

ANNUAL REPORT OF THE SALEM REDEVELOPMENT AUTHORITY



Several projects in Salem's Urban Renewal Area are under construction, including Phase II of the Old Salem Jail redevelopment (top left), a new wing of the Peabody Essex Museum (bottom left), and the Hotel Salem on Essex Street (right).

Fiscal Year 2017
July 1, 2016 to June 30, 2017

BOARD OF DIRECTORS:

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November 2017

SRA ANNUAL REPORT

Fiscal Year 2017

INTRODUCTION

Since it was created in 1962, the Salem Redevelopment Authority (SRA) and its Design Review Board (DRB) have played an active role in the redevelopment of downtown Salem. Over the past 55 years, the SRA has made significant contributions to the revitalization of the Central Business District. Critical to this success is its commitment to preserving the social fabric and architectural heritage of the city.

The SRA Annual Report for fiscal year 2017 provides an overview of the projects that the SRA reviewed during the year, those in construction, and those that were completed. It also includes the public projects and initiatives that impact the downtown. Overall, the report is a reflection of the high volume of activity and the quality of development projects being constructed in Salem's Urban Renewal Area.

REDEVELOPMENT AUTHORITY PROJECTS

District Court

On June 17, 2015 the SRA released a request for proposals (RFP) for sale and redevelopment of the former District Court property at 65 Washington Street. This process was mutually agreed upon by the City, SRA, and the Commonwealth's Division of Capital Asset Management and Maintenance (DCAMM) via a memorandum of understanding entered into by these parties.

The SRA received proposals from three developers. It held three public meetings to respectively designate finalist proposals for consideration, interview project teams, and select a final and alternate proposal. The proposal selected by the SRA was submitted by developer Diamond Sinacori of Boston, called for a mixed-use building with 61 residential condominium units, of which six (6) would be affordable and 14 would be three-bedroom units, a building height of 69 feet, 71 on-site parking spaces, and 8,463 square feet of retail/restaurant space on the ground floor.

Since selection of the proposal, the SRA and Diamond Sinacori worked through the following major milestones:

- April 28, 2016: SRA and developer execute a final amended letter of intent outlining terms and details of a path forward for delivery of the project;
- October 24, 2016: The City, on behalf of the SRA, receives a memo from its environmental consultant Tighe & Bond, essentially substantiating the contention of Diamond Sinacori that approximately \$850,000 in removal of hazardous materials from the District Court building would need to occur prior to demolition of the building, which was discovered over several weeks of due diligence investigations coordinated by the developer;

- January 31, 2017: SRA and developer execute a land disposition agreement (LDA) that lays out all terms for the project up to closing on the property;
- April 13, 2017: City Council votes to approve a Housing Development Zone (HD) and Housing Development Incentive Program (HDIP) Plan for select parcels in downtown Salem, including the District Court parcel. The program allows the developer of the District Court project to enter into a tax increment exemption (TIE) agreement with the City and apply for up to \$2 million in tax credits from the Commonwealth for the production of market rate housing units;
- June 1, 2017: SRA and developer execute an amended LDA;
- August 9, 2017: Proposed project receives approval of its schematic design from the SRA.

During the first half of 2017, the original proponent of the project (Diamond Sinacori, LLC) joined with an additional financing partner (Urban Spaces, LLC of Cambridge). The two partners are now working cooperatively to complete the project.

As it stands now, the project still calls for 61 units with six affordable units and a height of 69 feet. The configuration of the ground floor and parking has changed. This change is a result of the developer opting to not excavate for underground parking. Doing so would be cost prohibitive. The retail space has been reduced, as well as the number of three bedroom units being offered, from 14 to 10. Below is a summary table of changes in the project from the original to current design proposed.

	<u>Original Proposal</u>	<u>Current Design</u>
Number of Units	61	61
Total Parking spaces	71	88
Standard	71	61
Tandem		6
Stackers		21
Building height	69 ft.	69 ft.
Total Building Square Footage	125,410 s.f.	109,000 s.f.
Total Retail Space	8,463 s. f.	3,000 +/- s.f.

