SOUTH SALEM

FROM TRAIL-ORIENTED DEVELOPMENT TO TRANSIT-ORIENTED DEVELOPMENT:

A STUDY OF MARKET POTENTIAL

SUMMER 2017

MAPC
METROPOLITAN AREA PLANNING COUNCIL
Smart Growth & Regional Collaboration

ACKNOWLEDGMENTS

MAPC would like to thank our project partners from the **City of Salem,** the **Salem Partnership,** and the **South Salem Station Working Group** for their assistance and input throughout the entirety of this project.

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INTRODUCTION

With numerous restaurants, a walkable downtown, world-famous museums and historic sites, and a commuter rail station providing access to Boston, the City of Salem has experienced a revitalization in recent years. While the downtown continues to grow and develop, the City is also looking towards other areas for future growth. Among the City's priorities is the area south of the downtown from Washington Street to Jefferson Avenue (South Salem). Adjacent to this area is:

- The Point, a diverse residential neighborhood;
- Salem State University (SSU), a growing university; and,
- North Shore Medical Center (NSMC), the largest healthcare provider in the area and undergoing a major expansion.

In order to accommodate future growth, increase access for current and future residents to Boston, and reduce the automobile needs for commuters to SSU and NSMC, the City has set a long-term goal of bringing a commuter rail station to this area of Salem. An additional commuter rail stop within the South Salem area could help to reduce severe traffic and parking problems while offering a convenient transportation alternative to residents and SSU commuting students, staff and faculty. Equally important, a new stop will be a catalyst for appropriately scaled transit-oriented development in the Canal Street area, including mixed use with increased bicycle and pedestrian accommodations.

BACKGROUND

The genesis for a second commuter rail station in Salem traces back approximately 25 years. In 1989, the City contracted with CPF /Domenech & Hicks, Inc. for the preparation of a Feasibility Study for a Proposed Salem State College Commuter Rail Station. At that time, the Feasibility Study concluded that, "a stop would be physically feasible and would be well supported by the potential ridership of SSU students, faculty and staff. Potential additional ridership could be at least equal to current ridership at the existing Salem Commuter Rail Station and could be much greater (according to 1987 statistics as many as 1,400 riders per day). The existence of a station would reduce traffic and parking congestion in the area and would also help to fill return trains with 'reverse commuters' from the Boston area."

The MBTA conducted its own ridership survey in 2000 and determined that the new stop would generate enough riders to justify its construction. In fact, the MBTA put money in its five-year capital budget for the stop. Although it came close to fruition, the City at the time made the decision to focus its energy on reconstructing the existing station, the busiest in the entire MBTA commuter rail network (excluding downtown Boston locations). The station was moved north from its previous location in 1987 and reconstructed with ADA compliant facilities and other amenities. In 2002, the MBTA shifted the $8.1 million that was set aside to build a commuter rail station in South Salem to help pay for a new garage at the downtown Salem commuter rail station. In 2014 construction of the new, 715 space garage was completed.

SOUTH SALEM STATION PLANNING

The City has now returned its focus to constructing a commuter rail station in South Salem and understanding its effects on the neighborhood and community at large. In collaboration with the Salem Partnership and SSU, the City has studied the feasibility of constructing this second commuter rail station in Salem. The Salem Partnership, a non-profit focused on City revitalization, entered into a contract with AECOM to examine the need for and feasibility of an additional commuter rail station on the Newburyport/Rockport line to be provided in the South Salem area, supported in part by mitigation funds from Salem State University. AECOM reviewed several potential locations in the area bordered by Canal Street and Jefferson Avenue for the station, prepared conceptual design plans, developed cost estimates, and identified advantages and disadvantages of each of the potential locations. The proposed stop would be sited along the MBTA's East Route (Rockport/Newburyport Line), approximately ¾ mile south of the existing Salem Station at Washington Street. The area currently includes railroad sidings serving adjacent commercial properties. The proposed stop would be designed and constructed to current MBTA Commuter Rail Design Standards, Massachusetts State Building Code, and the latest ADA and MAAB requirements for accessibility.

Through a public process, the City has focused on an alternative that best addressed abutter concerns. AECOM then developed several options for parking and connecting the station west towards Jefferson Avenue and NSMC for the preferred option, Location 3. According to the latest concept plan for the South Salem commuter rail station, the station would be built to accommodate the proposed trail parallel to the railroad, with three entrances to the northbound rail platform from the trail.

Figure 1. Location alternatives for proposed South Salem commuter rail station

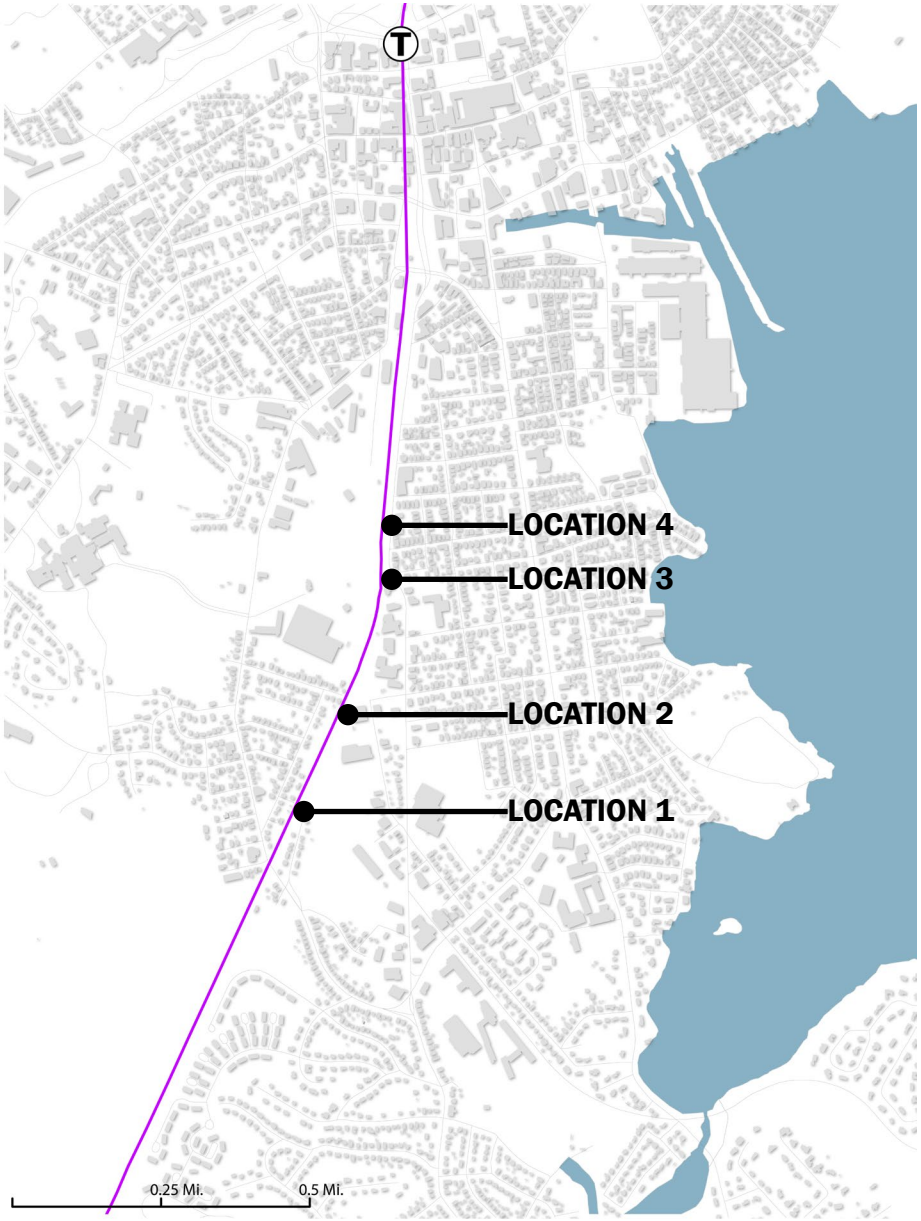
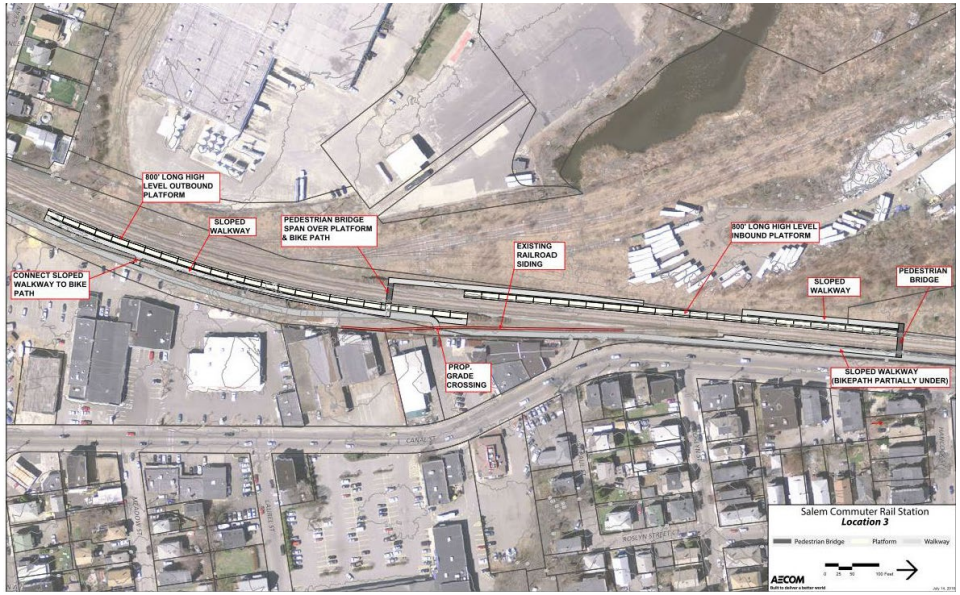
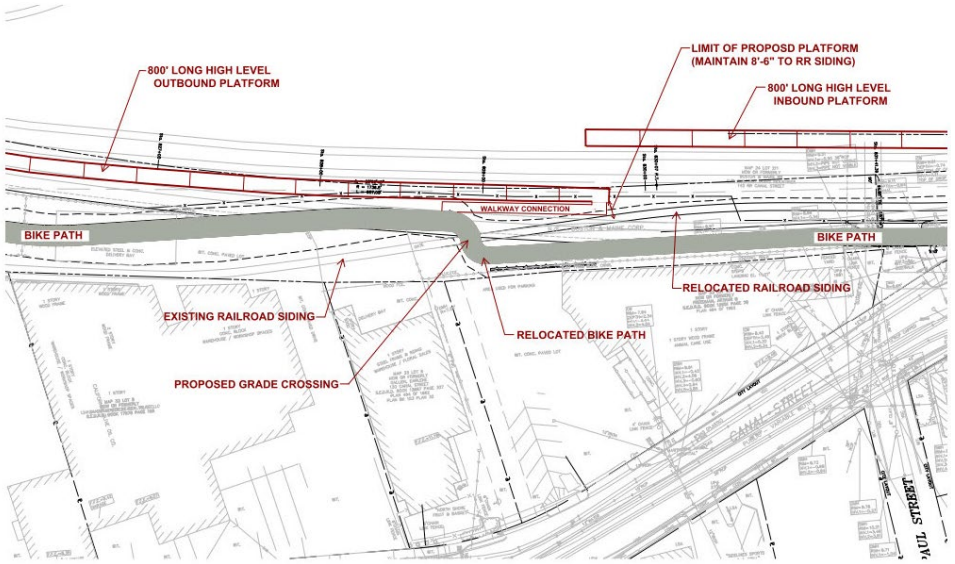


Figure 2. South Salem Station Location 3 conceptual plans (Source: AECOM)





Location 3 satisfies most of the project objectives. It also includes three design alternatives to provide access to Jefferson Avenue and the North Shore Medical Center from the station. Option A would construct a 20 foot walkway (which would likely also accommodate cyclists), while Options B and C would include a vehicular driveway, parking, and an 8 foot sidewalk. Each option would construct a pedestrian bridge over the tracks with sloped walkways connecting to both platforms, which also would provide an east-west pedestrian connection from Canal Street to Jefferson Avenue.

