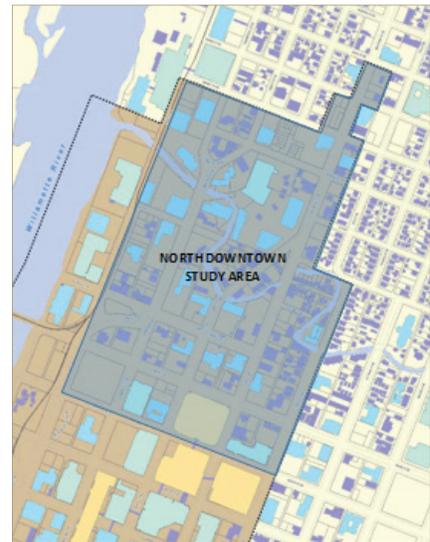


I. EXECUTIVE SUMMARY

Project Overview

Salem’s Urban Renewal Agency is actively seeking to encourage infill and higher density housing and supportive commercial uses in the northern portion of the Riverfront Downtown Urban Renewal Area (URA). This North Downtown Housing Investment Strategy (Investment Strategy) report is intended to assess current and anticipated market dynamics, identify barriers and challenges to developing housing, and define a clear implementation strategy to accommodate and encourage residential development, as recommended in the 2011 Downtown Strategic Action Plan. The North Downtown Study Area (Study Area) is roughly bound by Union, Front, Market, and High Streets.



Johnson Reid’s analysis included:

- physical inventory of the area
- quantitative analysis of market trends and conditions
- input from potential buyers/renters and the development community including surveys and focus groups
- financial modeling to determine the viability of different types of residential development with varying degrees of public subsidy
- analysis of relevant portions of the City’s zoning code to identify barriers to implementing Investment Strategy recommendations
- identification of focus areas for Agency acquisition and/or targeted support in the short, mid, and long term.

Key Findings

Physical Assessment

From a physical perspective, the Study Area offers a number of prospective development sites, which are either undeveloped or underdeveloped. The Study Area is bisected by both the Broadway and Commercial Street corridors, which carry significant traffic loads. While the regional transportation function through the Study Area increases visibility, and can be helpful for retail commercial development, it represents a challenge to the creation of a pedestrian-friendly residential environment. Central Salem Mobility Study recommendations, including improvements on Union and Winter Streets, will improve pedestrian and bicycle circulation and access to and through Downtown, and make the area more attractive for housing. Additional improvements to the Liberty Street corridor, between Division and High, to reduce through vehicle traffic, and a new traffic signal at D and Commercial Streets, are also recommended if this area redevelops into housing. Transportation improvements will depend on how the area redevelops. The City’s North Downtown Condition Report identified additional infrastructure challenges in the Study Area, including an active railroad along Front Street, large block sizes, and aging infrastructure, including sidewalks, sewer, water, and storm facilities.

There is a need for more retail, entertainment, and food services to support more housing in the Study Area. Until there is additional housing density, attracting large commercial-retail tenants, including a grocer, will be challenging without financial subsidy.

Zoning Analysis

Within the Study Area there are seven base zones and ten overlay zones which allow housing as an outright permitted use. The overlay zones set forth development standards that guide development,

redevelopment, and changes in land use within the Study Area, including encouraging pedestrian orientation and mixed-use in the Riverfront Area, Broadway/High Area, and Commercial/High Density Residential overlay districts.

Although the Study Area zoning does not prohibit any of the Investment Strategy recommendations there may be opportunities to simplify the code structure to promote understanding and confidence among property owners and developers. This could be achieved through a reduction of overlay zones, a standardization of how requirements are presented for each overlay, or other simplification measures. Some efforts are already underway through the update to Salem's Unified Development Code.

Geographic Focus Areas

The High/Broadway Street corridor, specifically the nodes surrounding the intersection of High Street and Union and the area surrounding the Broadway Town Square development, represent good short-term opportunities. Both areas have the combination of proximity to existing amenities and multiple short and long-term sites with redevelopment potential. Longer term, the focus should include access to and redevelopment of properties along the riverfront. Several additional focus areas are identified later in this report.

Market Assessment

Market dynamics in the Salem metro area are improving, but achievable pricing for both rental apartments and ownership housing is limited. While current pricing can marginally support garden style rental apartments, it is insufficient to support more diverse urban development forms without public intervention.

Johnson Reid's housing forecast estimates nearly 5,700 new renter households in Salem over the next 20-years. The analysis assumes that between 80 percent and 90 percent of demand for rental housing will be from modest income individuals. An estimated 9,100 new owner occupied households are expected in Salem over the 20-year forecast, the majority of which are expected to be from higher income individuals.