Superior Court & County Commissioners Building

In January of 2017, Governor Charlie Baker signed into law an Act that enables the Commonwealth’s Division of Capital Asset Management and Maintenance (DCAMM) to convey the property on Federal Street in Salem that contains both the Superior Court and

County Commissioners building, to the SRA. The legislation allows for a similar process that unfolded with respect to the District Court to occur for this property. The notable differences for this project include the need for these buildings to be effectively preserved and adaptively reused by an end owner, and per direction of the Secretary of State, that certain rooms specifically called out in the legislation be reserved and used for the relocation of the Southern Essex District Registry of Deeds. The legislation calls for the Registry to ultimately own this space as a condominium.

The SRA, Mayor Driscoll, and City staff moved swiftly to convene several stakeholders including DCAMM, the Executive Office of Administration and Finance, Senator Joan Lovely, Representative Paul Tucker, the Salem Partnership, and the Register of Deeds. Secretary of Administration and Finance Kristen Lepore authorized the development of a feasibility analysis to examine whether a potential project can support both the Registry of Deeds and a component of private development. On behalf of the SRA, DCAMM hired Stantec consulting to produce this analysis, which is still being finalized.

The SRA will continue to work with all stakeholders to ensure that appropriate steps are taken to see that an expeditious and effective process occurs for issuance of a request for proposals (RFP) and ultimate redevelopment of these properties. The SRA shares the desire of many in the Salem community to see these buildings preserved and brought back to life.

Housing Development Incentive Program (HDIP) Plan and Housing Development (HD) Zone

In April of 2017 the City of Salem, with the cooperation of the SRA, approved a Housing Development Incentive Program (HDIP) Plan and associated HD Zone for select downtown parcels, including the District Court and Superior Court / County Commissioners Building parcels. A property owner that proposes a multi-family housing development that contains at least 80% market rate units in an HD Zone parcel may enter into a tax increment exemption (TIE) agreement with the sponsor municipality, and then proceed to apply for state tax credits worth up to 25% of qualified construction costs or a maximum of \$2 million.

The District Court project team will seek a TIE agreement for the minimum abatement of taxes over the minimum allowable length of time as dictated by State statute. This amounts to a discount of 10% off of the new property taxes owed as a result of the project being completed (the increment) over a period of five years.

The City Council will need to approve the TIE agreement by majority vote, as well as authorize the Mayor to execute it on the City's behalf. Likewise, Diamond Sinacori and Urban Spaces will need to receive approval from the Commonwealth's Department of Housing and Community Development (DHCD) in order to receive state tax credits.

Old Salem Jail Phase II

When the redevelopment of the Old Salem Jail was approved by local boards (including the SRA) in 2006, it included plans not only to redevelop existing buildings on-site, but also to build a new building with residential units in the courtyard area. That portion of the project had been on hold for some time. Moreover, it was redesigned two times, most recently by a new owner of the property.

The SRA approved the last revision of the final design of the project in June of 2016; the building will contain 14 residential rental units with 13 parking spaces underneath it. Construction began in early 2017 and should be complete in early calendar year 2018.

PRIVATE DEVELOPMENT PROJECTS

Hotel Salem

In 2015, luxury boutique hotel operator Lark Hotels purchased 209 Essex Street. The building had long served a commercial office function. The building is in need of significant repair and restoration, and sits along a pedestrian way that could greatly benefit from private investment in surrounding properties.

In October of 2015 the SRA approved plans for Lark to convert the property into a 44 room luxury boutique hotel, with three dining establishments, a rooftop deck, outdoor seating, and additional amenities. The project called for a complete cleaning and restoration of the building's facade. The ground floor will feature a brand new glass storefront system, designed to better engage the street it faces. Lark Hotels is investing \$4,000,000 in property design and renovations, and approximately \$1,200,000 in personal property (furniture, fixtures, and equipment). The City's Assessor estimates that the property value will increase by \$3,800,000 due to this investment.

