

Affordable Housing Trust Fund Board Meeting
Meeting Minutes
September 7, 2021

A meeting of the Salem Affordable Housing Trust Fund Board was held on Tuesday, September 7, 2021, at a Remote Zoom meeting at 6:00 p.m.

Members present: Mayor Kim Driscoll, Mickey Northcutt, Filipe Zamborlini, John Boris, Caroline Watson-Felt, Councilor Ty Hapworth, Councilor Christine Madore.

Members absent: Rebecca Curran and Councilor Patricia Morsillo

Staff present: Amanda Chiancola, Deputy Director and Cassie Moskos, Senior Planner

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

NEW BUSINESS

A. Introduction to Senior Planner Cassie Moskos

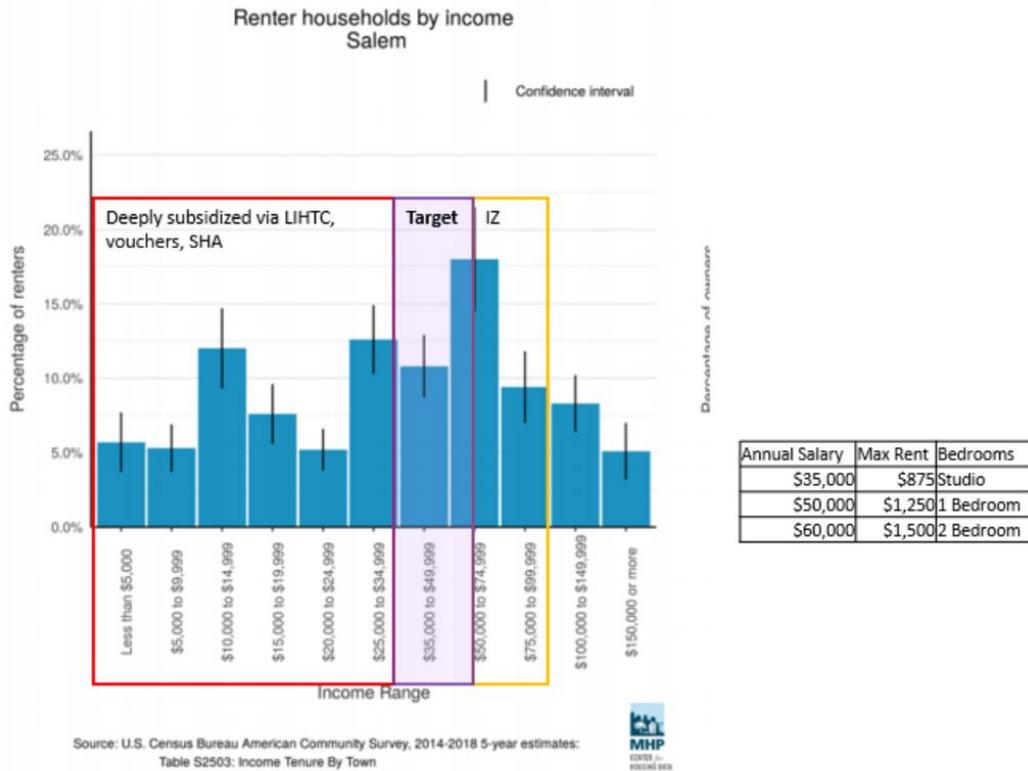
Amanda Chiancola introduces the City's new Senior Planner, Cassie Moskos who will be taking over as the staff support for the Affordable Housing Trust Fund Board. Ms. Moskos is managing the housing production plan. She is providing interim support for the planning board while that position is being filled. Ms. Moskos says she is excited to get to work with the board.

B. Discussion Multifamily Acquisition Grant Program

Mayor Driscoll notes that we wanted to discuss a potential multifamily housing acquisition program. This is thinking about how we can address affordable housing needs in an expedited fashion. She notes there have been conversations about the loss of rentals to condominiums so internally they have been thinking about whether there is a role for the Affordable Housing Trust Fund Board to play on a turnkey initiative to create workforce housing in addition to the condo conversion ordinance, which is later in the agenda.