The proposed commuter rail concept includes drop-off vehicular access from Canal Street. The Jefferson Avenue side will provide additional vehicular access, including a drop-off area and potentially parking space.

The City needs to coordinate with the MBTA to identify and investigate additional criteria, including:

- Further identifying right-of-way impacts, proposed property acquisitions and associated costs;
- Determining potential impacts to abutters (long and short term) and identify potential mitigation;
- Ensuring that the station design does not preclude the potential future plans of both the MBTA and the City of Salem;
- Further identifying right-of-way impacts and proposed property acquisitions;
- Coordinating with freight operators for requirements of trackage rights agreements and potential modifications necessitated by the new stop.
- Coordinating with MBTA Railroad Operations for the relocation of railroad sidings, tracks, and signal systems serving the adjacent rail yards; and,
- Identifying and developing long term operations and maintenance requirements and costs.

Figure 3. West side access and parking availability alternatives for Location 3. (Source: AECOM)

ASSESSING THE IMPACTS

This report supplements the Feasibility Study by assessing potential economic and related impacts of a station on the project area. In addition, the report provides recommendations on how to best realize future development in an equitable manner that allows residents and visitors of a spectrum of income levels to be an integral part of South Salem's future. Analysis and recommendations for scenarios with and prior to a station include:

- A market analysis including residential, retail, and commercial demand potential.
- Build-out analysis of development potential based upon the market demand analysis and site constraints
- Zoning recommendations to achieve market potential
- On-road and off-road connectivity improvements, including improved bus/ shuttle service
- Analysis of the existing surrounding community area and recommendations to help ensure inclusive, equitable growth (incorporating affordable housing, environmental justice, and public health considerations)
- Analysis to determine the possible changes to property tax receipts resulting from projected possible changes in development in the South Salem area

The City recognizes that constructing a new commuter rail station, especially in today's economic climate, could be a longer term objective. Furthermore, even without a station, the area may not be meeting its potential. This report, therefore, also analyzes and provides shorter-term recommendations to achieve the area's potential prior to a station's construction. These recommendations will provide a roadmap for the City to embark upon while it continues to seek funding and approval of a South Salem station.

METROFUTURE

MetroFuture is the Greater Boston Region's 30-year plan, supporting smart growth and regional collaboration through the promotion of efficient transportation systems, conservation of land and natural resources, improving the health and education of residents, and increasing equitable economic development opportunities. The South Salem project conforms to many of the goals and objectives identified in MAPC's Metro Future Plan. Specifically:

- Goal 1: Population and job growth will be concentrated in municipalities already well served by infrastructure, with slower growth in less developed areas where infrastructure is more limited. Salem is identified as a Regional Urban Center in the Plan due to existing infrastructure and potential for new growth through reuse of existing buildings and developed land;
- Goal 44: An expanded transit system will provide better service to both urban and suburban area, linking more homes and jobs;
- Goal 45: More people will use transit for work and personal trips;
- Goal 46: Commuters will have more options to avoid congestion; and,
- Goal 51: Regional transportation will be linked with sustainable land use planning and priority will be given to those projects that support a land use plan that will efficiently utilize new transportation capacity to support sustainable growth.

Equity Considerations

Transit oriented development, when done right, can help improve access to public transportation for both residents and employees by creating housing and job opportunities in close proximity to transit. The combined household costs of housing and transportation in many Boston area communities can often exceed 50% of household earnings. Creating ways to reduce auto dependency through transit use can help lower transportation costs, providing households with more money to spend on other critical needs like food, education, or child care. It is imperative that some percentage or portion of new housing around transit is accessible to those earning at or below the area median income, so affordable housing is available near transit for those who need it most. Reducing auto dependency can also help reduce localized congestion leading to cleaner air and improved health outcomes for residents. Encouraging more walking, biking, and transit use can add healthy transportation options and increase daily physical activity.

PLANNING PROCESS

The 8 month planning process began in late October 2016 and concluded in June 2017.

The work was done in two primary phases. The first part focused on a future without a commuter rail station. MAPC performed its analysis using two complementary methodologies: the first was a market demand assessment to gauge the near to medium term potential for residential, retail, and office uses in the Study Area. The second used site-specific constraints (location, parcel size, potential improvements) to create a potential future development scenario. These two methodologies were then replicated under a scenario with a commuter rail station in South Salem.

Supplementing these two primary analyses was work related to managing neighborhood change and improving public health for the area's current and future residents.

Next steps

The City can use the results of this analysis to plan for the immediate and longer term. The City should begin to implement the recommendations associated with the no-station scenario (later referred to as the "trail-oriented development" (TrOD) scenario) in the near term. It may begin to implement these recommendations while it pursues funding and approval for constructing a South Salem station. Once funding for construction has been approved, the City should begin transitioning its implementation plans to incorporate those recommendations specifically for the new station.

SUMMARY OF RECOMMENDATIONS

The results of the analysis found two key findings:

1. A commuter station would unlock development potential and have a strong economic impact
2. Even without a station, the area is underutilized and with proper planning could see further development

The recommendations are not intended as alternatives based upon the two scenarios; rather, the recommendations with a station build upon (and, in some cases, modify) those for without a station. The recommendations are organized into several areas to maximize the area's potential in an equitable manner.

Land Use + Zoning

These recommendations focus on creating a new zoning district throughout part of the Study Area to capitalize on its existing and future assets. The new district would allow for a mix of uses, especially residential, and provide dimensional standards appropriate to a walkable neighborhood.

Connectivity

These recommendations focus on creating a multi-modal network throughout the Study Area and to the downtown, existing station, Salem State University, and North Shore Medical Center.

Economic Development

Many of the recommendations under Land Use + Zoning and Connectivity will have a positive impact on the area's economic development. This section provides additional recommendations related to enhancing existing businesses and considering alternative locations for industries that may not be compatible with the area's long-term goals.

Neighborhood Change

While the anticipated growth will bring many positive aspects to the immediate area and City as a whole, strategies are needed to ensure they are equitably distributed, and that both new and existing residents have the opportunity to take advantage of them.

Public Health

Neighborhoods, including the physical built environment as well as associated policies, can have a tremendous impact on residents' overall health. This section provides strategies and considerations to maximize existing and future residents' well-being.

EXISTING CONDITIONS

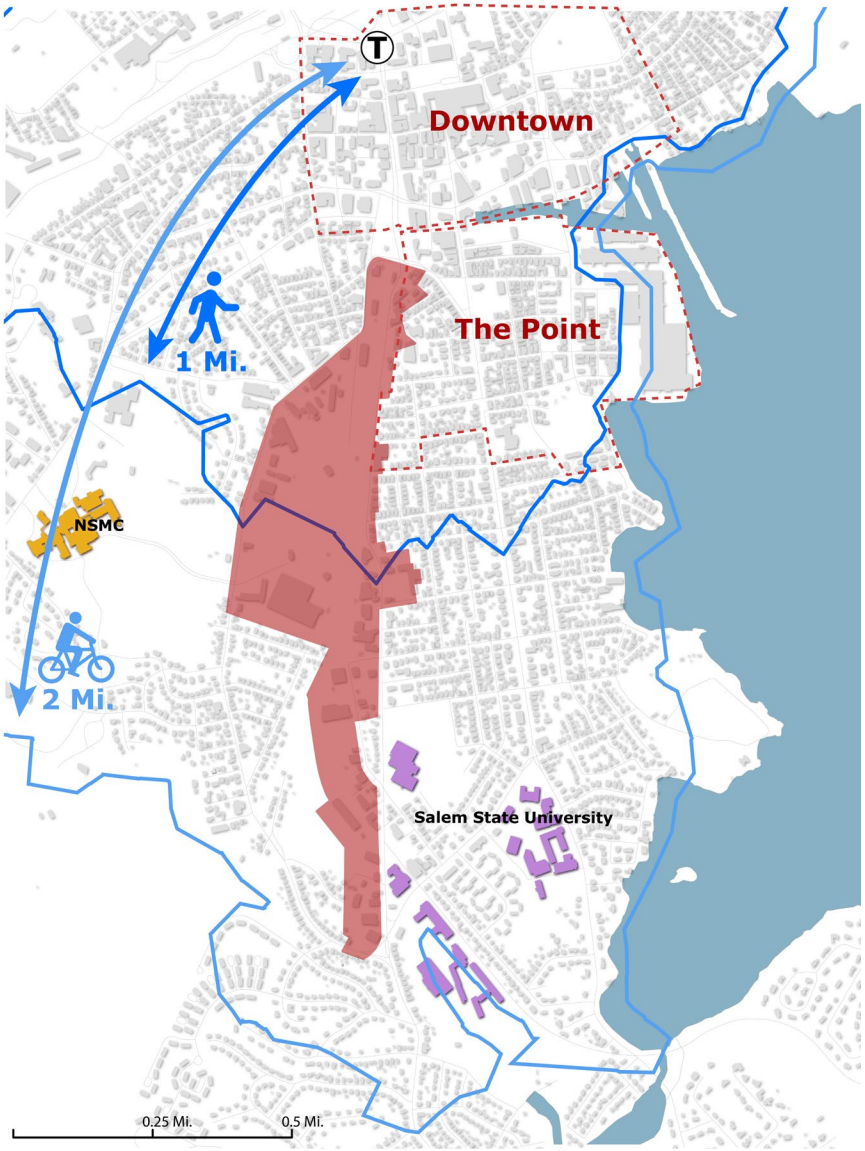
LOCATION

Salem, located on the region's North Shore 25 miles north of Boston, has been experiencing a renaissance. Long a tourist hot spot, the City is now becoming increasingly popular as a place of residence. A walkable downtown, numerous restaurants, and direct commuter rail access to Boston have attracted many people interested living in an urban, vibrant community.

The Study Area is located just to the south of downtown, beginning on Canal Street at Washington Street. The Study Area is bounded by Canal Street on the east and Jefferson Street on the west, omitting the single family districts. Figure 4 locates the Study Area within its broader context. Approximately half the site is within a 1 mile walk of the existing commuter rail station, which is generally considered the upper limit most people are willing to walk for rail service.[1] In addition, the entire site is within a 2 mile bike ride of the existing station, which is approximately a 10 minute bike ride for the average person.

To the east, abutting a portion of the site is the Point, a dense and diverse neighborhood with numerous residents. The study area stretches approximately 1.25 mile north-south and contains 88 parcels within its 96 acres.