Also in October of 2015, the Salem City Council approved a tax increment financing agreement (TIF) for the project that exempts approximately \$350,000 in property taxes over a five year period of time. There is a strong sense that this project, in combination with the expansion of the Peabody Essex Museum, will galvanize a great deal of additional economic activity along the Essex Street Pedestrian Mall, and transform it in a positive way for many years to come.

The hotel has been under construction for all of 2017 and is slated to open in November of 2017.

Mixed-Use Development Proposal at Washington and Dodge Street

In July of 2013, the City Council voted to approve the disposition of City-owned land located at the corner of Washington and Dodge Streets (at the time a 38 space parking lot) to Dodge Area LLC (c/o RCG LLC). The City also approved the abandonment of this portion of the Riley Plaza Roadway right-of-way as it is no longer used or needed for vehicular travel.

From September of 2013 to May of 2014, the developer presented continuously updated and revised plans to the Design Review Board for its proposed mixed-use development that will sit on the aforementioned site, in tandem with the parcels that it currently owns that run along the City's parcel. Schematic design was approved by the Salem Redevelopment Authority on June 11, 2014 calling for:

- 70-100 Residential Units
 - Some live-work spaces
 - Final unit count and type subject to market demand

- 20,000 +/- square feet of commercial space
 - Could increase if demand for office space suggests adding office space and could decrease if demand suggests more live-work space
- 85-115-room limited service hotel
 - Subject to franchisor license agreement and market demand
- 265 +/- parking spaces
 - Includes 38 re-located publicly available spaces, to be regulated and managed by owner

Since the schematic design for this project was approved, the applicant continued to move forward in the local permitting process, receiving approval from the Planning Board as a Planned Unit Development (PUD) in December of 2014, and again in September of 2015 when the project was reduced in size by removing a floor of the residential/office building component. The SRA approved a revised final design of the project that included the reduction of a floor in January of 2017.

The City was awarded a \$2.535 million “Massworks” grant from the Commonwealth’s Office of Housing and Economic Development that facilitated the relocation of utilities from underneath the City’s parcel and made improvements to the intersection at Washington and Dodge Street. An additional \$825,000 was requested and awarded by the State to cover a funding shortfall for a total of \$3.3560 million. The utility work began in late 2015 and was completed in early spring of 2017.

The developer demolished the one story building that lined most of its portion of the site. It closed on the property with the City in the fall of fiscal year 2017.

Since that time, the development team reorganized so as to allow the future builder and operator of the hotel portion of the project to manage the entire project. Due to cost constraints to construct the originally approved project, the applicant will return to the SRA in fall of 2017 with revisions to the final design of the project.

The developer will need to acquire approval of these changes from the SRA and amend their special permit that was issued by the Planning Board. They hope to be able to start construction in the first half of 2018.

Peabody Essex Museum Expansion

In 2011 the Peabody Essex Museum (PEM) announced its intention to build an expansion of the museum to make way for new gallery, public program, and education space. The PEM has since built a new mechanical penthouse on its roof and the installed a new emergency generator. This work comprises the “enabling phase” of the expansion and was approved by the SRA, and later completed by the PEM in 2013.

In October of 2015 the PEM presented to the SRA an initial schematic design of the proposed expansion produced by Ennead Architects of New York that proposed to add 33,565 gross

square feet to the museum. It was proposed to be built atop space previously occupied by an outdoor garden and restaurant. A new garden will be constructed in the back of the new proposed building. No existing galleries will be demolished in the building process and when the project is complete, gallery space will be increased by 15% to bring total gallery space to 100,000 square feet, ranking PEM among the top 20 art museums in the country. At its October 2015 meeting the SRA voted to approve the project to go through the schematic design review process. The project received schematic design approval from the SRA in September of calendar year 2016. Construction activities have already begun and general construction will be carried through to calendar year 2019.

90 Washington Street – New City Hall Annex

In summer of 2016 the City Council authorized the Mayor to enter into a 20 year lease with the new ownership group of 90 Washington Street for the purposes of it hosting the new City Hall Annex offices. The building is a three story structure directly across from City Hall that for several years has hosted the “Red Lion Smoke Shop” in a ground floor retail space.