Ms. Chiancola explains that through the condo conversion data they found that more than 300 apartments have been converted to condominiums since 2016. Again, the conversion ordinance is another item on the agenda, this item is thinking about how to protect naturally occurring affordable rental units that are being changed. A strategy we are looking into is whether there is an opportunity for the city to acquire the multifamily rental properties and create long term affordability. Mayor Driscoll explains the idea would be is there funding we can think about using- this would not be the city buying units. Amanda shares a chart below from the housing needs assessment, to explain staff looked at the gap, where are the rental units that are hard to come by. The red box shows households that earn \$35,000 or less which we wouldn't be able to assist with this kind of program- those households would need to rely on deeply subsidized units. The group of households that earn \$60,000 have limited housing options but can be assisted through programs such as inclusionary housing. The middle group is the target for this program. Staff used the rents shown in the image below, a single person earning \$35,000 could afford \$875 for a studio. We plugged those rents into the calculation to identify the total cost that the Affordable Housing Trust Fund Board would need to seek (through things like grants) to

acquire and renovate. We found that we would need the sale price and rehabilitation price (combined) to be less than \$325,000 per unit for this type of program to work. If we can get a multifamily property with a per unit cost of less than \$325K, then we would need to kick in local funding in the range of \$375K per unit.



We wanted to test if there are multifamily property owners that would be interested in partnering with the city on this kind of program, so we sent a letter to all the multifamily property owners in Salem noting we have a great need for affordable units and asked if they would be willing to:

1. Donate their multifamily property to the Affordable Housing Trust Fund Board;
2. Offer the Affordable Housing Trust Fund Board the first right of refusal on their multifamily property; or
3. Sell their multifamily property to the AHTF Board. Please keep in mind that the City has limited funding and will not be able to compete with market rate offers.

Thus far a few property owners expressed interest, but they want to move fast. The Affordable Housing Trust Fund Board does not have funding to pay for these units, but if the board is interested in this kind of program, we could look for funding opportunities. This would work through a competitive grant process where the AHTF Board puts out an RFP.

Mayor Driscoll explains this has been done in other parts of the community where public entities use funding to help buy down units to create affordability, it could be done in a few ways, through the housing authority or non-profits.

Councilor Madore was recently reviewing a similar program in Medfield, they are running a similar program but will be using \$1million in bond funds, that was approved by town meeting to buy the deed restriction. They are proposing \$50,000 per unit only for rentals, so rather than trying to request funding by appropriate, a bond might make more sense. Medfield was putting feelers out at the Massachusetts Housing Partnership to see if other communities have done bonds. Mayor Driscoll asks if other communities are doing something similar. Ms. Chiancola responds that Yarmouth does something similar, but it is an ownership program, it is a rolling RFP.

Filipe Zamborlini asks this is something we could use something like ARPA to fund this. Mr. Zamborlini asks about deed restriction timing, or perpetuity. Mayor Driscoll responds that we haven't done that much research. We can discuss what we are doing with the 10% set aside through local action but this first question is whether this is worth pursuing. It wasn't identified as a priority, but we saw the condo conversion data and wanted to look into strategies for design, help address affordable housing in a faster fashion. Is this a notion that we should be thinking about, acquiring multifamily for workforce housing? Then all the mechanics, for how long, who is it for, how we structure would be further evaluated. Mr. Zamborlini responds that he is really excited about this and would like to have a program that can be implemented with speed. Many of their plans are long term, this could be done on the shorter term.

Mickey Northcutt responds that the North Shore Community Development Coalition (NSCDC) has done this. The vast majority of multifamily properties that would be willing to do this is because in part their buildings have not been maintained in decades. They are not in good shape, so he likes it in theory but is concerned about the cost implications. \$300k a unit in subsidy would mean \$1million for a 3-unit building, that is worrisome because that is a lot of money for local government to be putting into three units. At \$50k a unit the developer would not be able to buy or renovate the units so the developers will look to HOME funds and CPA which are limited resources, and they would be competing against non-profits building affordable housing unless CPA wants to start spending 80% of their funding on affordable housing. Local match is required for non-profits to be able to apply for state funding, they judge in part on the local match, he provides caution on programs that compete with affordable housing projects, he recommends the conversation go around bonding using non-traditional funding sources rather than competing with HOME and CPA funds.