Figure 4. Study Area Context



To the east of the northern portion of the Study Area is the neighborhood known as the Point. The neighborhood, a vibrant, ethnically diverse community, contains numerous multi-family homes with a high concentration of immigrants. This 195 acre neighborhood is the densest in the City with approximately 33 people per acre (population 4,100). In conjunction with MAPC, the City and North Shore Community Development Coalition (NSCDC) recently completed a visioning process for this neighborhood.[2] Among the various elements of the plan are recommendations around housing and economic development. The Point neighborhood is home to the largest stock of affordable rental housing in Salem. The City of Salem and community partners are committed to securing new resources that will improve the diversity and quality of housing available for rent and for ownership as well as improving the diversity of amenities available to people of all ages. The vision specifically states that "Point neighborhood residents have access to both affordable rental and ownership opportunities in the neighborhood that meets their needs and stage in life, housing stock is compliant with applicable codes and standards, and the neighborhood has different recreational options that appeal to residents of all ages."

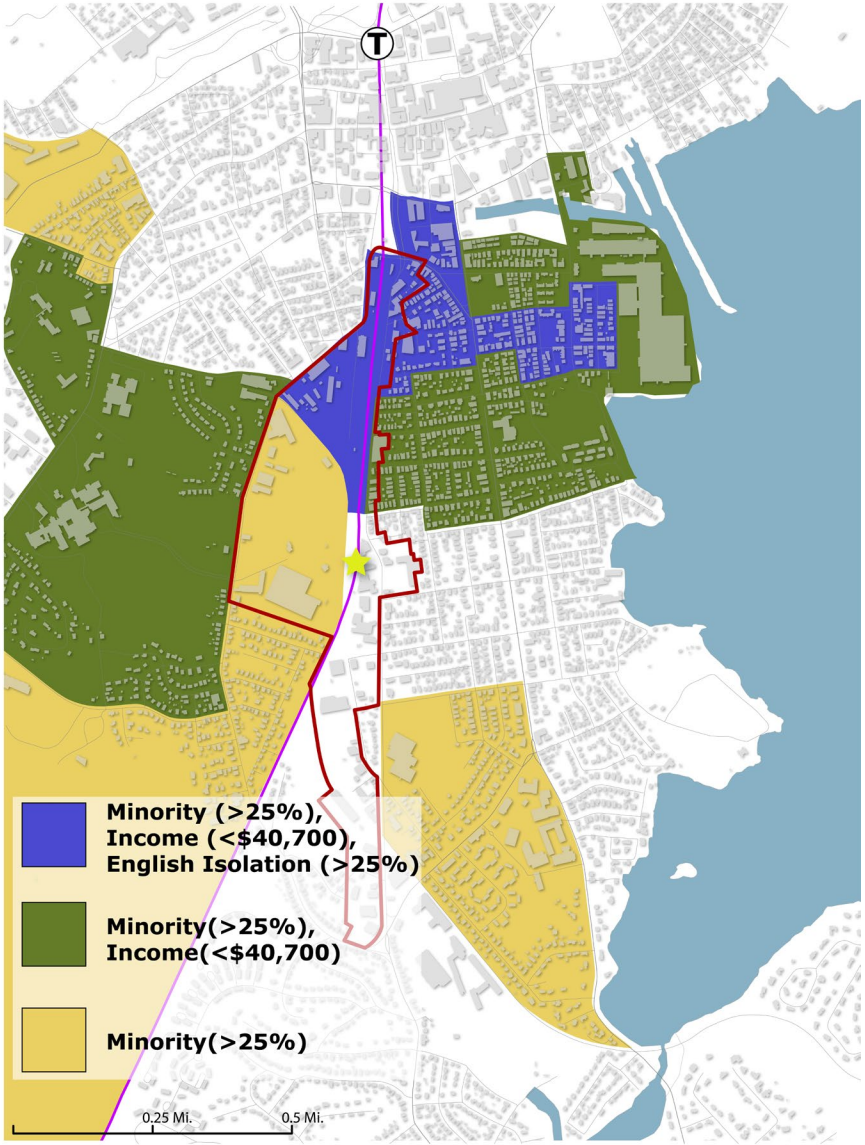
Keeping the needs and vision of residents in adjacent neighborhoods, such as the Point, is important to keep in mind when considering future development in the Study Area. As will be explained further in the Neighborhood Change section of this report, without careful planning and various safeguards, the growth in the Study Area can have deleterious effects on vulnerable populations.

In addition to the Point specifically, the needs of the numerous residents in adjacent neighborhoods also must be considered, especially those considered most vulnerable. For example, Figure 5 shows the number of "Environmental Justice" communities in and around the Study Area. Environmental justice refers to the equal

[1]A half mile walkshed is generally used for rapid transit service, whereas a larger catchment area is often used for rail service. Indeed, stakeholder interviews confirmed numerous residents walk from the Study Area to the commuter rail station. Also, note that the walk and bike shed provided in Figure 4 incorporate the network of roadways to provide a true 1 and 2 mile distance, as opposed to a less accurate circular buffer (which depicts distance "as the crow flies").

[2] Salem Point Vision Action Plan. MAPC. 2013.

Figure 5. Environmental Justice Communities



protection and meaningful involvement of all people with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies, and the equitable distribution of environmental benefits.

TRANSPORTATION NETWORK

Street Network

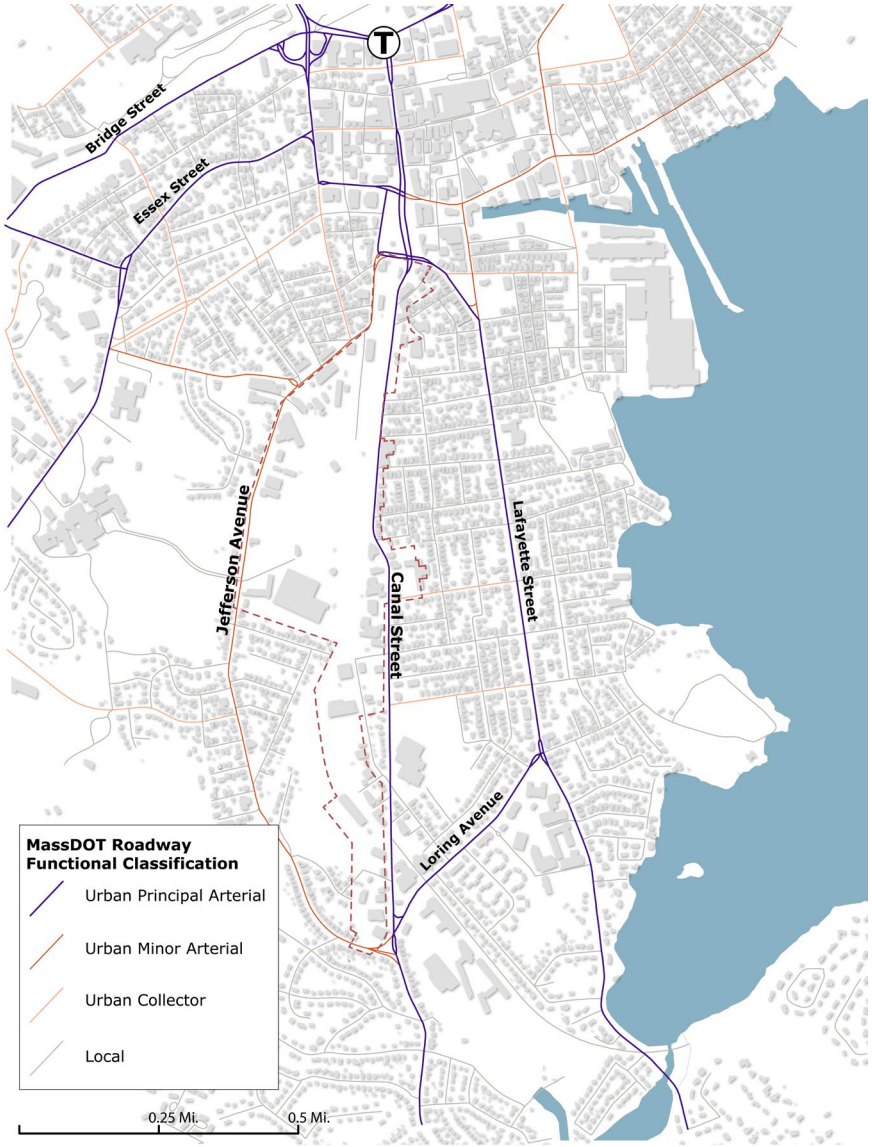
The primary roadways in the Study Area are Canal Street and Jefferson Avenue with Lafayette Street and Loring Avenue (Route 1A) proximate to the site. Each are two-lane arterials running north-south with on-street parking allowed in certain areas. There are limited east-west connections in the Study Area, with Jefferson Avenue on the south end and Washington Street on the north end as the only streets crossing the rail line. The other east-west streets are mostly neighborhood (local) streets, with the largest concentration between Canal and Lafayette Streets.

Average daily traffic counts indicated that most of the north-south traffic in the Study Area uses Loring Avenue and Lafayette Street (Route 1A). Loring Avenue averages 15,800 vehicles per day and Lafayette Street averages 22,400 vehicles per day. Canal Street counts are lower, at around 14,800 to 15,800 daily vehicles.[3] (There are no counts available for Jefferson Avenue.) Posted speeds for all streets are either 25 MPH or 30 MPH.

Bicycle and Pedestrian Network

The current bicycle network includes the Marblehead Trail, which runs through portions of the SSU campus and currently ends at Canal Street, as well as marked bicycle lanes along Lafayette Street. The City of Salem Bicycle Circulation

Figure 6. Roadway Functional Classification



[3] 2004 traffic counts from Massachusetts Department of Transportation (http://mhd.ms2soft.com/tcds/tsearch.asp?loc=Mhd&mod=) and Boston Metropolitan Planning Organization (http://www.ctps.org/map/www/apps/adtApp/index.html). While the most recent counts are from 2004, they represent an overall comparison of traffic volumes in the study area.

Master Plan (2010) recommended extending the trail north, running parallel to the railroad and ending at Washington Street in downtown Salem. The plan also recommended adding a bicycle lane along Loring Avenue, shared lane markings (sharrows) on Jefferson Avenue, and a new shared street bicycle route running north-south along local streets east of Lafayette Street. Since adoption of this plan many of the recommendations have been completed or are in process. Lafayette Street, e.g., now contains bicycle lanes running from the City line in the south up to Washington Street on the edge of downtown. The City is now working with Toole Design Group on an updated bicycle plan, which is in the process of recommending additional on-road bicycle facilities, especially throughout the downtown.

Lafayette Street has the best facilities for pedestrians in the study area, with wide sidewalks, planting strips, and well-marked crosswalks. The southern, residential portion of Jefferson Avenue includes a strong sidewalk network, while the northern portion, which is more commercial and industrial, has an incomplete sidewalk network with some missing segments and with narrow sidewalks adjacent to the travel lanes with multiple curb cuts. Loring Avenue includes sidewalks on both sides, though with varying widths. The northern end of the Marblehead Trail provides off-street pedestrian access near the SSU campus.

MAPC has recently developed a tool called Local Access Scores.[4] These scores can help communities prioritize sidewalk and bike route improvements on the most useful connections between residents and important local destinations. This measure provides a robust, quantitative estimate of current or potential roadway utility for walkers and bikers. The Local Access Score is calculated using travel demand software that uses input data on population and destinations to estimate the number of trips households are likely to make in a given day, the likely destinations of those trips, and the most direct routes connecting households to their destinations. The dataset contains a separate score for four different types of destinations (school, shops and restaurants, transit stations, and parks) and two different modes (walking and biking), for a total of eight basic scores. These scores are combined and weighted to produce walking and biking scores as well as an overall composite score.