In October of 2016 the SRA approved plans to renovate the exterior of the front and rear facades of the building, as well as to add an addition on the rear elevation. The full interior renovation will provide state-of-the-art public meeting rooms and office space for City staff.

Construction of the project began in summer of 2017 and will be complete in early 2018. City Hall Annex employees should be moving into the renovated space by March of 2018.

Storefront Improvement Program

The Department of Planning and Community Development manages a Storefront Improvement Program in Salem as part of the Mayor’s goal to continue the revitalization of the downtown commercial area. The program offers a one-to-one matching grant up to \$5,000 for exterior storefront improvements including signs, awnings, painting, and lighting. During the past fiscal year, two businesses participated in the program. Those businesses are “Witch City Wicks” and “Moon Baby – Hair and Wares,” which neighbor each other on Essex Street, and each utilized the program to support fabrication and installation of their respective blade signs. Both signs were approved by the SRA. Over the years, the program has helped increase the number of quality signs and storefronts by giving business owners an incentive to improve their storefronts.

Sign Improvements

The SRA and DRB review and approve all sign changes that are proposed in the Urban Renewal Area. In fiscal year 2017 the SRA and DRB approved new signage to be installed at the following businesses:

- Adea’s Mediterranean Kitchen (90 Lafayette Street)
- Army Barracks (234 Essex Street)
- Bambolina (288 Derby Street)
- Brew on the Grid (217 Essex Street)
- The Donut Experiment (311 Derby Street)
- Emporium 32 (6 Central Street)
- Flatbread (311 Derby Street)

Honey Dew Donuts (99 Washington Street)
Kokeshi (41 Lafayette Street)
Ledger (125 Washington Street)
Marina's Newsstand (212 Washington Street)
Omen (184 Essex Street)
Turtle Alley Chocolates (318 Derby Street)
Witch Pix (172 Essex Street)

Façade and Other Storefront Projects

The SRA and DRB also review storefront and building improvements, such as repainting of façades and replacement of lighting. The following projects were reviewed and approved by the SRA and DRB during fiscal year 2017:

Artists' Row – Redesign
53 Charter Street (Grimshawe House) - Renovations
7 Crombie Street (Blue Stone Alley Condos) – Installation of new copper roof vents
161 Essex Street (PEM) – Loading dock area improvements
217 Essex Street (Brew on the Grid) – Outdoor seating area
1 Sewall Street (YMCA) – Improvements to outdoor play area
87 Washington Street (Opus) – Installation of alley string lights and “sail” canopies above rear outdoor seating area
125 Washington Street (Ledger) – Installation of ADA ramp

PUBLIC PROJECTS AND INITIATIVES

A number of public projects and initiatives were initiated or continued in the downtown during the past fiscal year. The following are those projects and initiatives that impact the Downtown Renewal Area.

289 Derby Street – “The Carnival Lot”

In 2016 the Salem City Council approved a \$1.4M bond order to acquire property located at 289 Derby St., known to some as “the carnival lot,” for the purpose of constructing a downtown waterfront park. The City also applied for and received Community Preservation Act (CPA) funding for design/soft costs.

After going through a designer selection process, the City hired CBA Landscape Architects of Cambridge to produce the design of the project. CBA worked with Claudia Paraschiv of the Salem Public Spaces Project and Creative Salem to generate awareness about the project through events and workshops, and to receive feedback from the general public.

After receiving a considerable amount of feedback from stakeholders, the public, and even the DRB and SRA at a joint meeting held in 2017, the park now has a final design and the project has gone out to bid. The City's goal is construct the new park over the fall/winter of 2017, and into 2018.

Downtown Market Retail Analysis, Strategy, and Action Plan 2017

In 2007 the City of Salem commissioned Economic Development Consultant Karl Seidman to examine Salem's trade area demographics and best practices in order to foster a better downtown retail environment. The resultant document and action plan has been a blueprint for the City and its partners (Salem Main Streets in particular) to recruit new businesses that have enhanced the vibrancy of the downtown and the city as a whole. Salem now has a farmers' market, several annual festivals and street fairs, and it has become a dining destination on the north shore.

