



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

Office of the Mayor

February 27, 2020

Honorable Salem City Council
Salem City Hall
Salem, Massachusetts 01970

Ladies and Gentlemen of the City Council:

I am pleased to present the enclosed Inclusionary Housing Ordinance. This ordinance is the result of a yearlong collaborative and data-driven process involving dozens of community members, participants at our public housing forums, members of this Council, and the members of the Affordable Housing Trust Fund Board. There are over 100 municipalities in Massachusetts with some form of inclusionary zoning. It is widely used because it is an effective tool that leverages the private marketplace to create affordable housing without public subsidies.

As you may be aware, most inclusionary zoning ordinances target income levels at 80% of the area median income (AMI) and include opt-out options. Although the Planning Board is already requiring 10% of new units to be affordable at 80% AMI without an ordinance, the proposed ordinance is more permanent, takes our current practice to the next level, and is much more robust. It is tailored to Salem's specific housing market and is one of the most progressive inclusionary zoning ordinances in the Commonwealth in several respects.

First, it mandates affordability at the deeper level of 60% AMI. The 60% AMI level is more consistent with the income levels of a typical Salem household. Second, the ordinance requires that the affordable units be equitable to the market rate units. Thus, the affordable units are not allowed to be provided offsite in a different building from the market rate project. Third, the ordinance does not allow a payment in lieu of the affordable units. For Salem, the construction of actual affordable homes is far more important than a financial contribution.

Like most inclusionary zoning ordinances, this ordinance includes incentives. Affordable units cost just about as much to build as market rate units; therefore, it was critical for the ordinance to strike a reasonable balance between meeting Salem's affordability goals and being financially feasible and realistic. To that end, the Metropolitan Area Planning Commission developed a

financial feasibility model to test the market implications of various inclusionary zoning scenarios. The model is based on a pro-forma analysis that considered housing market data from the Warren Group and the US Census Bureau, as well as qualitative data from interviews with Salem residents and local housing experts including lenders, developers, and land use board members. Through this feasibility model, it was determined that, in order to get 10% of the units at the deeper affordability level of 60% of AMI, the ordinance would need to include a 25% density bonus, as well as a degree of parking and setback flexibility. Requiring a greater percentage of units to be affordable or not having a density bonus resulted in the project not being financially feasible and, thus, no units would be built.

We need a diverse housing stock to meet the current and future needs of Salem residents. To support diverse housing, we also need a broad range of housing tools. Inclusionary zoning is an important tool; however, it alone will not meet all the affordable housing needs that our community faces. Another tool is to leverage publicly owned land for housing that has higher percentages of affordable units and deeper affordability levels than the levels established in the Inclusionary Housing ordinance. We are also working with the Salem Housing Authority to explore new housing opportunities with them. An additional tool is to create affordable homes through an Accessory Dwelling Unit ordinance, which has been submitted to you under separate cover for this week's City Council agenda.

On its own, the Inclusionary Housing Ordinance will not solve all of Salem's housing issues, but it will help. Requiring private home builders to create 10% of new units at 60% AMI with no public funds will create affordable housing that is more consistent with the typical income of a Salem family. The units will be of the same character, quality, and location as the market rate units. Lastly, this ordinance will ensure that the affordable units are constructed, rather than allowing an in-lieu payment in their stead.

I look forward to continuing this discussion regarding the Inclusionary Housing Ordinance at the joint public hearing with the Planning Board, which is the next step for this ordinance. Thank you for your shared commitment to pro-actively address the growing housing affordability challenge in our community.

Very truly yours,



Kimberley Driscoll
Mayor
City of Salem