The Composite Local Access Scores show how useful each road segment would be for people walking or biking from their homes to school, shops and restaurants, parks, and transit stations. Figure 8 depicts the composite Local Access Score in the study area and downtown. The heavy purple lines represent those streets with the highest pedestrian/bicycle utility; that is, if this were a good place to walk or bike, many people would find it a useful route. Within the study area, Jefferson Avenue and most of Canal Street have high utility scores (relative to other streets in Salem), as do many of the downtown streets (which would be expected given the numerous downtown amenities and destinations). While the Local Access Scores do not provide solutions or assess the feasibility of constructing pedestrian/bicycle infrastructure, they do confirm the importance that various roadways can have vis a vis walking/biking and help the City focus future investments.

Canal Street Reconstruction and Shared Use Path

A multi-year, $12 million project has begun along Canal Street. The Canal Street reconstruction project will provide a new gateway to the City of Salem while improving safety for vehicles, pedestrians and bicycles. Work includes leveling and resurfacing the road, constructing new sidewalks and crossings with curb extensions, and adding street trees and lighting. The work will better define access locations and curb cuts, improve pavement, signage and pavement markings, as well as adding wheelchair ramps and sidewalks following ADA standards. The intersections at Mill Street and with Jefferson Avenue and Loring Avenue are being reconfigured to improve safety.

The project also includes an extension of the off-street shared use path, which is being done in two phases (Phase 2 is programmed in the 2018 State Transportation Improvement Plan). The shared use path will significantly improve the bicycle experience for those traveling through South Salem toward the downtown.

[4] Please visit www.localaccess.mapc.org for additional information, including detailed methodology access to the data.

Figure 7. Bicycle Network

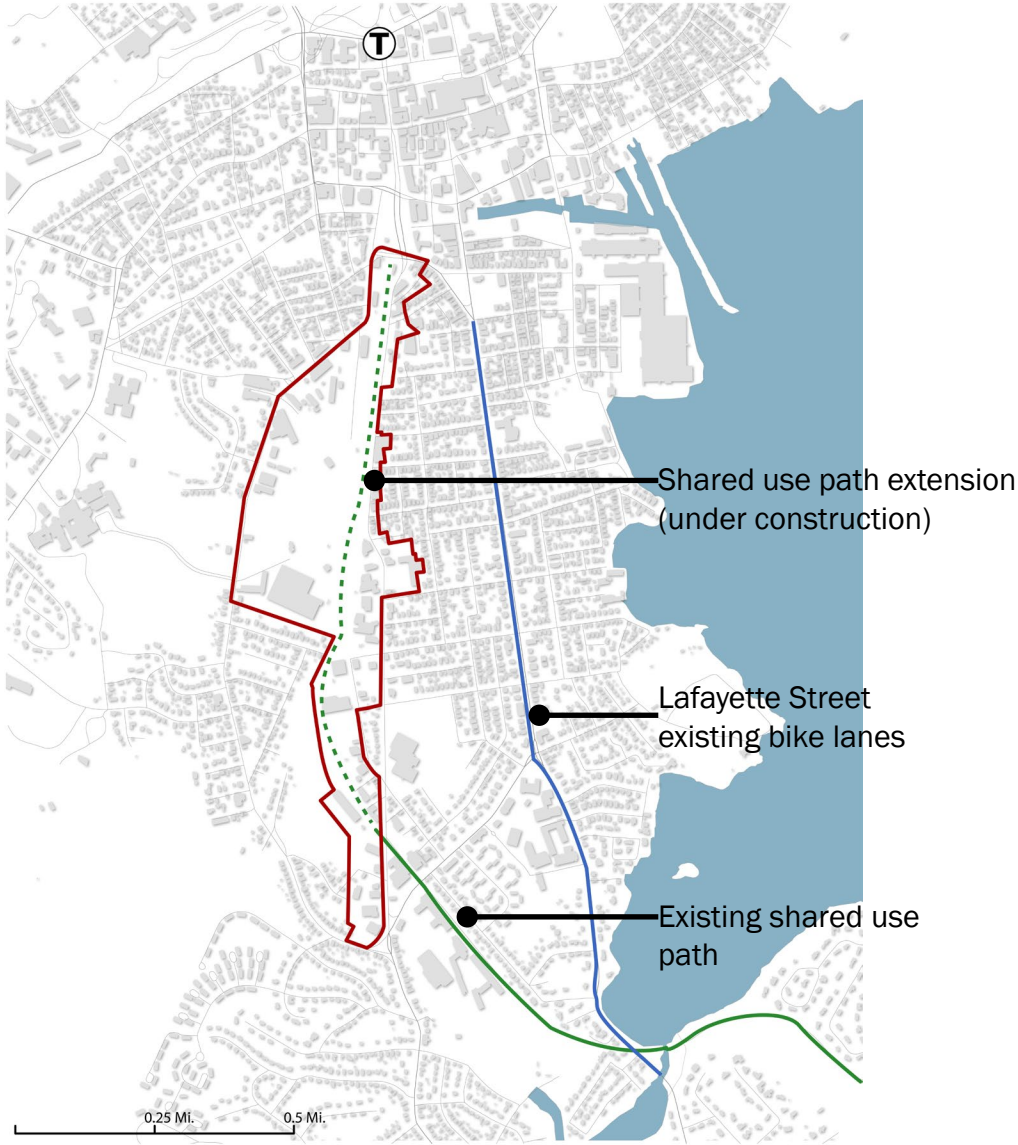
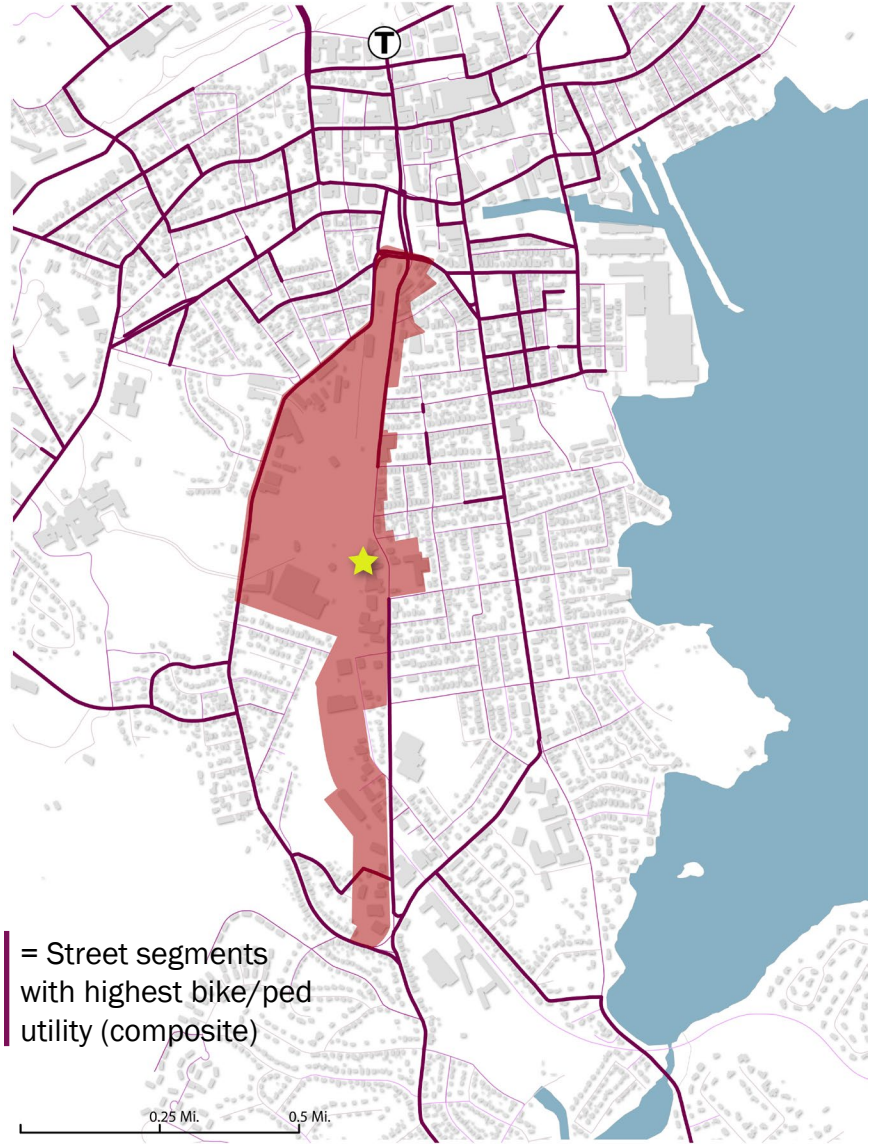


Figure 8. Local Access Score



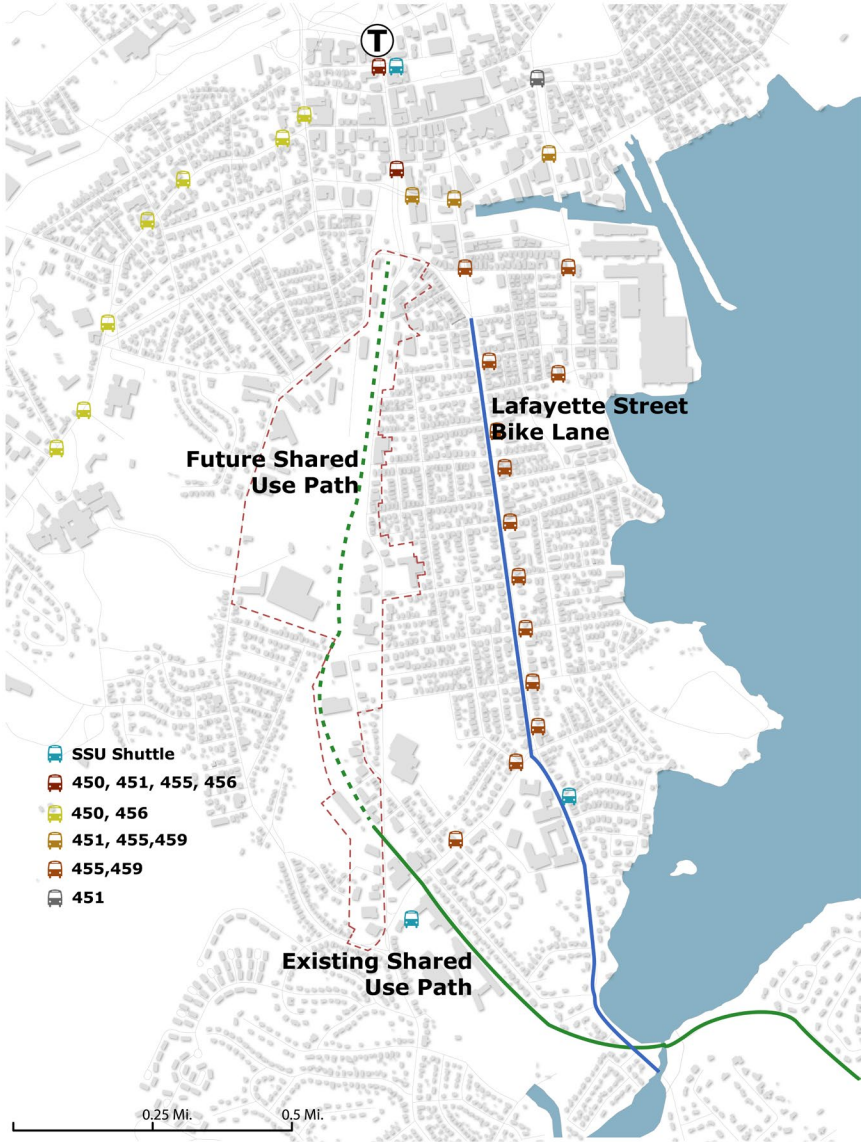
Transit Service

There is no bus service within the Study Area itself. Two MBTA routes, 455 and 459, operate along Loring Avenue and Lafayette Street. The 450 connects to Haymarket Station in downtown Boston and the 455 travels to Wonderland Station in Revere. In addition, the 459 travels from downtown Salem to Logan International Airport in East Boston via Lynn. Other routes connecting to the existing Salem Station include the 451 (connecting to north Beverly) and the 456 (connecting to Lynn). While the presence of several bus lines proximate to the Study Area is an asset, these are not a replacement for rail service. These bus lines generally serve people traveling shorter distances, rather than act as a viable commuter option to Boston. For example, the 450 bus to Salem is scheduled to take at least an hour to Haymarket, not including the uncertainties of traffic. This contrasts with a 37 minute scheduled ride to downtown Boston on the commuter rail.