In summer of 2017 the City again retained Karl Seidman to expand on his previous work. Although the City has been successful in recruiting certain retail categories and dining establishments, challenges still remain with respect to enlivening the Essex Street Pedestrian Mall and implementing new ways to support the overall retail environment. Seidman has been working with a stakeholder group comprised of City staff, retailers, Destination Salem, Salem Main Streets, the Chamber, and the Salem Partnership to gain feedback on these issues. He has also performed detailed demographic and statistical research, examined best practices in other cities that share some of Salem's challenges, and researched national retail trends. A final document that compiles all of this information and outlines a strategic plan for partners will be complete in fall of 2017.

Old Town Hall

Old Town Hall is marketed as an event venue through Destination Salem and various websites. The Public Art Planner has been successful in continuing to build upon relationships with several entities that have booked events at Old Town Hall on an annual basis (or more often), including:

- The Massachusetts Poetry Festival, which features local poets and lectures; and
- The Boston Early Music Festival, which uses Old Town Hall for two weeks in November to not only rehearse their yearly opera, but to design, make and sew all of the production's costumes.
- Fezziwig's Ball, an event that features dancing and celebration that harkens back to the style of the 1800s. There is a lantern procession through the streets of Salem and singing of 19th century carols.

Having these regular events that draw large crowds at Old Town Hall helps to highlight the venue while driving foot traffic downtown. During fiscal year 2017, the building hosted 61 events. They included private receptions, craft markets, weddings, fundraisers, concerts, theatrical performances, and art shows. Old Town Hall also continues to host live performances of Cry Innocent, an interactive performance about the witch trial of Bridget Bishop.

Repairs/improvements to Old Town Hall in Fiscal Year 2017 include an investment of \$7,100 in summer of 2016 to re-plaster and paint the walls of bathrooms and some areas of the foyer.

Public Art

In late spring of 2017 a call for works was distributed for “Celebrating the Urban Environment,” resulting in three locations for public art in the downtown. “Pavilion” is a site specific wooden sculpture in a plaza on the corner of Washington and New Derby Street. “From a Dark Place” is a mural painted on vinyl installed at the entrance of the old train station, enhancing an otherwise dilapidated and unsightly area. “Whispers of Salem” is a virtual reality tour of the sounds of Salem both past and present beginning on Front Street and moving along Charter Street. The budget for the three projects was \$7,500.00.

The Public Art Commission and the Public Art Planner collaborate with organizations throughout the year bringing more art to public spaces. In 2016 they collaborated with Salem Sound Coastwatch’s “DrainArt” program to bringing awareness through painted murals that everything that goes into our storm drains ends up in the ocean.

Artists’ Row

Artists’ Row provides a seasonal program designed to give area artists and craftspeople an opportunity to work, exhibit and sell their pieces; and in exchange, they provide free performances or workshops. Three “creative entrepreneurs” (Boston Woodworking, Grace & Diggs, and Ceramics by Sibel) remained in their respective Artists’ Row stalls from the previous season.

A framework document to conceive a future for Artists’ Row was completed with guidance from the Boston based Cecil Group. It considers the space’s design, uses and programming, and management and operations. A working group of local stakeholders was convened to discuss what issues and ideas should be considered, and two public meetings were held to seek broader feedback. The final document provides a comprehensive set of recommendations that the City will use to guide future changes to the space and programming.

Based on recommendations from the Framework document, improvements were made to the Lobster Shanty, a restaurant that leases a building on Artists’ Row at the intersection of Front Street. Improvements include a new wooden deck that improves sightlines along the Row, a fence to screen rubbish, and a new air-cooled fan unit to more efficiently run the refrigeration systems. A handicap accessible bathroom was also installed in spring of 2017.

