that meet income eligibility requirements and have the necessary downpayments)
 - Questions regarding how low an IRR can be without rendering a project infeasible; 9.5% perhaps
 - How can developer incentives be used to offset some of the impact on IRR of Affordable Housing production?
 - Consideration of multiple options for developers at different set-asides and affordability levels; IRR should be about equivalent for various options
 - Salem does not want a PILU option

Incentives

- A more transparent and streamlined development process (versus the current design control, multiple boards, etc.)
- Consider allowing Affordable Housing units to be different from market-rate units (see Cambridge's square footage differential)
- Density bonus of 25% suggested
 - Some feel 25% may be too high
 - Note that this is offered in the North River Canal Corridor, but it can't be used because of minimum lot area so developers seek relief; density bonus only works when it's by-right
- Expedited permitting
 - Attractive to developers, but there would be a lot of community pushback; how to respond to residents saying "you're pushing development down our throats"?
- Reduced parking
 - Must be location-specific in order to meet the market demand
- Possibly tailor a citywide policy to different locations
 - Per square foot averages are much higher near rail than elsewhere in the city so developers may be able to provide more

HOUSING STORIES

Status

- MAPC has shot footage of the City and is working with Amanda to identify interview subjects
 - We are aiming to collect varied stories from a diverse sample of the community
 - We will also speak with housing professionals to get some context for these stories and explain housing terms and concepts

Key Messages + Data Points

- People value diversity of all kinds here (socioeconomic, education, racial/ethnic, age); connect that value with the risk posed to it by the high cost of housing; we need diverse housing to maintain a diverse community
- Protecting residents from displacement and maintain diversity; vulnerability to displacement is an important framework to understand cost burden; it's not just a housing issue, it's about the impacts of the housing issue on people
- Connect housing with jobs; how do we facilitate income mobility and wealth creation?
- What about the housing needs of the homeless (there 200 school kids who are housing challenged or homeless)
- Key messages of particular interest to AC members
 - Salem median household income is lower than the Commonwealth's but home prices are similar
 - Salem household income points towards racial disparities
 - Half of all Salem households are low income and eligible for Affordable Housing
 - High rate of elderly householders w/o family members who are low income

- Half of Salem householders are renters, who tend to be more vulnerable to displacement
- More than one-third of households are extremely low income

Interview Prompts

- Additional questions
 - Do you think you make enough to afford your home or housing in Salem more generally?
 - Ask about job, not income (bank teller, retail clerk) and provide the typical income for each
- Subjects must be unknowns, otherwise the community has too much knowledge of them and can dismiss them for bias
- Define affordable housing as housing that's affordable to the people who live here, then define different subsets (Affordable Housing, workforce housing, subsidized housing, etc.)
- Highlight what Salem households are eligible for different housing options, who can afford what the market provides, who's left out?

Installation Locations

- Front Street Coffeehouse
- Ugly Mug Diner
- Gulu-Gulu Cafe
- A+J King Artisan Bakers
- Notch Brewing

MATERIALS + EVENTS

Engagement Strategy

- Engagement will include print materials, videography and photography, in-person engagement, and place-based engagement
- With each engagement opportunity, we'll collect contact info to build a database of folks to reach out to on future initiatives
- New idea: Can residents host coffee hours or dinner to talk with neighbors about housing and share information; Mickey mentions that the Espacio Community Space could be used as a venue

Workshop

- Potential invitees to add to the list
 - Salem Housing Authority
 - Church groups
 - Salem PD
 - Salem Fire
 - SSU
 - LLC
 - Commission on Disabilities

- Salem Alliance for the Environment (SAFE)
- Content to cover
 - Assistance with how to answer key questions and respond to oppositional arguments; what to say when people say ‘no more housing’?
 - We need responses to arguments like Salem has too much Affordable Housing, Salem is doing its part to supply Affordable Housing, there’s just too many people, Salem can’t solve Boston’s housing crisis
 - Be explicit about the impacts of designing policy to limit population growth and how we can facilitate development and redevelopment with minimal negative impacts
 - If you’re for Affordable Housing, you also have to be for X, Y, and Z (such as parking reductions in specific areas, density bonus) because this is how it gets built
 - IZ is one tool; we need multiple tools in the toolbox; here’s what else the City is doing and how you can help

Pop-ups Locations for Consideration

- Community Life Center
- Free community meal at school (second Wednesday of the month)
- Train station
- Saturday AM at the post office
- Market Basket

Other Engagement Ideas

- Partner with Church groups to include information in their bulletins

NEXT STEPS

IZ

- Conclude market research, finalize the model
- Continue developer engagement as we develop zoning recommendations

Engagement

- Conduct housing stories interviews
- Produce print materials
- Prepare for the workshop, first pop-up, and housing forum

Advisory Committee

- Next meeting date TBD; will focus on zoning recommendations and forum preparation
- Share materials and engagement opportunities with your personal networks as called upon