SSU currently operates a shuttle between the campus and the commuter rail station that runs approximately every 40 to 60 minutes, operating on a loop with one direction on Lafayette Street and the other along Canal Street. The University also operates another shuttle circulating the campus.[5]

[5] www.salemstate.edu/maps/bus_campus.php

Figure 9. Bus service



ZONING AND LAND USE

Understanding the City's zoning is a critical component to assessing the Study Area's ability to achieve its growth potential. The Study Area is comprised of a mix of commercial and industrial zoning districts (Figure 10). There are 88 parcels over 96 acres in the Study Area divided into four zoning districts.

Several uses are allowed in all districts comprising the Study Area. These include:

- Bank/financial agencies, business/ professional offices, retail stores (excluding department stores), medical and dental offices, restaurants (no alcohol), childcare facilities, educational, and production/sale of produce by right; and,
- Medical clinic, essential services (provided by public service corporation or governmental agencies) by Special Permit through the Zoning Board of Appeals (ZBA).

Other than the Central Development district, residential uses are prohibited throughout the Study Area. The following provides additional information on each of the districts.

Central Development (B5)

The northernmost parcels on the site are zoned Central Development, which is the City's downtown, mixed-use district. As noted above, this district allows for residential uses by right, including single family and multifamily. It also allows mixed-use residential above retail by right. For commercial, additional by right uses not listed above include restaurants with alcohol, art studios, personal service establishments, and retail-wholesale supply establishments. There are also uses allowed through special permit, either through the ZBA or Planning Board (PB), including adult day care (ZBA) and fast food (PB).

Funeral homes, general service establishments, motor vehicle repairs/sales/rentals, retail department stores, supermarket, and plumbing/ carpentry stores are prohibited.

Wholesale and Automotive (B4)

Running along the east side of Canal Street down to Laurel Street (adjacent to Crosby's Market Place), is the Business Wholesale and Automotive district. This district allows general service establishments, motor vehicle service, personal service establishments, plumbing/carpentry/sheet metal shops, and sale/storage of building supplies. In addition, it allows numerous uses by Special Permit:

- ZBA: adult day care, animal clinic/kennel, arts and crafts studios, and hotel
- PB: fast food drive-through, other drive-through, wind energy (residential scale)

Restaurants with alcohol, bed and breakfasts, non-exempt educational uses, supermarkets, and retail-wholesale supply establishments are prohibited.

Industrial (I)

The largest portion of the site is zoned Industrial, including along Canal Street west and south of the Wholesale and Automotive district, and the area east of Jefferson Avenue. This district allows motor vehicle service and rental, building supply storage and sale, food and beverage manufacturing, food and beverage manufacturing, and junkyards. By Planning Board Special Permit, it also allows manufacturing (including light), assembly or packaging, and mini storage warehouse facility.

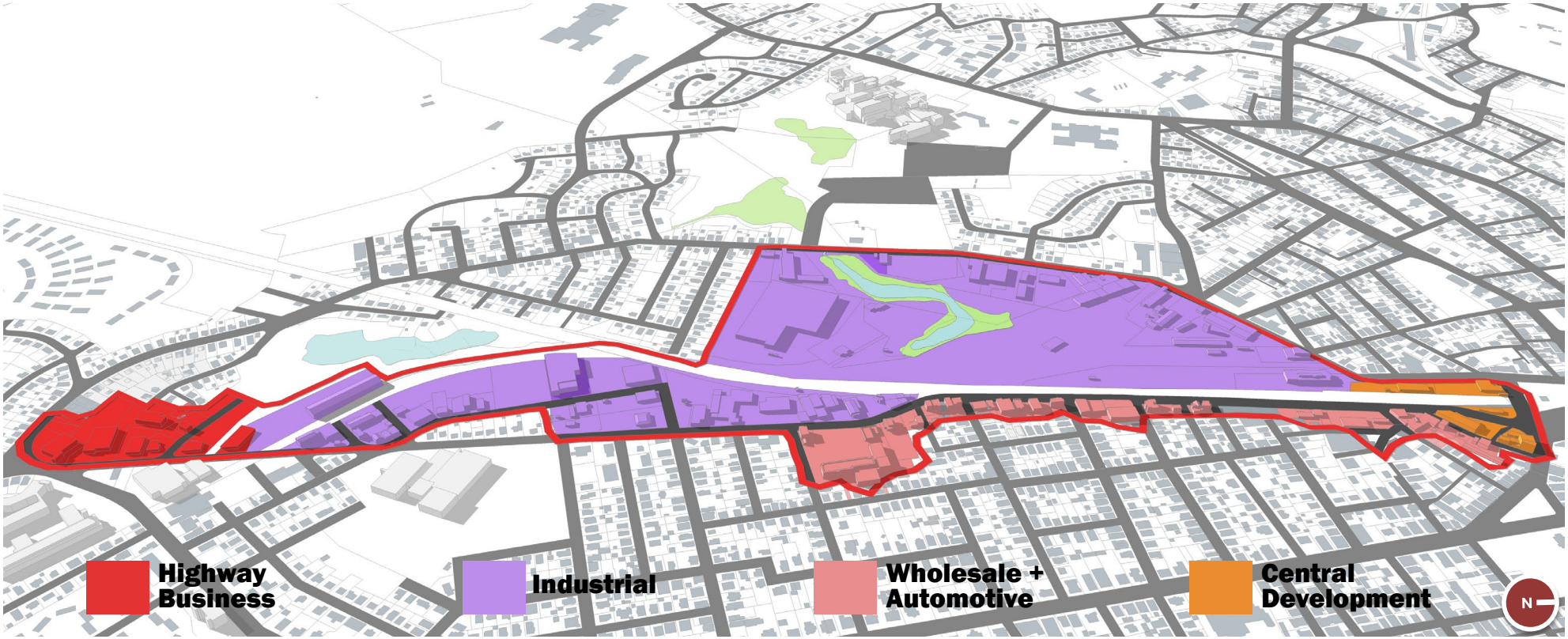
Business Highway (B2)

Located at the southern end of the Study Area, this district allows general service establishments, hotels, restaurants with alcohol, retail department store, and supermarket by right. Uses allowed by Special Permit include:

- ZBA: adult day care, animal clinic / kennel, bed and breakfast, indoor or outdoor commercial recreation, funeral home, motor vehicle body repair, motor vehicle service and rental, and personal service establishment
- PB: fast food drive-through, other drive through, wind energy (residential scale)

In addition, by Special Permit a Planned Unit Development (PUD) is allowed in all districts. For a PUD, the parcel must contain 60,000 square feet or be five times the minimum lot size requirement for the zoning difference (whichever is smaller).

Figure 10. Study Area Zoning



Dimensional Standards

The dimensional standards vary across the districts, resulting in a range of building typologies. Table 1 summarizes the four districts and the accompanying diagrams illustrate generic parcels and building envelopes. The B5 Central Development is the most distinguished among the districts with a separate section in the zoning ordinance to explain its unique characteristics. In particular, B5 has different standards depending on whether the building is new or existing. It is also the only district to specify a Floor Area Ratio (FAR). Perhaps surprisingly, the maximum lot coverage for new buildings in B5 is lower than that of the Business Wholesale and Automotive district and only slightly higher than the Industrial district.

Table 1. City of Salem, Dimensional Standards

City of Salem, Dimensional Standards for Study Area Zoning Districts

District	Min lot size	Max lot coverage	Min Frontage	Min Depth	Min Setbacks			Height	Stories	FAR
					Front	Side	Rear			
I - Industrial	40,000	45%	150	150	30	30	30	30	2	None
B2 – Business Highway	12,000	25%	100	100	30	10	30	30	2	None
B4 – Business Wholesale + Automotive	6,000	80%	60	60	None	None	25	35	2.5	None
B5 – Central Development (Existing Buildings)[1]	2,000	100%	None	30	None	None	None	35	2.5	6:1
B5 – Central Development (New Buildings)[2]	2,000	50%	None	30	None	5	None	35	2.5	3:1[3]

1. These dimensions apply for both nonresidential and mixed use / residential buildings. There is no minimum dwelling unit size for existing buildings in the Central Development District.
2. These dimensions apply for both nonresidential and mixed use / residential buildings. Minimum lot size of 500 square feet per dwelling unit applies.
3. May be increased up to 6:1 for buildings predominately characterized as 50% open automobile parking structures

Note: If more than one building on a lot, the minimum distance between buildings is equal to the height of the taller building. This distance may be reduced to a distance which is sufficient to provide adequate light, air, and access, subject to Planning Board approval.

Diagrams of Study Area Zoning District Dimensional Standards

Figure 11. Industrial Zone

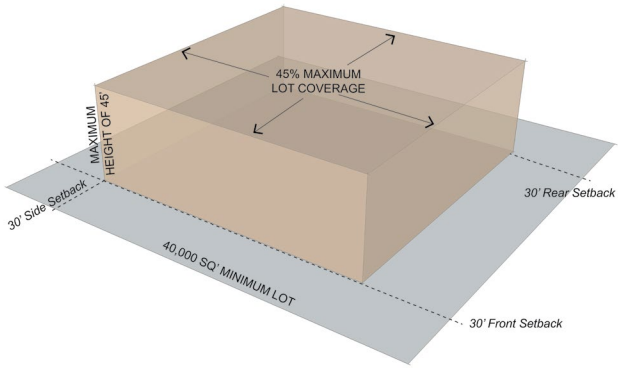


Figure 12. B4 Wholesale + Automotive

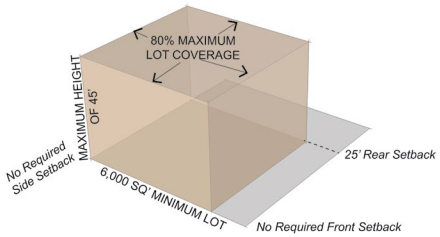


Figure 13. B2 Business Highway

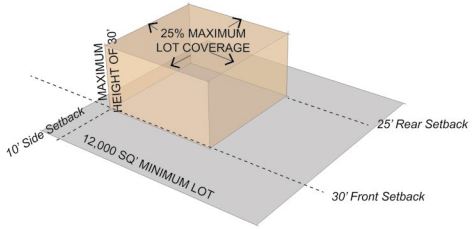


Figure 14. B5 Central Development (New Building)

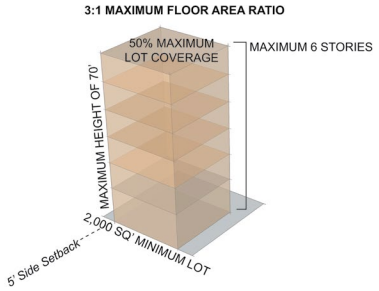
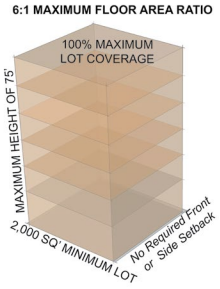


Figure 15. B5 Central Development (Existing Building)



Parking Requirements

Parking is a critical component to transit-oriented development and can be an asset or a hindrance to the success of a future neighborhood. Requiring excessive parking can raise development costs and detract from the creation of a walkable, vibrant neighborhood.

