



Massachusetts Housing Finance Agency
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September 16, 2021

SLV School Street, LLC
257 Hillside Avenue
Needham, MA 02494
Attention: Geoff Engler

**Re: The Sanctuary at Manchester-by-the Sea
Project Eligibility/Site Approval
MassHousing ID No. 1116**

Dear Mr. Engler:

This letter is in response to your application as “Applicant” for a determination of Project Eligibility (“Site Approval”) pursuant to Massachusetts General Laws Chapter 40B (“Chapter 40B”), 760 CMR 56.00 (the “Regulations”) and the Comprehensive Permit Guidelines issued by the Department of Housing and Community Development (“DHCD”) (the “Guidelines”) and, collectively with Chapter 40B and the Regulations, the “Comprehensive Permit Rules”), under the New England Fund (“NEF”) Program (“the Program”) of the Federal Home Loan Bank of Boston (“FHLBank Boston”).

SLV School Street, LLC has submitted an application with MassHousing pursuant to Chapter 40B. You have proposed to build one hundred thirty-six (136) units of rental housing (the “Project”) on approximately 23.32 acres of land located off School Street (the “Site”) in Manchester-by-the-Sea (the “Municipality”).

In accordance with the Comprehensive Permit Rules, this letter is intended to be a written determination of Project Eligibility by MassHousing acting as Subsidizing Agency under the Guidelines, including Part V thereof, “Housing Programs In Which Funding Is Provided By Other Than A State Agency.”

MassHousing has performed an on-site inspection of the Site, which local boards and officials were invited to attend, and has reviewed the pertinent information for the Project submitted by the Applicant, the Municipality and others in accordance with the Comprehensive Permit Rules.

Municipal Comments

Pursuant to the Regulations, the Municipality was given a thirty (30) day period in which to review the Site Approval application and submit comments to MassHousing. At the request of the Municipality, this period was extended for a total of sixty (60) days to review the Site Approval Application. The Board of Selectmen submitted a letter summarizing comments from municipal departments, boards, committees and members of the community identifying specific concerns with the proposed Project:

- The Municipality expressed concern with various aspects of the site plan. Of greatest concern was the length of the site drive and lack of secondary or emergency access. The Municipality notes that the proposal includes one point of access/egress from a “steep and winding” road and is concerned about potential negative impacts on public safety.
- The Municipality believes the proposed Project is inconsistent with its Housing Production Plan (December, 2020) and notes that the project design featured building heights and density levels significantly higher than those found throughout Manchester-by-the-Sea.
- The Municipality is concerned about the Project’s potentially negative impacts on the surrounding natural resource area, including State mapped vernal pools, rare and endangered species, and conservation areas used for passive recreation.
- The Municipality is concerned about stormwater management of the Site and requests that the Applicant provide a stormwater management plan for the Site, including erosion control measures during and after construction.
- The Municipality is concerned that the proposed addition of impervious surfaces, on-site sewerage treatment and paved access routes may negatively impact drinking water quality with downstream flooding.
- The Municipality notes a lack of usable open space for residents and recommends that the site plan include additional areas left for open space features.
- The Municipality is concerned that the Project would result in increased traffic volume and congestion on and around School Street.
- The Municipality is concerned about the Site’s challenging topography and the potential impact on the general public safety and accessibility.
- The Municipality is concerned about the economic viability the proposed project due the high costs associated with developing a Site with challenging topography.
- The Municipality is concerned about the potential negative impacts of air overpressure and ground vibration from the removal of ledge on Shingle Hill to the surrounding neighborhoods.

Community Comments

In addition to comments from Municipal staff and officials, MassHousing received several letters and signed petitions from area residents expressing various concerns for the proposed Project. While letters from the community largely echoed the concerns identified by Municipal officials, the letters received are summarized below:

- Area residents voiced concern with existing traffic congestion on School Street, and the possibility that the Project would exacerbate traffic volumes and further reduce the level of service at area intersections. Letters expressed the concern that increased traffic volume on area roadways would result in unsafe conditions for residents traveling onto School Street;

- Residents are concerned that public safety vehicles may have difficulty negotiating the Site in the event of an emergency;
- Residents perceived the Project's architectural design to be incompatible with the surrounding area;
- Lack of proposed open space; and
- Residents raised concerns regarding the proposed stormwater management plan.

Additional Comments

State Senator Bruce Tarr and State Representative Brad Hill submitted a letter identifying a number of concerns with the Project, including its departure from local zoning regulations, impacts on nearby environmental resources, economic viability and access to the proposed Site. As a result of this correspondence, MassHousing facilitated a series of discussions with State and local officials to discuss these concerns in detail.

