

Hamilton Development Corporation
September 14, 2016

The Hamilton Development Corporation met at Hamilton Town Hall at 7:30 a.m. on Wednesday, September 14, 2016 with Bill Gisness, Brian Stein, Rick Mitchell, Anthony Nickas present. Community Projects Coordinator Dorr Fox also present.

Call to order

Brian Stein called the HDC meeting to order at 7:30 a.m.

Warrant for bills

Rick Mitchell moved to approve HDC warrant #1706 for \$554.30 for Dorr Fox's time and Harborlight Community Partners, and National Grid. Bill Gisness seconded the motion. VOTE: Unanimous.

59/63 Willow Street

The property has been rented as of October 1, 2016 and the new tenant will pick up the cost for utilities. Harborlight Community Partners will be submitting an estimate for replacing the toilet, adding hot water to the bathroom sink, and new flooring (i.e., \$4,000). The intent is to have this work done by October 1st.

Stein will call arborist to get an estimate for work on a large, unhealthy tree on the HDC's property that is of concern to a neighbor since it is located behind her house. The HDC needs to get permission from the Town (Town Manager Michael Lombardo acting as tree warden) for okay on the work.

Gisness has had conversations with Nordblom and provided information. The HDC discussed the need for a certain number of units at the site to make a development project economically feasible. The Corporation will define assumptions relative to construction cost (i.e., \$175 sf to \$200 sf), site work and parking costs are separate. Conversation will occur between HDC members and experts in the construction field.

Rental costs discussed for future units were \$1,600 for one bedroom, and \$2,000 for a two bedroom especially if there are any amenities in the building. This is for a market rate deal with no tax credits. The HDC noted that it is renting the two bedroom, 1,100 sf older house on its property that has not been updated for \$1,750 a month (there was a \$200 discount because the tenant is maintaining yard at the property).

Next steps beyond the economic model are to determine how to make a development project work at the site. An affordable housing project (elderly or family affordable where occupants are employed) with equity from tax credits could be considered. This is new construction but tax credit options would be available for different sources of funding (80% affordable, 20% market rate, and commercial space). Affordable housing is centered on median income in the area.

Certain percentage rules are used in calculation to determine who can rent. The property could generate low income housing federal/state tax credits allocated from the state. Limited partnership interests get tax credits. Some banks do it to get CRA credits. Local banks or Mass. Housing could do financing for pre-construction, construction or loan for the entire project. The HDC would hire someone to do the construction.

To date the economic analysis has been on market rate (i.e., 16 to 20 units). This will provide a benchmark on what development could work at the site. If this doesn't work financially then tax credit route will be researched. The threshold on number of units has to be defined.

A next step for the HDC could be to get proposals for site plan approval which could potentially be financially supported by Salem Five bank through a construction loan. This would take the HDC through site plan review where it could sell the property, co-develop it or develop it. It is unknown if the bank would support a construction loan for pre-development costs. The HDC can develop a pre-development budget and determine the Corporation's available cash (i.e., \$100,000).

The HDC discussed a possible scenario where the Corporation would get a construction loan and a developer would be responsible for soft costs associated with design, engineering, legal and construction. A contractor would be hired to build the project using an owner's project manager. Numbers and a concept design would have to be done before approaching a bank.

The Corporation reviewed its preliminary economic analysis with rent defined at \$1,600 for 750 sf, one bedroom unit, and \$2,200 for 1,000 sf, two bedroom unit. Also mentioned was how low income housing tax credit assumptions could be included. The model identified being \$1.3 million in the negative which with a previous model had been \$500,000 to \$600,000. The construction costs, hard costs, and site costs need to be fine tuned. For the operation costs in the first year there is no income and a financial cushion will be needed as the units are phased in. Also an interest reserve to finance interest during construction. Other income from the 7,500 sf commercial piece was estimated at \$150,000 a year (i.e., \$20 a sf). The HDC could pay off its loan or get a new loan.

The Corporation discussed how it could create other financial scenarios with as many as 30 units on the site. The total square footage is 17,500 sf for the building plus 7,500 sf for the commercial space for a total of 24,000 sf at an estimated \$200 a square foot. The construction costs would be \$4.8 million. Cost for bringing in fill to site will have to be determined. Architectural elements considered for the proposed building could include dormers, gable roof, tower and roof deck.

Anthony Nickas will run scenarios of the economic model for the HDC members to review and discuss at its next meeting. This will enable the Corporation to decide if the project will be affordable, market rate, and if the HDC is going to move forward as the co-developer. The HDC could use \$75,000 in its account or consider financing a portion. The HDC currently has a \$480,000 loan for the property which could be worth more than when the Corporation purchased the site. There was discussion about if a new rental property were sold in the future it could potentially be worth \$3 million based on rents. Also mentioned was that operating expense for rental units could be as high as \$9,500 a piece (i.e., taxes, maintenance, insurance, utilities, management fee). He will investigate operating costs (Harborlight could provide) for rental units.

Update on downtown improvements

No updates have been received from Jeff Hubbard and the merchants group on downtown improvements. The HDC discussed its continued interest in holiday lights downtown (i.e., Patton Park is not in the commercial district – Town could add lights at the park) along Railroad Avenue. How to bring power to the lights has to be identified. Mitchell will champion this effort. Discussion will occur with property owners on Railroad Avenue. The HDC could fund some white lights for trees on the avenue.

Update on Planning Board actions

The Planning Board held two public hearings on zoning by-law rewrite for Town Meeting, and cottage housing by-law for overlay district that allows fair amount of density on two plus acre lots (five units per acre).

Clarification on multi-family/mixed use by-law

The HDC discussed how this by-law needs to be clarified so multi-family will be allowed in the business district. Mixed use is allowed. Multi-family would be used as part of a mixed used development (i.e., on the second floor). The HDC will talk to Town Counsel Donna Brewer in preparation for a Town Meeting article that would allow the multi-family/mixed use development in the business district. The Town Meeting article

would have to go before the Planning Board. The fall Town Meeting is on October 22. Community Projects Coordinator Dorr Fox will speak to the Town manager about the HDC working with Brewer about correcting the language in the Town's zoning by-law to allow multi-family use in mixed use development in the business district.

Mitchell moved to adjourn the meeting at 8:25 a.m. Gisness seconded the motion.
VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: _____
Brian Stein, President