The parking requirements in Salem vary by use. Residential uses are measured on a per unit basis and other uses are based on a variety of measures, including square footage and number of employees. As with dimensional standards, the Central Development district has its own set of standards. Table 2 provides the parking requirements by use, including those requirements specifically for the Central Development.

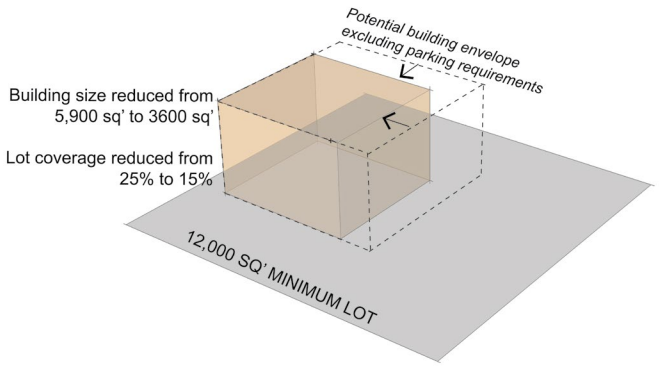
The prototypical lot coverage examples above do not take into account parking requirements. In many instances, the actual maximum building size will be further reduced from the dimensional standards due to parking requirements. Consider a generic example of a retail building in the Highway Business District (Figure 16). In addition to the required dimensions and minimum lot size for this building, parking requirements are 1 space per 150 square feet. On a 12,000 square foot parcel the maximum building parcel based upon dimensional standards is a 2 story, 5,900 square foot building. Assuming gross area for a parking space (i.e., including aisles and turning) is 420 square feet, this maximum building space would be reduced to 3,600 square feet, a 38% reduction in building. This reduces lot coverage from a theoretical maximum of 25% to 15%. Although this is a simplified example that doesn't take into account various factors that would be present on individual parcels (e.g., the shape of the parcel, the potential for a variance, etc.), it illustrates the tremendous effect parking can have on the built environment.

Table 2. City of Salem, Parking Requirements

USE	PARKING REQUIREMENTS
Dwellings	1.5 spaces per unit, with a minimum of 2 spaces + 1 space per home occupation
Hospitals, nursing and convalescent homes	1 space for each doctor accredited to practice + 1 space for each 2 employees + 1 space for each 4 beds, excluding bassinets
Retail business and service establishments, except eating and drinking places	1 space for each 150 square feet of gross floor area of the building, excluding storage area
Restaurants and other eating and drinking establishments (excluding drive-in restaurants and snack bars), theaters and other places of assembly	1 space for each 4 seats + 1 space for each 2 employees
Drive-in restaurants and drinking places	1 space for each 2 employees + 15 spaces
Business offices	1 space for each employee
Professional offices, medical and dental clinics	1 space for each professional person + 1 space for each 2 other employees + 2 additional spaces for each professional person in the case of medical or dental clinics
Wholesale merchandise brokers, service industry establishments such as plumbing, carpentry, warehousing, and industrial uses	1 space for each company vehicle + 1 space for each 2 employees + 1 space for each 1,000 square feet of gross floor area of the building, excluding storage
Central Development (B5)	
Non-residential uses	None required
Residential dwelling uses:	
• **Existing buildings**	1 space per dwelling unit
• **New construction**	1.4 spaces per dwelling unit (on-site)
• **Rehabilitated buildings**	Either one of a combination of on-site parking and/or parking at municipal or other parking facilities in the vicinity (within 1,000 feet)

Note: This is a selection of uses applicable to the Study Area.

Figure 16. Example of how parking requirements could reduce the available built area on a parcel in the Highway Business District.



Land Use

The existing land uses in the Study Area reflect in large part the established zoning districts. Large swaths of land west of Jefferson Avenue are labeled "Other," which includes municipal uses such as the Police Station and Department of Public Works, an MBTA-owned parcel, a utility company's parcel, and vacant lots.

Table 3 summarizes the total building by use. The vast majority of commercial space is comprised of retail uses. The majority of these retail uses fall within the broad category of service oriented / convenience goods (as opposed to shoppers goods). There are 57 housing units within the district, most of which are clustered in multifamily buildings on the north end of the site (part of the Central Development).

Table 3: Existing Land Use Summary

Total Building Area (Sq')	**911,167**
Residential Area (Sq')	73,268
Commercial (Sq')	530,130
Office Area (Sq')	*43,307*
Retail Area (Sq')	*486,823*
Industrial Area (Sq')	285,269
Other (Sq')	22,500

Figure 17. Study Area Zoning

Figure 18. Selection of Study Area photos

KEY STAKEHOLDERS

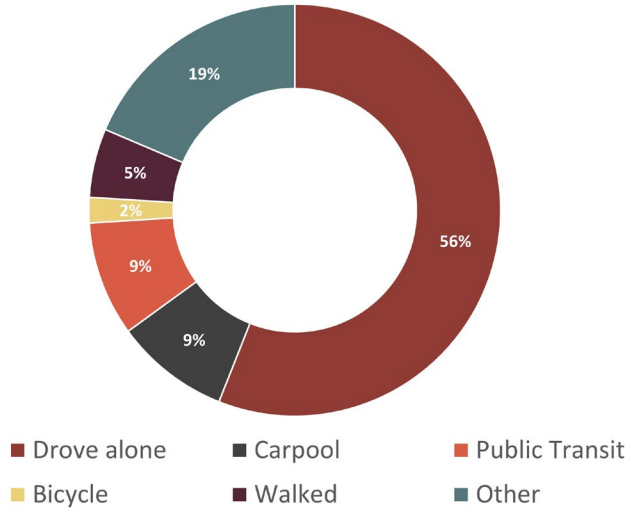
Salem State University

Salem State University (SSU), located adjacent to the Study Area, has a critical interest in construction of a future commuter rail station. This four-year public university, one of the largest state universities in Massachusetts (approximately 9,000 students), resides on more than 107 acres to the southeast of the proposed station. The university is committed to acting as an exemplar of sustainable development among state institutions of higher learning, pledging to eliminate its contribution to climate change over time. As part of these efforts, SSU engages in active efforts to reduce traffic congestion and improve air quality by reducing the number of single occupancy vehicle trips to and from the university. SSU employs approximately 1,550 full time equivalents (FTEs). SSU also has more than 6,900 commuting students, representing about 60% of its total student population. While its goal is to ultimately house half of its student population on campus, the school will continue to operate in large part as a commuter school.

As part of its 2015 Rideshare Regulation Annual Update Report (required by Massachusetts Department of Environmental Protection), SSU performed a survey of commuter mode choices. Based upon this statistically significant sample, 56% of applicable commuters travel daily to campus in a single occupancy vehicle. Figure 19 provides a breakdown of mode choice.

SSU provides a comprehensive commuting program for its commuters, including web-based "ride-matching," preferential parking for carpools, bicycle incentives, discounted transit passes, and a shuttle service to Salem Depot station. These measures are estimated to have reduced Drive Alone Commuter Trips (DACT) from a 2007 base year by 2,500. Achieving further reductions, however, may be a challenge. The shuttle service, for example, has been a challenge due to traffic and schedule. As such, SSU considers the construction of a new commuter rail station proximate to its campus as one of the most important City endeavors over the next decade and key to its growth in a sustainable way. The University's largest source of students comes from Lynn (795), which is along the same rail line as Salem. Other significant student populations along the commuter rail line include Beverly (351) and Gloucester (236). A transit station closer to campus could potentially capture a greater number of students along this line. It would also allow for better collaboration with other community colleges, such as North Shore Community College.

Figure 19. Salem State University Commuter Transportation Survey, Commute Mode (2015)



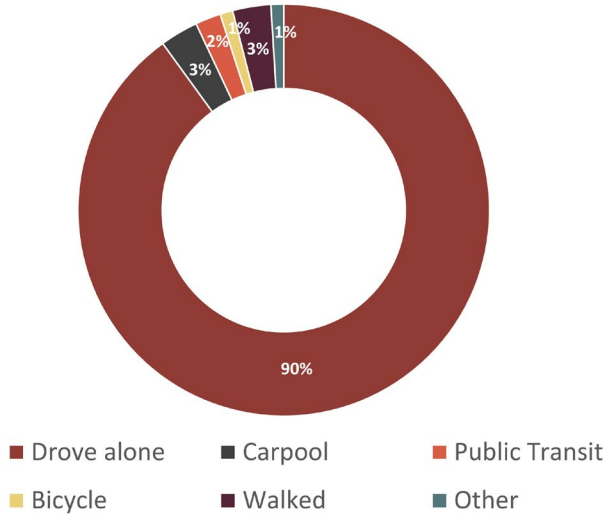
North Shore Medical Center

The other key stakeholder near the study area is North Shore Medical Center (NSMC). Among NSMC's several campuses, its Salem location is the largest and is the only medical center on the north shore to offer inpatient services. NSMC is a major employer with 5,000 total employees (3,500 FTEs) spread across its campuses.

Furthermore, it is currently undergoing a $200 million expansion to accommodate additional services and operations from NSMC Union Hospital in Lynn, which is closing operations. This expansion includes a new three story building, renovating the former Spaulding Rehabilitation Hospital, and creating a new lobby. There will be a new emergency department and the Spaulding building will be turned into a mental health center. This move will cement the campus as the hub for NSMC's operations.

NSMC conducts an annual transportation survey for its employees. Among the 800+ respondents, approximately 90% of employees drive alone to the hospital. (See Figure 20.) Among those, 245 respondents (29%) stated that one of the reasons they drive alone is due to transit schedules / routes not working for them. NSMC, therefore, believes that an additional commuter rail station near the hospital would induce additional employees to take transit. Furthermore, as patients bear increasing costs there is the potential to draw a greater number of reverse commuters from locations with higher priced medical services, such as Boston. The hospital runs regular shuttles from its various parking lots and would strongly consider adding an additional pick-up / drop-off location at the station itself.

Figure 20. North Shore Medical Center Commuter Transportation Survey, Commute Mode (2016)



PUBLIC HEALTH

Research suggests that roughly 60% of our health is determined by social, environmental and behavioral factors shaped by the context in which we live.[6] By altering our physical and social environments, urban development play an important role in determining health of residents a community. So, as the South Salem area is considered for changes, it is an opportunity to mitigate issues that pose a health risk and enhance elements that benefit health – physical, social, and mental – in the city.

A framework for considering the health impacts of TOD and traditional neighborhood developments was developed as part of the Healthy Neighborhoods Equity Fund (HNEF) Health Impact Assessment (HIA). The HNEF HIA identified a set pathways that characterize how neighborhood changes could affect the health of a community. Identified through a combination of stakeholder input and current public health research, these pathways highlight factors that influence physical and mental health, including social elements such as crime, social cohesion, neighborhood walkability, air quality, and safety from traffic.