MassHousing carefully considered the Municipality's concerns and, to the extent appropriate within the context of the Site Approval process, has offered responses in the following "Recommendations" section of this letter.

MassHousing Determination and Recommendation

MassHousing staff has determined that the Project appears generally eligible under the requirements of the Program, subject to final review of eligibility and to Final Approval.¹ As a result of our review, we have made the findings as required pursuant to 760 CMR 56.04(1) and (4). Each such finding, with supporting reasoning, is set forth in further detail on Attachment 1 hereto. It is important to note that Comprehensive Permit Rules limit MassHousing to these specific findings in order to determine Project Eligibility. If, as here, MassHousing issues a determination of Project Eligibility, the Applicant may apply to the Zoning Board of Appeals ("ZBA") for a comprehensive permit. At that time local boards, officials and members of the public are provided the opportunity to further review the Project to ensure compliance with applicable state and local standards and regulations.

Based on MassHousing's site and design review, and considering feedback received from the Municipality, the following issues should be addressed in the application to the ZBA, and the Applicant should be prepared to explore them more fully during the public hearing process:

- Development of this Site will require compliance with all state and federal environmental laws, regulations and standards applicable to existing conditions and to the proposed use related to building construction, stormwater management, wastewater collection and treatment, and hazardous waste safety. The Applicant should expect that the Municipality will require evidence of such compliance prior to the issuance of a building permit for the Project.
- The Applicant should be prepared to respond to municipal and community concerns relative to Site access, potential off-site traffic impacts on area roadways and intersections, and to respond to reasonable requests for mitigation.

¹ MassHousing has relied on the Applicant to provide truthful and complete information with respect to this approval. If at any point prior to the issuance of a comprehensive permit MassHousing determines that the Applicant has failed to disclose any information pertinent to the findings set forth in 760 CMR 56.04 or information requested in the Certification and Acknowledgment of the Application, MassHousing retains the right to rescind this Site Approval letter.

- The Applicant should be prepared to discuss concerns raised by the Municipality regarding the proposed size, scale, architectural style and pedestrian access of the proposed multi-family building.
- The Applicant should engage with the Municipality's Fire and Police Departments to review and modify plans as needed and to ensure adequate access is provided for emergency vehicles and responders.
- The Applicant should be prepared to provide detailed information relative to proposed water use and potential impacts on existing water supplies, and respond to reasonable requests for mitigation.
- The Applicant should be prepared to discuss the potential extraordinary costs of bringing public water and sewer to the Site and respond to reasonable request for mitigation.
- The Applicant is encouraged to work with its design team to address concerns related to pedestrian circulation, open space elements and providing safe connections to existing sidewalks. Additionally, bike paths should be considered to provide safe bike access to School Street as well as connecting to nearby bike networks as well as public transportation nodes.
- The Applicant should be prepared to discuss provisions for electric vehicle charging stations and ride share, pedestrian safety within the podium parking level including sidewalks and supporting mechanical spaces and trash/recycling accommodations that are appropriately sized to the development.

MassHousing has also reviewed the application for compliance within the requirements of 760 CMR 56.04(2) relative to Application requirements and has determined that the material provided by the Applicant is sufficient to show compliance.

This Site Approval is expressly limited to the development of no more than one hundred thirty-six (136) rental units under the terms of the Program, of which not less than thirty-four (34) of such units shall be restricted as affordable for low- or moderate-income persons or families as required under the terms of the Guidelines. It is not a commitment or guarantee of financing and does not constitute a site plan or building design approval. Should you consider, prior to obtaining a comprehensive permit, the use of any other housing subsidy program, the construction of additional units or a reduction in the size of the Site, you may be required to submit a new Site Approval application for review by MassHousing. Should you consider a change in tenure type or a change in building type or height, you may be required to submit a new site approval application for review by MassHousing. For guidance on the comprehensive permit review process, you are advised to consult the Guidelines. Further, we urge you to review carefully with legal counsel the M.G.L. c.40B Comprehensive Permit Regulations at 760 CMR 56.00.

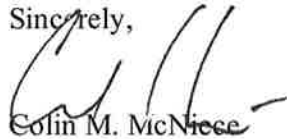
This approval will be effective for a period of two (2) years from the date of this letter. Should the Applicant not apply for a comprehensive permit within this period this letter shall be considered to be expired and no longer in effect unless MassHousing extends the effective period of this letter in writing. In addition, the Applicant is required to notify MassHousing at the following times throughout this two-year period: (1) when the Applicant applies to the local ZBA for a Comprehensive Permit, (2) when the ZBA issues a decision and (3) if applicable, when any appeals are filed.