Caroline Watson-Felt responds that theoretically it sounds good, but she has concerns about the reality of the timeline, particularly if we are looking for non-profit partners. She is not sure how fast of a fix it would be. She wouldn't want this to come ahead of the work on the condo conversion ordinance, which disincentivizes the flip itself. While it is a great idea, Ms. Watson-Felt wants to make sure we balance internal resources and continue on with the condo conversion and disposition ordinance prioritizing them but continue to talk about this.

Councilor Hapworth responds it appears to be a great program but sounds like a nightmare of an operation to manage. After we get through condo conversion and the disposition ordinance,

we would prefer to look at an affordable housing overlay- remove obstacles to people who create 100% affordable units.

Mayor Driscoll summarizes the discuss as the board sees this as enticing but given the competing resources might be difficult, but we need lots more due diligence to ensure we are not hurting projects in the pipeline. Mayor Driscoll notes that the state has ARPA funding that is tied up in the legislature right now. Mr. Zamborlini notes these are not drops in the bucket. People are losing their homes now; it sounds small but at the end of the day the market is ruthless, this is a tool in the box that we forgot about it we should think about it. Councilor Madore noted that the Chelsea Housing Trust were appropriated \$1 million from the City Council to complete a demonstration project on a double lot that used to have two triple deckers on it. It is a vacant lot right now; they are thinking of 5-6 units of ownership, but the numbers don't look great. We should choose our battles and consider vacant lots, putting them in a land trust and acquire with little capital with very little liability.

C. Announcement regarding the American Rescue Plan Survey and Public Forums

Amanda Chiancola informs the Affordable Housing Trust Fund Board that a survey has been launched, available online www.salem.com/rescue, to help gather public input about the City's use of the federal COVID-19 relief funds provided to it by the American Rescue Plan Act (ARPA). In addition to the survey there will be two public forums intended to take in additional public feedback about the City's ARPA allocation. One forum will take place on September 28th at 7:00 p.m. and the second on October 21st at 7:00 p.m. Mayor Driscoll explains the goal is to think about post pandemic recovery efforts both long and short term, how to leverage the dollars to tackle areas that are most important within the confines of what is allowed with the ARPA money.

UNFINISHED BUSINESS

A. Housing Goals and Production Plan Update

Ms. Chiancola says that they are putting together a steering committee for the Housing Goals and Production Plan, with a few members from the AHTF Board (Councilors Hapworth and Morsillo) among other community members. We are spreading it out so other members of the AHTF will be asked to provide input through interviews and focus groups. They are working on a website with information about engagement opportunities. She says they put out a call for focus group participation on social media with a specific ask for renters, folks in retail, hospitality industry and older adults because that is where they saw gaps in the current participation. Shen notes they have had a ton of response.

B. Land Disposition Ordinance Working Group Update

Ms. Chiancola says that she is still working on a draft ordinance.

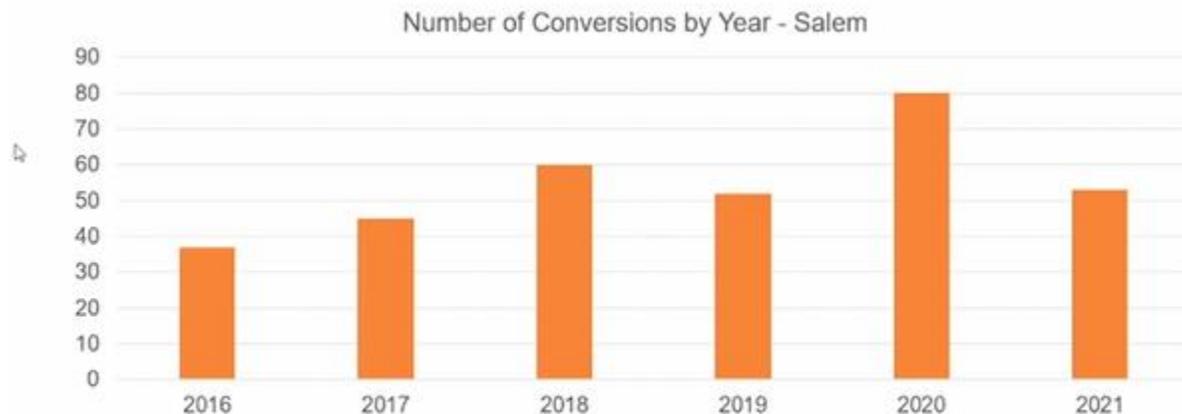
C. Condominium Conversion Working Group Update