In 2017 the Public Art Planner worked with a group of graphic design students from Lesley University to re-brand Artists’ Row. The students presented a scope that included changing the paint colors of the stalls, new doors and windows for better visibility and new graphics for signage on the walls to the entrance of Artists’ Row. The project was presented and approved by the Design Review Board and the Salem Redevelopment Authority.

To further enliven activity on Artists’ Row, in 2017 the Public Art Commission (PAC) initiated an Artist In Residence Pilot Program and hired Claudia Paraschiv of the The Public Art Salon. Ms. Paraschiv worked with the tenants to develop activities and programming that would appeal to the community and bring more visitors to the Row. Over a six-week period

in July and August Ms. Paraschiv invited the community into weekly creative placemaking activities resulting in a community tables and planted gardens.

Salem Main Streets Program

Originally established in 2000, the Salem Main Streets Program assists with the recruitment of new businesses, provides technical assistance to businesses, coordinates promotional events and serves as a leading advocate for a strong commercial-retail environment. The Salem Main Streets Program continued to work with the SRA and the City during fiscal year 2017 to promote a vibrant, retail-oriented downtown. The Arts Festival, weekly Farmers' Market, and "Scooperbowl" all continue to be successful events organized by Salem Main Streets. The City provides partial funding to the Main Streets program through the Community Development Block Grant program and occupies a seat on its steering committee.

In fiscal year 2017 Salem Main Streets assisted six (6) new, 37 existing and seven (7) prospective businesses (including 34 micro-enterprises and six (6) expanding businesses), leading to the creation of eight new full time jobs documented.

City of Salem Business Loan Program

The City of Salem continued to recruit and retain businesses in Salem by helping with financing gaps through its Business Loan Program. The program targets businesses that seek to make capital improvements to their buildings and those looking to expand their enterprise. In fiscal year 2017 the program funded the following loans:

Kokeshi - \$34,000 for equipment purchases. This second restaurant concept developed by the group that started Bambolina features funky Asian street food and craft cocktails. The restaurant is located at 41 Lafayette Street and made way for a renovation of space once occupied by the "Salem Laundry."

BOARD/ADMINISTRATIVE CHANGES

Matthew Smith resigned from the Board in order to take a position with the City of Salem as its new Director of Parking and Traffic. Longtime Members Conrad Baldini and Robert Curran also resigned after several years of successful service to the Board.

In their places the Board welcomed the addition of David Guarino, Christine Madore, and Dean Rubin.

CONCLUSION

The SRA has had great success over the past year in its efforts to promote appropriate private and public development in downtown Salem. Over the next year, the SRA will continue to support commercial and retail development while promoting the values and cultural heritage of Salem.

Salem Redevelopment Authority					
FY 17 Financial Report (Receipts and Expenditures)					
Date	Description	Check Number	Deposits/Interest	Withdraws	Balance
	Balance Forward				\$105,829.98
7/28/2016	City of Salem, For Construction of OSJ Parking	1081		\$ 80,000.00	\$ 25,829.98
7/31/2016	Interest - July 2016		\$ 4.05		\$ 25,834.03
8/31/2016	Interest - August 2016		\$ 1.10		\$ 25,835.13
9/30/2016	Interest - September 2016		\$ 1.06		\$ 25,836.19
10/31/2016	Interest - October 2016		\$ 1.10		\$ 25,837.29
11/30/2016	Interest - November 2016		\$ 1.06		\$ 25,838.35
12/31/2016	Interest - December 2016		\$ 1.10		\$ 25,839.45
1/31/2017	Interest - January 2017		\$ 1.09		\$ 25,840.54
2/28/2017	Interest - February 2017		\$ 1.00		\$ 25,841.54
3/31/2017	Interest - March 2017		\$ 1.09		\$ 25,842.63
4/30/2017	Interest - April 2017		\$ 1.06		\$ 25,843.69
5/31/2017	Interest - May 2017		\$ 1.10		\$ 25,844.79
6/30/2017	Interest - June 2017		\$ 1.06		\$ 25,845.85
	TOTALS		\$ 15.87	\$ 80,000.00	\$ 25,845.85