Should a comprehensive permit be issued, please note that prior to (i) commencement of construction of the Project or (ii) issuance of a building permit, the Applicant is required to submit to MassHousing a request for Final Approval of the Project (as it may have been amended) in accordance with the Comprehensive Permit Rules (see especially 760 CMR 56.04(07) and the Guidelines including, without limitation, Part III thereof concerning Affirmative Fair Housing Marketing and Resident Selection). Final Approval will not be issued unless MassHousing is able to make the same findings at the time of issuing Final Approval as required at Site Approval.

Please note that MassHousing may not issue Final Approval if the Comprehensive Permit contains any conditions that are inconsistent with the regulatory requirements of the New England Fund Program of the FHLBank Boston, for which MassHousing serves as Subsidizing Agency, as reflected in the applicable regulatory documents. In the interest of providing for an efficient review process and in order to avoid the potential lapse of certain appeal rights, the Applicant may wish to submit a "final draft" of the Comprehensive Permit to MassHousing for review. Applicants who avail themselves of this opportunity may avoid significant procedural delays that can result from the need to seek modification of the Comprehensive Permit after its initial issuance.

If you have any questions concerning this letter, please contact Michael Busby at (617) 854-1219.

Sincerely,



Colin M. McNiece
General Counsel

cc: Jennifer Maddox, Undersecretary, DHCD
The Honorable Bruce Tarr
The Honorable Brad Hill
Eli G. Boling, Chair, Board of Selectmen
Sarah Mellish, Chair, Zoning Board of Appeals

Attachment 1

760 CMR 56.04 Project Eligibility: Other Responsibilities of Subsidizing Agency
Section (4) Findings and Determinations

Sanctuary at Manchester-by-the-Sea

MassHousing hereby makes the following findings, based upon its review of the application, and taking into account information received during the site visit and from written comments:

(a) that the proposed Project appears generally eligible under the requirements of the housing subsidy program, subject to final approval under 760 CMR 56.04(7);

The Project is eligible under the NEF housing subsidy program and at least 25% of the units will be available to households earning at or below 80% of the Area Median Income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (“HUD”). The most recent HUD income limits indicate that 80% of the current median income for a four-person household in Manchester-by-the-Sea is \$101,250.

Proposed rent levels of \$1,925 for a one-bedroom affordable unit, \$2,166 for a two-bedroom affordable unit and \$2,406 for a three-bedroom affordable unit accurately reflect current affordable rent levels for the Boston-Cambridge-Quincy HMFA under the NEF Program. The Applicant submitted a letter of financial interest from Brookline Bank, a member bank of the FHLBank Boston under the NEF Program.

(b) that the site of the proposed Project is generally appropriate for residential development, taking into consideration information provided by the Municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, such as inclusionary zoning, multifamily districts adopted under c.40A, and overlay districts adopted under c.40R, (such finding, with supporting reasoning, to be set forth in reasonable detail);

Based on a site inspection by MassHousing staff, internal discussions, and a thorough review of the application, MassHousing finds that the Site is suitable for residential use and development and that such use would be compatible with surrounding uses and would address the local need for housing.

The Town of Manchester-by-the-Sea does have a DHCD-approved Housing Production Plan. According to DHCD’s Chapter 40B Subsidized Housing Inventory (SHI), updated through August 6, 2021, Manchester-by-the-Sea has 115 Subsidized Housing Inventory (SHI) units (5.05% of its housing inventory), which is 113 units short of the statutory minima of 10%.

Section IV-A (3) (a) of the Guidelines provide guidance to Subsidizing Agencies for evaluating a municipality’s actions intended to meet affordable housing needs. MassHousing carefully reviewed the information provided by the Municipality describing previous municipal actions intended to provide affordable housing. Specific examples cited by the Municipality include:

- The Municipality created the Manchester Affordable Housing Trust in 2016;
- The Municipality updated its Housing Production Plan (HPP) in December 2020; and

- The Municipality, in partnership with the North Shore CDC, acquired an existing apartment complex located 1-3 Powder Hill Lane, to ensure that 100% of the units (29 units) are restricted as affordable in perpetuity.

(c) that the conceptual project design is generally appropriate for the site on which it is located, taking into consideration factors that may include proposed use, conceptual site plan and building massing, topography, environmental resources, and integration into existing development patterns (such finding, with supporting reasoning, to be set forth in reasonable detail);

Relationship to Adjacent Building Typology (Including building massing, site arrangement, and architectural details):

The proposed building will be a single, three-story multifamily residential building containing 136 apartment units over a one-story podium level. The massing and exterior aesthetic is a modern interpretation of early 20th century shingle style architecture, an architectural typology that is common to the north shore region of Massachusetts and contextually appropriate for the area. The façade incorporates the strong horizontal datum lines, materials, trim detailing, and neutral color palette typical of shingle style architecture. The massing of the building creates a series of varied exterior spaces that harmonize with the building program and site circulation. The proposal includes a mix of one-, two- and three-bedroom units, ranging in square footage from a one bedroom average of 845 square feet per unit to a three bedroom average of 1,595 square feet per unit.