Market and demographically driven assessment was supplemented by an internet based survey to gauge housing preferences of Salem residents and employees. Of the 570 responses received, over 60 percent of individuals indicated they would consider housing in a Downtown Salem location. Survey responses indicating a desire for living Downtown came from a variety of ages and household incomes who cited a preference for living close to employment, shopping, and dining. When asked what would improve their perception of the Study Area, respondents indicated improvements to public safety, affordability, and neighborhood appearance were most important.

Recommendations

The Salem/Keizer area market has historically been characterized by relatively low rent and sales prices. Without financial subsidy the achievable rents/ sales prices in the area limit the diversity of housing type to low density wood frame construction with surface parking in the short term. Over the next several years, the focus of Riverfront Downtown URA investments and other City resources should aim to create a more marketable residential development environment in the Study Area, which will in turn increase achievable pricing and encourage more variety in the form of development that occurs and the individuals it attracts.

The URA has a number of programs in place that address these areas of impact and should continue to be capitalized, including:

- *"Tool Box" Loan Program* – Provides low cost, subordinated loans for commercial or mixed-use property located within the URA. This program is primarily targeted towards building rehabilitation/restoration.

- *Special Housing Opportunity Fund* – Up to \$50,000 per unit in subordinated, low cost debt for new construction of rental and/or for sale housing units in the URA. The program has not been funded in recent years, but should be reconsidered in the future.
- *“Toolbox” Interior and Exterior Grant Program* – Grants of up to \$50,000, with a 50 percent match requirement for permanent building improvements and new construction, including for façade and tenant improvements, and more.
- *Multiple Unit Housing Tax Incentive Program* – A 10-year property tax abatement for new or renovated units constructed within the designated boundary and providing one or more defined public benefits.
- *Federal Community Development Block Grant and HOME Investment Partnership* – Housing units developed with these federal programs are eligible for System Development Charge waivers.

Conclusions

There is strong demonstrated need for more housing that is affordable to a broader segment of Salem’s population, including low to moderate income individuals. This type of development could benefit from Low Income Housing Tax Incentives, the Multiple Unit Housing Tax Incentive, and other current programs. Opportunities for this type of development exist currently within the Study Area, including in proximity to the Downtown Core and its parking resources (Marion Parkade). Over time, the City and Agency should continue to support expansion of housing amenities in the Study Area and maintain flexibility to attract a variety of developments desirable to a variety of incomes and achieving the desired change in residential investment patterns will take time. Early interventions are likely to be limited as the Study Area market is emerging and will have difficulty attracting large scale investments. Over time, improving market conditions and greater resources at the City and Agency level can be utilized to encourage more development projects.

The following table outlines key recommendations. Recommendations should be reviewed annually for their effectiveness and relevancy prior to programming resources into the URA and/or City budgets. Overtime, the City and Agency should be prepared to adjust focus areas and recommendations to address the evolving needs in the Study Area. City and Agency resources should remain flexible to be able to respond to the needs of the development community. *A detailed list of recommendations is included in Section VIII of this report.*

Key Recommendations

Period	Actions/Programs	Comments
<p>Short-Term 0-5 Years</p>	<ul style="list-style-type: none"> ▪ Continue to capitalize existing URA Programs ▪ Pursue Mobility Study recommendations ▪ Evaluate and pursue code refinement to reduce complexity and clarify intent ▪ Pursue partnerships, projects, and funding that address the need for more low-moderate income rental housing, including Low Income Housing Tax Credits (LITC) and Community Development Block Grant (CDBG) ▪ Work in conjunction with the Salem Housing Authority to apply Project Based Rental Assistance to a project or projects ▪ Ongoing outreach with developers, partners, and property owners regarding opportunities and possible financial support ▪ Coordinate with North Broadway Parking Study, Salem Housing Needs Assessment, and Salem Economic Opportunities Analysis findings and recommendations 	<p>Residential development will be limited in scale, with the market still in recovery and limited area amenities. Short term opportunities include LIHTC projects and limited infill.</p>
<p>Mid-Term 6-10 Years</p>	<ul style="list-style-type: none"> ▪ Increase funding for existing supportive URA Programs; develop new programs (Housing Trust Fund) ▪ Continue to pursue funding for Mobility Study recommendations, as well as other public improvements ▪ Pursue New Market Tax Credits to support an urban grocer and/or other supportive commercial uses ▪ Monitor and pursue opportunities for acquisition and/or targeted support within the focus areas ▪ Continue outreach with the development community and property owners ▪ Identify ways to encourage increased development density over time, including via “shadow platting” ▪ Ongoing coordination with North Broadway Parking Study, Housing Needs, and Economic Opportunity Analysis recommendations 	<p>Leverage New Market Tax Credits to enhance the local amenity base. As the area matures and improvements are made, a higher level of redevelopment is expected to be viable.</p>
<p>Long Term 11-20 Years</p>	<ul style="list-style-type: none"> ▪ Pursue/support key property acquisition and redevelopment 	<p>Increased focus on redevelopment, with ongoing interventions and public realm improvements</p>