



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

May 28, 2020

Dear Members of the Affordable Housing Trust Fund Board,

I am writing to follow up with you on the proposed Accessory Dwelling Unit (ADU) ordinance that is currently pending before the Salem City Council. As you know, the current ordinance was filed jointly with eight of you co-sponsoring the ADU zoning proposal, along with a special act that would enable a property tax exemption allowance for anyone renting a unit at an affordable rate and support for a loan pool that would help fund the creation of affordable ADU rentals.

Over the last two weeks, Councillor Dominguez, a co-sponsor of the ordinance, reached out to ask if additional affordability provisions could be added to strengthen the ordinance. At his urging we have researched additional options to provide this expanded affordability in any ADUs created through this ordinance. I'm pleased to inform you that we believe we can ensure that every new ADU created as a result of this ordinance will have an affordability restriction in place ensuring the unit is rented at or below 75% of fair market rents.

Based on a model in Wellfleet, we are proposing that any new ADU created via the ordinance, would have a maximum monthly rental limit that could not exceed 75% of the HUD Fair Market Rent (FMR) (this means that the unit will need to be rented at least 25% below fair market rent). A chart showing what the rental limits would be as of today is listed below.

Rent Maximum based on a 25% reduction of Fair Market Rent (FMR)

FMR is set annually by the U.S. Department of Housing and Urban Development (HUD)

	Studio	1 bedroom	2 Bedrooms
2020 HUD FMR Limit	\$ 1,715.00	\$ 1,900.00	\$ 2,311.00
25 Percent Reduction of FMR	\$ 1,286.25	\$ 1,425.00	\$ 1,733.25

https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2020_code/2020summary.odn?&year=2020&fmrtype=Final&selection_type=county&fips=2500959105

HUD sets FMR's annually. This is the same metric used to set Section 8 and other rental subsidy program caps. Since it is published annual by HUD, it's a standard that landlords, realtors and others are familiar with and is reflective of market conditions.

We did not think we could legally tie rental caps to ADU's, but we have found a by-law in Wellfleet that did this a few years ago (there have been 15 ADUs created in Wellfleet over the last decade plus since the by-law was adopted). Every town by-law (unlike City ordinances) is required to have the sign off by the Attorney General's office, so we believe this is a valid provision we can include, provided we offer an incentive to anyone creating an ADU.

Because we had already planned to offer a modest tax exemption to any affordably rented ADU via the special act currently before you, this will enable us to issue a below-market rent max on new ADU's. The specific amount of the annual exemption would be determined by the square footage of the ADU, but assessors do not expect the exemption to exceed \$500 per year.

So, we think we have addressed concerns about affordability and found a way to move forward in a productive way that will ensure that any new ADU is rented at an affordable rate. We hope the rent caps are not overly onerous, as there is still room for some profit, while keeping rents 25% below market. This will be especially helpful as we strive to meet workforce housing needs and help counter fast rising rents in Salem. This will also provide an income stream for older adult homeowners who have more house than they need and want to remain in their home as they retire.

I want to thank members of the Council for pushing us on affordability and working cooperatively to address our city's housing challenges. Just this week, we received updated unemployment numbers for Salem. In a staggering shift, Salem's unemployment rate in April was 18.5%— which is higher than the state average and a significant change from where we were in March at 3.1%. For comparison, last April our local unemployment rate was 2.7%, nearly a sixth of what it was this year for the same month. Our housing challenges are going to be magnified during the recovery from this pandemic.

I urge you to work collaboratively to allow this new housing option in Salem.

Best,



Kim Driscoll
Mayor

p.s. I've included a link to Salem apartment rentals on Craigslist. As you can see, every rental rate listed in Salem far exceed these proposed ADU limits and illustrate how exceedingly helpful it would be to have affordable ADU housing options in Salem.

https://boston.craigslist.org/search/nos/apa?query=Salem%2C+MA&availabilityMode=0&sale_date=all+dates