A subset of the HNEF HIA pathways are included (Table 4) for the South Salem project given the context of the Study Area and the development scenarios under consideration. The Health Determinants column identifies the pathway and associated health issues. Where available, data is presented in the following section (Salem's Health Status) to document the current health of residents and identify what conditions could be improved, or at risk, as result of changes in the South Salem study area.

Table 4. South Salem Public Health Indicators

	HEALTH DETERMINANT & HEALTH BEHAVIORS AND/OR CONDITIONS MOST IMPACTED	EVIDENCE LINKING DETERMINANT TO HEALTH OUTCOMES
	**ACTIVE TRANSPORTATION** Physical Activity Mental Health & Brain Development Depression Chronic Disease (Cardiovascular Disease, Obesity, Diabetes, Pancreatic Cancer, Breast Cancer, Endometrial, Colon & Rectal Cancers)	Compared to the National walking average of 6 minutes per day, public transit users spend a median of 19 daily minutes walking. Estimates show that an individual walks an additional 8.3 minutes per day when they switch from driving to transit. Evidence suggests that good infrastructure (sidewalks, bike lanes etc.) and public transportation access leads to increases in walking and biking for transportation purposes, and therefore plays an important role in increasing population level physical activity. A very robust body of literature links physical activity to a panoply of health benefits (listed on the left)[7]. Furthermore recent evidence suggests that while active transit may expose users to air pollution on the road, the positive benefits of physical activity outweigh the negative impacts of increased air pollution exposure.
	**AFFORDABLE HOUSING** Mental Health Substance Abuse Children's Development	Ongoing development pressure in Salem may drive up the cost of housing, thereby decreasing options for affordable housing. Affordable housing reduces frequent moves, overcrowding, eviction and foreclosure, which are associated with higher stress levels, depression and feelings of hopelessness. These problems can disproportionately affect children, as several studies found that children in low-income households not receiving housing subsidies are more likely to suffer from iron deficiencies, malnutrition and underdevelopment than children in similar households receiving housing assistance
	**AIR POLLUTION** Cardiovascular Disease Asthma COPD Lung Cancer Acute Exacerbations	The Environmental Protection Agency (EPA) identifies 6 criteria air pollutants that have important human health impacts: Ground level ozone (O_3), carbon monoxide (CO), particulate matter (PM), nitrogen dioxide (NO_x), sulfur dioxide (SO_2), and lead (Pb). Of these, CO, PM, NO_2, and SO_2 are directly linked to vehicular exhaust while 0_3 is indirectly linked. The Clean Air Act requires the EPA to establish public health and welfare-based exposure standards for these six criteria air pollutants and States must develop plans to achieve these standards. Although they are not accounted for the EPA's criteria, Volatile Organic Compounds (VOCs) and Ultrafine Particulate Matter (UFP) are also linked to vehicular air pollution and should be monitored. There is an extensive body of literature linking vehicular air pollution to mortality and hospitalizations due to asthma exacerbation, chronic lung disease, heart attacks, ischemic heart disease, and major cardiovascular disease.

[6] Twenty percent of one's health is attributed to healthcare and 20% is genetics.

[7] The HNEF Health Impact Assessment HIA was developed by the Metropolitan Area Planning Council (MAPC), the MA Department of Public Health, and the Conservation Law Foundation (CLF) and incorporated stakeholder engagement and guidance, multiple health and non-health datasets, and research from the planning and public health fields. For detailed source data and additional information, please visit http://www.mapc.org/hnef

Table 4. South Salem Public Health Indicators (continued)

	HEALTH DETERMINANT & HEALTH BEHAVIORS AND/OR CONDITIONS MOST IMPACTED	EVIDENCE LINKING DETERMINANT TO HEALTH OUTCOMES
	**DISPLACEMENT** Mental Health Children's Health and Development Social Cohesion	New development can bring more economically stable households into an area by increasing the opportunities and economic value of the area, but it may also increase cost burden for lower income households and even lead to their displacement. The latter may increase families' commute times and diminish the positive health effects of existing social networks/cohesion. Increasing cost burden can also increase housing insecurity which has been linked to increased risks of poor health in household members and developmental delays in children. Past studies have found that 15-20% of homelessness in families resulted from eviction from rental housing.
	**ECONOMIC OPPORTUNITY** Mental Health Children's Health and Development Social Cohesion	Economic opportunity may lead to better health outcomes through several mechanisms. On a community level, greater competitive economic diversity from many employers and business types can help to encourage civic participation, encourage community engagement, and improve economic outcomes such as median household income and poverty. For individuals, it may decrease unemployment, which is associated with risk of cardiovascular disease, depression, suicide, all cause mortality, and type II diabetes in men. It may also increase income, which is linked to decreased morbidity and mortality overall. Growing up in poverty also increases a child's risk for school failure and poor health throughout their lifetime, which could be mitigated should family incomes increase.
	**ENVIRONMENTAL CONTAMINATION** Asthma COPD	Brownfields and contaminated sites can compromise healthy and safety due to abandoned structures, open foundations, other infrastructure or equipment that may be compromised due to lack of maintenance, vandalism or deterioration, controlled substance contaminated sites (i.e., methamphetamine labs) and abandoned mine sites. They can compromise social and economic health due to blight, crime, reduced social capital, reductions in the local government tax base and private property values that may reduce social services, and introduce environmental issues due to biological, physical and chemical site contamination, groundwater impacts, surface runoff or migration of contaminants as well as wastes dumped on site. State brownfields program incentives are available to buyers, and sometimes sellers, of contaminated property provided there is a commitment to cleanup during redevelopment.

Table 4. South Salem Public Health Indicators (continued)

	HEALTH DETERMINANT & HEALTH BEHAVIORS AND/OR CONDITIONS MOST IMPACTED	EVIDENCE LINKING DETERMINANT TO HEALTH OUTCOMES
	**GREEN SPACE** Mental Health Social Cohesion Asthma COPD Melanoma Crime (Real or Perceived)	Access to parks, open space, and greenery may protect against poor mental health outcomes by encouraging more socializing and thus fostering greater social support and encouraging more socializing, particularly among women. Trees and other vegetation remove air pollutants and promote cleaner and more breathable air. By providing shade for streets and buildings, trees also mitigate heat islands, UV exposure and skin cancer risk. - Finally, trees in particular have been linked to positive social behavior, and even to reductions in crime.
	**SAFETY FROM TRAFFIC** Injuries	New transportation infrastructure that increases walking as well as commercial and residential developments, especially those that involve previously vacant land or buildings, generate new trips by motorists, pedestrians, bicyclists and transit users. With the addition of new trips, there is potential for an increase in the number of traffic-related crashes that occur on the surrounding transportation system. However, traffic calming has strong evidence of injury prevention benefits.
	**SOCIAL COHESION** Mental Health Cardiovascular Disease Infectious Disease Substance Abuse (including alcohol) Crime (Real or Perceived)	Negative "psychological" risk factors such as social isolation and stress can harm health, while social support and social cohesion can promote it. Social isolation can lead to greater levels of stress, which has well-documented health effects, as well as many other negative health impacts including increased risk of heart disease, mental health problems, and even death.- Conversely, those with rich social environments—who have more friends and social interactions, hold a greater level of trust in their neighbors, and are part of a more tightly knit community—have access to a greater network of social resources which in turn help them stay healthier.[85-86]

Salem's Health Status

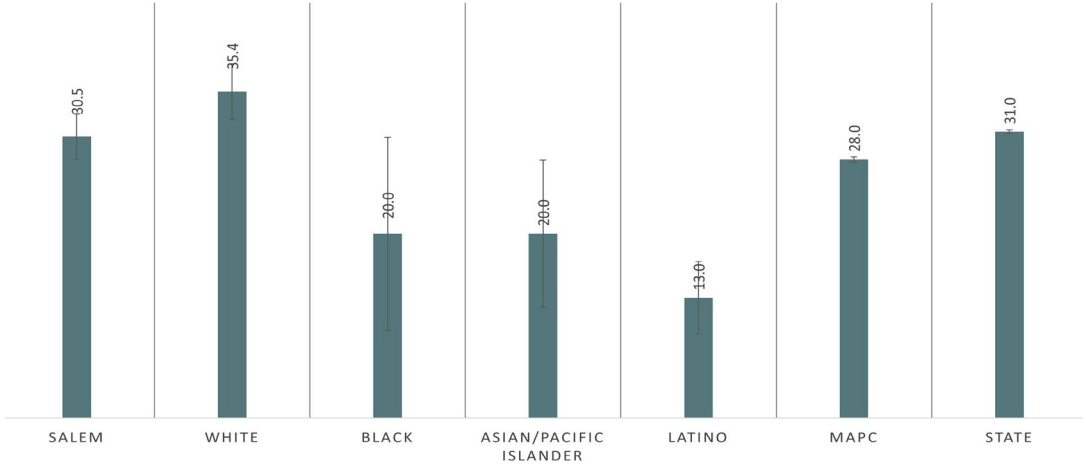
Measuring and identifying the health of the population in Salem allows for an understanding how current residents are faring and what factors might be at play to promote wellness or to pose health risks. The data also provides focus for planning and policy interventions maximize health and wellbeing across the lifespan in the city. This review includes key health indicators and the social and environmental factors that may promote, or inhibit, healthier outcomes for current and future residents of the South Salem project area.

Mortality

Premature mortality measures the proportion of residents that die before average life expectancy would predict predict (i.e., deaths occurring before the age of 75). This indicator allows us to focus on deaths that could have been prevented and what groups, if any, may be experiencing a greater health burden than others.. This indicator allows us to estimate in a basic and crude term whether Salem residents are passing away at disproportionately young ages, or vice versa. Figure 21 suggests that Salem has a premature mortality rate similar to that of the State and MAPC region, and that the white population has the highest estimated rate in the City (although it is not statistically significant).

Similar to mortality, hospitalization rates can serve as an indicator of current health of Salem residents, particularly those that may be severe and forcing residents to seek immediate care.

Figure 21. Salem Premature Mortality Rates Per 10,000 People, 2008-2012



Health Indicators and Risk Factors

Cardiovascular disease, cancer, and hypertension are among the highest contributors to premature mortality and disease prevalence in the United States. As the estimates in Table 5 show, hospitalization rates in Salem are similar to that of the Commonwealth and MAPC region, with one exception and several health disparities. The residents of Salem have a statistically significant higher asthma hospitalization rate than the State and black residents statistically significant higher hospitalization rates for asthma, diabetes, and heart failure when compared to the city, region, and state. Residents of Asian and Pacific Island descent have statistically significant higher hospitalization rates for heart failure and Latino residents have statistically significant higher hospitalization rates for hypertension.

Other health conditions and risk factors that are major contributors to the domestic burden of disease are obesity, prediabetes, physical activity, smoking, and consumption of healthy foods. According to measures from the state, Salem is among the municipalities with residents who are the least healthy when compared to the State. The City does worse than the other cities and towns regarding prediabetes prevalence, residents having any exercise in their day, the prevalence of obesity, smoking, and fruit and vegetable consumption. Additionally, Salem residents report more poor mental health days than residents of other municipalities and experience higher numbers of mental health emergency department admissions when compared to the state.