Councillor Madore provides an update. The working group met recently, they identified 3 main goals:

1. Decelerate the conversion of rental housing stock, especially for buildings with under 4 units;
2. Prevent displacement by strengthening tenant's rights during conversion.
3. Preserve rental housing stock.

We have seen that 2-3 buildings are being rapidly being converted. However, the state condo conversion law does not allow the law to be applied to buildings with below 4 units. So we would have to file a home rule petition through the City Council or filing a special act so we can adopt a local ordinance. The next goal is strengthened tenant rights during the conversion period. There are a set of requirements through state law, but we looked at a range of additional options that are used by other communities. Some have protections for protected classes, low-moderate income households, seniors, etc. Generally having a local ordinance would serve as a disincentive for homeowners to convert. We can add more goals as the discussion goes along, the subcommittee is looking to meet next week to further discuss.

Councillor Madore runs through some baseline data. Since 2015, 305 rental units have been converted into condominiums. Since the majority of our properties are older, if a homeowner wants to maximize return on investment, they would be likely to convert it and sell the unit(s).



- Since June of 2015, 305 rental units have been converted into condominiums.
- Over half (54%) of all homes in Salem were built before 1940. Older homes are vulnerable to conversion into condominiums, which reduces the city's rental options.

Communities of color are more at risk for displacement. The majority of condominium conversions are happening in 2-3 families, between 2017-2020 there have been 97 total conversions by parcel, 79% of them are 2-3 family units with a total of 283 units converted.

Councilor Madore explains that the working group discussed providing a stronger local ordinance and then walks through the key provisions compared to state provisions, notice of intent, tenant notifications, permitting body, etc.

Mr. Northcutt says this is such good information, seeing the data like that is helpful, it is almost ten percent of the housing stock. That explains a lot about the rental market. Mr. Northcutt asks if home rule petition has been approved for other communities to allow less than 4 units to be protected. Councilor Madore responds that she found 3 communities with it but two of the communities have ordinances that are carry overs from when rental control ended and one was by home rule petition. Mr. Northcutt asks about the permitting process; will this preclude conversion or disincentives them. Councilor Madore notes we don't want to put an entire break on condominiums, smaller condos are a path for first time homeowners, but we want to slow the pace. Councilor Hapworth agrees, he doesn't want to see it stop housing production, but it is important to nudge the market in a way that slows down conversions, he doesn't want to punish people but wants to slow down the loss of rental units. Ms. Watson-Felt asks if the renters would have the right of first refusal, Councilor Madore confirms that is included. She also notes that in the working group they discussed the importance of the follow through enforcement and tenant education, renter information-making sure there is an educational component to it. Let renters know it exists and they have rights.

APPROVAL OF THE MINUTES

- A. *Motion by Councilor Madore to approve the July 6, 2021 draft minutes, seconded by Caroline Watson-Felt – passes unanimously 7-0 by a roll call vote.*

The board recommends writing a letter advocating for the release of ARPA funds at the state level.

PUBLIC COMMENT

No public comment.

ADJOURNMENT

Motion to adjourn by Filipe Zamborlini, seconded by Councilor Madore—passes unanimously 7-0 by a roll call vote.

Meeting adjourned at 6:35 p.m.

Approved by the Affordable Housing Trust Fund Board on 12/15/2021.

Respectively submitted,
Amanda Chiancola, AICP
Deputy Director

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