Relationship to adjacent streets/Integration into existing development patterns

The Site is located in the School Street North section of Manchester. The neighborhood is bounded by the Town of Essex town line to the north, Route 128 to the east, Route 128 to the south, and the Cathedral Pines conservation area to the west. There is an MBTA Commuter Rail station with access to Boston less than 2 miles away. Most of the land in the immediate area appears to be undeveloped lands, either privately owned or public conservation lands. Some commercial development is located on Atwater Avenue, including contractor yards, a medical office building, a storage facility, and an athletic club. School Street becomes Southern Avenue in Essex with no apparent development along Southern Avenue for about a mile north of the Site.

Density

The Applicant proposes to build one hundred thirty-six (136) rental units on approximately 23.32 acres, of which 21.52 acres are buildable. The resulting density is 6.31 units per buildable acre, which is acceptable given the proposed housing type.

Conceptual Site Plan

The proposal consists of one, three-story multifamily residential building containing 136 apartment units over a one-story podium level parking. The proposal indicates that vehicular access will be provided from School Street. Due to the topography and ledge, a ring road will circumvent the proposed building and ultimately provide access to the podium parking level. The ground floor of the building has been designed to include a central lobby and amenity area of approximately 11,000 square feet with direct access to a large amenity courtyard on the north side. A loading and drop-off area outside the main entrance allows for easy access into the building. The garage will contain 226 parking spaces and an additional 16 surface spaces will be provided near the front entrance for a total parking ratio of 1.77. The topography of the site allows for most of the parking to be hidden below grade.

There are no utilities on site. Electric and gas service are available at School Street. Water service requires the extension of service across Route 128. Utilities will follow the ring road around the building. The proposed plan includes on site wastewater treatment with associated leaching field.

Environmental Resources

The Site appears to contain mostly uplands with a small area of critical environmental concern identifying a certified vernal pool. Currently, stormwater runoff collects in the wetlands before ultimately discharging to the Sawmill Brook. The Sawmill Brook runs under School Street just north of the subject and turns south and west running just west of Old School Street. At the rear of the site is a walking path leading to the Cathedral Pines conservation in Manchester and the Millstone Hill Conservation Areas.

Topography

The Site has varied topography, rising from an elevation of approximately 60 feet along the School Street frontage to an elevation of 147 feet at the Site's high point. The Site contains noticeable ledge outcroppings that will likely create extraordinary site development costs.

(d) that the proposed Project appears financially feasible within the housing market in which it will be situated (based on comparable rentals or sales figures);

According to the appraisal report for the Site, Manchester-by-the-Sea's residential market appears stable and strong, with an overall upward trajectory in sales volume and prices in the last decade. MassHousing's Appraisal and Marketing team (A&M) performed a Competitive Market Analysis and found that proposed market rents for each unit type fall within the range of adjusted comparable market rents.

(e) that an initial pro forma has been reviewed, including a land valuation determination consistent with the Department's Guidelines, and the Project appears financially feasible and consistent with the Department's Guidelines for Cost Examination and Limitations on Profits and Distributions (if applicable) on the basis of estimated development costs;

MassHousing has commissioned an as "As-Is" appraisal which indicates a land valuation of \$1,650,000. Based on a proposed investment of \$36,748,954 in private equity and permanent financing from an NEF Lender, the development pro forma appears to be financially feasible and within the limitations on profits and distributions.

(f) that the Applicant is a public agency, a non-profit organization, or a Limited Dividend Organization, and it meets the general eligibility standards of the housing program; and

MassHousing finds that the Applicant must be organized as a Limited Dividend Organization. MassHousing sees no reason this requirement could not be met given information reviewed to date. The Applicant meets the general eligibility standards of the NEF housing subsidy program and has executed an Acknowledgment of Obligations to restrict their profits in accordance with the applicable limited dividend provisions.

(g) that the Applicant controls the site, based on evidence that the Applicant or a related entity owns the site, or holds an option or contract to acquire such interest in the site, or has such other interest in the site as is deemed by the Subsidizing Agency to be sufficient to control the site.

The Site is controlled by virtue of a Purchase and Sale Agreement between George A. Brown Revocable Living Trust and SLV School Street, LLC dated November 26, 2019, with an expiration date of September 30, 2029.