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## DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

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May 22, 2020

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

Dear Members of the City Council Subcommittee on Ordinances, Licenses, and Legal Affairs and Committee of the Whole,

This letter is a response to questions that were asked at the May 14, 2020 Ordinances, Licenses, and Legal Affairs Subcommittee meeting.

**1. What is the expected tax amount that would be exempt?**

The tax exemption would only be on the value of the ADU. The City Assessor expects the tax increase for an ADU to range between \$200 to \$1,000 a year. As a percentage of the total value it would not be a big increase in tax dollars. The Assessor provided staff Witchcraft Heights as an example because most of the homes there have a finished basement already. If an ADU were added to the basement of a home in Witchcraft Heights, it would only increase the value of the home between \$10,000 to \$25,000. That equates to \$144 to \$361 in increase in taxes. The City Assessor also pulled up an example of a newly constructed single-family home with an ADU in the basement, in that example it increased the value of the home about \$65,000 a year, resulting in \$900 a year in taxes.

**2. How are trash & recycling currently handled, are extra totes provided to ADUs? How will it be handled if the amended ordinance passes?**

Currently, households who occupy an ADU could order an extra recycle tote for \$50; however, a second trash tote is not provided. Therefore, the trash tote for the primary home must be shared with the ADU. The proposed ordinance would not change this procedure.

**3. What programs will not be funded since we are taking money away from the HOME fund?**

Before responding to this, staff would like to provide a brief overview of the Home Investment Partnership (HOME) funding. Salem receives an allocation of funds from HUD and that funding must be dedicated solely for housing programs. The housing programs can be used to fund a wide range of activities that build, buy and/or rehabilitate affordable housing for rent or home ownership. The goal of HOME funding is to “*expand and improve the supply of decent, safe and affordable housing.*” The loan program would meet that goal.

In FY21, the City will receive an allocation of \$168,650 in HOME funds. A small portion of that (\$25,000) is proposed to be allocated to the loan program. In addition, the loan program could be framed to require that the funds be paid back to the City. If that occurs, then the repayments (program income) would be available to go back into the loan pool for future years. In order to maximize accomplishments and make projects feasible, HOME funds are often combined with other funding sources. Likewise, staff is seeking opportunities to leverage the proposed \$25,000 allocation with other funding sources, e.g. grant programs.

To complete the annual CDBG/HOME Action Plan and determine the use of our funding allocations, each year the City issues a Request for Proposals to nonprofit organizations that offer social service, housing or economic development programs. Funds are awarded to organizations that demonstrate programmatic needs and the capacity to administer the proposed program. To give you an idea of how HOME funds have been spent in the past, Salem’s HOME funding has been typically used to assist with the acquisition and redevelopment of affordable housing through agencies such as the North Shore Community Development Coalition (NSCDC) and Harborlight Community Partners, as well as rental down payment assistance or tenant based rental assistance programs provided by the North Shore Community Action Program (NSCAP) or Citizens for Adequate Housing.

For the FY21 Action Plan, proposals for HOME funding were received in February, 2020 from NSCAP (for rental assistance programs) and North Shore CDC (for a City match for two affordable housing projects). The City was able to fund the NSCAP request out of unprogrammed FY19 funds, freeing up additional FY21 HOME funds. The proposed FY21 budget allows for funding a portion of the NSCDC request with HOME funds (additional funding will be provided with CDBG funds) and for funding the ADU program, without taking away from any other HOME-funded programs.

If you would like more information about HOME funded projects, a detailed description of the HOME expenditures can be found in the Consolidated Annual Plan Evaluation Report (CAPER) linked here: <https://www.salem.com/sites/salemma/files/uploads/caperfy19fullfinal.pdf>.

**4. Does the language of the special act need to be modified to ensure that a tax incentive is not provided to a homeowner who has also received a loan for the ADU?**

The language shown in red below could be added to the special act to prohibit households who receive a loan from the City to build the ADU from receiving a tax incentive during the term of the loan:

**Section 5.** Households who have received a loan administered by the City of Salem for the purpose of building the Accessory Dwelling Unit shall not be eligible for the tax incentive for the term of the loan.

In addition, the City Council could prohibit family members from obtaining the tax exemption by adding the text to Section 1, shown below in red.

**SECTION 1.** Notwithstanding the provisions of any general or special law to the contrary, upon the approval by the Salem City Council of Salem's Accessory Dwelling Unit Ordinance, an Accessory Dwelling Unit in the City of Salem which is rented to and occupied by a household of low income, **excluding immediate family members, defined as a parent, sibling or child, of any individual with a property interest in the principle dwelling**, at a rental amount not exceeding the standards of the United States Department of Housing and Urban Development for low income persons, shall be exempt from taxation under Chapter 59 of the General Laws.

#### **5. Who will pay for the taxes for the people living in the ADU?**

The tax exemption would be subsidized by taxpayers. As previously discussed, the expected tax exemption from a single ADU would range from \$200 to \$1,000 a year.

Please do not hesitate to contact me at [achiancola@salem.com](mailto:achiancola@salem.com) if you have any additional questions.

Sincerely,

Amanda Chiancola, AICP  
Senior Planner

Cc: Mayor Kimberley Driscoll  
Tom Daniel, DPCD Director  
Ilene Simons, City Clerk