Table 5. Hospitalization Rates Per 100,000 People

	HF** ŧ	UCI/LCI	Diabetes	UCI/LCI	HT** ‡	UCI/LCI	Asthma	UCI/LCI
Salem	286.7	(265.1-308.6)	138.3	(122.6-154.1)	47.4	(38.3-56.5)	207.76	(187.8-227.7)
White	264.5	(242.9-286.1)	126.4	(110.1-142.7)	37.4	(28.8-46.0)	187.06	(165.2-208.9)
Black	840.9	(495.6-1186.3)	467.6	(203.6-731.6)	N/A	---	428.85	(238.7-619.0)
Asian/PI	908.5	(397.6-1419.4)	N/A***	---	N/A	---	N/A	---
Latino	358.8	(250.7-467.0)	171.5	(108.7-234.3)	129.0	(64.8-193.2)	373.37	(281.4-465.3)
MAPC	283.1	(280.7-285.6)	133.14	(131.4-135.0)	51.75	(50.7-52.8)	152.12	(150.1-154.1)
State	273.0	(271.4-274.7)	135.03	(133.8-136.3)	45.49	(44.8-46.2)	151.92	(150.6-153.3)

CI: Confidence Interval; ** HT: Hypertension; HF = Heart Failure; ŧ: 3 year aggregate rates, DPH hospitalization discharge database, 2008-2012 2-2014; * N/A is provided when rate could not be calculated due to small sample size and/or need to protect privacy because of low counts

Health of Older and Younger Residents

Younger and older members of a community may experience health issues differently than other residents. In the case of Salem, limited health data is publicly available for youth. One data point, pediatric asthma prevalence, is available from the State and it indicates that Salem youth are among the healthiest in the state.

For older adults in Salem, their health behaviors and risk factors are in the line with the State's, performing worse only in regard to asthma.

Health Disparities and Outcomes

Differences, or disparities, in health conditions and behaviors have roots in the social, political, and environmental context in people live. In particular, those who face economic limitations and experience racial bias or other forms of discrimination encounter additional barriers that hold them back from achieving better health outcomes. Health disparities between Salem and the Commonwealth (e.g., higher asthma hospitalization rates) and differences within Salem (e.g., higher asthma hospitalization rates among black residents) likely have roots in these contexts, limitations, and lived experiences.

In Salem, work has been underway to change social, political, and environmental factors. The city is engaged in proactive and collaborative community-based planning. Examples of this include plans and ongoing processes in the Point Neighborhood and the Derby Neighborhood. Salem is also home to one of the state's Mass in Motion programs. The program works implements strategies that increase physical activity and healthy eating among residents. The purpose of this work is address the root causes of chronic diseases and change behaviors that put people at risk for chronic diseases.

Although this work is underway, changes, and their ripple effects, can be slow to take shape. For example, it took 30 years for the nation to go from having only two states with obesity rates above 20 percent to now having no state with a rate lower that 20 percent. Reversing that trend will take time and that is why continued work to affect housing, economic opportunity, transportation, and natural resources must consider the potential for health improvements. Changes considered for South Salem have the potential to affect current residents by increasing economic opportunities and reducing harmful exposures. As a result, the City can expect to see improved health behaviors and outcomes over time and a more prosperous, vibrant, and socially connected city.

MARKET ANALYSIS

MARKET STUDY CONTEXT

MAPC staff conducted a market analysis of the current South Salem Study Area and estimated how a new South Salem commuter rail station could potentially change the market conditions. MAPC staff looked specifically at the market potential for residential, retail, and office uses. This information can help to inform future planning decisions and development opportunities.

Achieving the full potential without a station requires planning and improvements, focusing on the impact that the future rail trail (under construction) could have on an area. This type of development, described in the following chapter, is often known as Trail-Oriented Development (TrOD).

In the TrOD scenario MAPC estimates that the market can support a potential 15,000 additional square feet of retail and 200-400 additional residential units in the South Salem Study Area. With the addition of a South Salem Commuter Rail station, MAPC estimates that the market could support an additional 22,000-26,000 square feet of retail and 900-1,100 additional residential units. The analysis demonstrates the strong impact that a new commuter rail station can have on market demand.

Recent and Planned Investment

Recent and planned investment in and around the Study Area provides some context for the market opportunities as they exist today. The data indicates limited permitting activity in the Study Area with only one major project occurring on its periphery and one smaller project permitted within the boundary. These projects include a large mixed-use development at Washington and Dodge Street, just north of the South Salem site. The project will include upwards of 60 residential units along with a hotel and some commercial space. The exact number of residential units is still under review. Within South Salem, 95 Canal Street is a recently permitted multi-family project which will include 8 units. There are no other recently permitted projects in the Study Area.

It is important to note that Salem State University and North Shore Medical Center, as two major institutions in the area, could help to guide growth in the Study Area. For example, any new students or employees that are associated with expansions of either of these organizations have the potential to dramatically affect the market, particularly the demand for housing or additional retail.

Additional students could help to increase the demand for a station in this area and conversely a train station would certainly help to support a University expansion. More students living in the area may provide the potential to support more retail establishments as well. SSU also employs approximately 1,550 employees in Salem. Additional students would also likely mean additional employees who could also utilize the train station and help to support additional retail in the area.

Interviews

Local stakeholders have invaluable insight into how market forces play out on the ground. MAPC conducted numerous interviews to gather the local perspective and to help contextualize the data and market trends that inform this analysis. In addition to talking with business owners, developers, property owners, and brokers, MAPC met with SSU and NSMC to understand their future expansion plans.

Opportunities and Challenges

The majority of interviewees felt that there was a strong opportunity to redevelop this area with the addition of the station and that there may be some more limited opportunities to redevelop certain portions of the Study Area as it is now. The Study Area as it is now has a heavy industrial feel with a number of auto-oriented businesses including auto parts stores, auto dealerships, and gas stations. The area is also not very pedestrian friendly with long blocks, numerous parking lots that break up street frontage, and wide driveways for many businesses. At this point in time it is not a particularly attractive area for retail or residential development, and there are many other areas in Salem where this type of development is more likely to occur. These areas include the Downtown, the Point neighborhood, and along Bridge Street. Most interviewees thought that the overall development opportunity in the Study Area as it is now is limited. Some sites at the northern end of the Study Area closer to the downtown and the existing station may have potential for redevelopment. Improvements to the area, e.g., capitalizing on the potential of the rail trail, could improve development prospects further to the south. However, many of the interviewees commented that with a new station, the development potential of the area would be dramatically increased.

In regards to the residential market, people mentioned that Salem was becoming a more and more popular place for people to live. The City is particularly attractive to people looking for a more affordable urban experience in a community that is relatively close to Boston. In recent years, a number of market rate rentals have been permitted and built in Salem and rental rates are continuing to rise across the City even in some of the more traditionally affordable areas. (See Neighborhood Change chapter for additional details on the effects of growth.) One property owner who owns one of the northern parcels was interested in potentially redeveloping his site. However, multiple developers stated that the addition of the station would be important for them to consider building in South Salem. One developer stated the importance of an easy and attractive ten minute walk to a train station to their residential development model. A new station in South Salem would allow them to command the rents needed to make a new project in the area financially feasible. At this point in time, there are opportunities in other areas for affordable land that are in better geographic locations. It is also worth noting that businesses were generally supportive of new residential development and felt that it would be beneficial in increasing their customer base.

For retail potential, interviewees reinforced that any new retailers that offer shoppers' goods were more likely to locate in downtown than in South Salem. They would benefit from the foot traffic downtown as well as the other unique destinations that draw people to downtown Salem. South Salem might attract more service retail including banks, limited service restaurants, or liquor stores that would generally require more parking. Shop owners in the area said that they draw customers from not only South Salem, but also Marblehead and Peabody.

A station could potentially change this environment if it draws the kind of dense residential development that could allow more destination/ shoppers good retail to be supported by foot traffic. There are some opportunities in the area that would serve future retailers well including the fact that there is good visibility along Canal Street for retail tenants and that the proximity of the university helps to bring customers to support retail stores. NSMC commented that there are limited lunch places in the area where employees can grab food and that there may be potential for more of these establishments in the area even now. Other retail that caters to the needs of the hospital might make sense here as well.

For office development, multiple interviewees felt that there is already ample office space near the area with prime waterfront space available at affordable rates within Shetland Park and that there was very limited opportunity to introduce new office development in this area. The station alone is unlikely to create a new market for office development. However if the area transforms first through additional residential and retail development, there could be potential for a build to suit office development at a later point in time.

Although most interviewees were supportive of the new station and the new investment that it might attract in the area, it is also important to note that some of the business owners did express concerns about parking and particularly commuters who might park all day and take spaces that customers might otherwise use. On the other hand some businesses thought that a station would help to alleviate some traffic along Canal Street, assuming that more students and NSMC patients (coming in for outpatient services) might commute by train rather than car.

Demographics

Understanding the current and projected demographic and socio-economic characteristics of a community and its region is important in order to adequately understand the market opportunities. An area's households are key drivers that determine the market potential for housing and retail and the community's economic competitiveness within the region.

Population

Population in Salem grew by about 4% between 2010 and 2015. This growth is on par with population growth experienced in surrounding communities. During this time period, the City of Salem added about 1,500 people.

Table 6. Population Change, 2010-2015, Salem and Surrounding Communities
(Source: ACS 2015 5 Year Estimate, US Census 2010)

	2010	2015	Pop Change	% Change
Beverly	39,502	41,186	1,684	4%
Danvers	26,493	27,849	1,356	5%
Lynn	90,329	92,457	2,128	2%
Marblehead	19,808	20,517	709	4%
Peabody	51,251	52,504	1,253	2%
Salem	41,340	42,869	1,529	4%
Swampscott	13,787	14,477	690	5%

Age Profile

Between 2010 and 2015, Salem has seen the highest percentage population growth in individuals age 20 to 34, adding just over 1,000 individuals in this age cohort. Other growing age cohorts in Salem include individuals age 55 to 64 and 65 plus.

The median age in Salem has stayed at about 36 years old, suggesting that much of the growth that occurred within the 20 to 34 age group may be near the high end of the age range. When compared with surrounding communities, Salem is quite young. Only the City of Lynn has a younger population with a median age of 33.

Households

For the housing market analysis, understanding the household composition and trends is even more critical than overall population figures. Understanding household change and growth gives a clearer picture of what the future demand for additional units may be.

When compared with surrounding communities, Salem is one of only three communities that experienced growth in their number of households between 2010 and 2015. During this time period, Salem added 187 households (1% growth). This is more than all except Peabody (+339 units) and Beverly (+263 units). Interestingly, the average household size of each of the communities that added more households also shrunk. As household sizes shrink, more units are needed to accommodate the same number of people.

MAPC projects that this household growth is likely to continue in Salem with the City adding 2,644 units between 2010 and 2030 (15% growth). Salem's projected percentage growth rate is lower than that of Lynn, Peabody, and Danvers. However, as discussed in more detail later in this analysis, Salem has been permitting (or supplying) housing at a faster rate than these communities and may actually be capturing some of the demand originally projected for other communities.

The households that are projected to grow by both the largest number and percentage in Salem are those 65 and older, which is consistent with the general aging of the region. Notably, Salem is also expected to see an 8% increase in households age 20 to 34 which would continue the growth trend for this age cohort experienced between 2010 and 2015. These two age groups in particular (millennials and retiring boomers) often have similar housing preferences and are looking for walkable environments with easy access to amenities and transportation options.

Table 7. Population Change, 2010-2015, Salem and Surrounding Communities
(Source: ACS 2015 5 Year Estimate, US Census 2010)

	2010	2015	Change	%Change
Under 19	9,333	9,262	-71	-1%
20 to 34	9,913	10,936	1,023	10%
35 to 54	11,647	11,442	-205	-2%
55 to 64	5,105	5,286	181	4%
65 plus	5,342	5,573	231	4%

Table 8. Population by Age over Time: Salem 2010-2015
(Source: ACS 2015 5 Year Estimate, US Census 2010)

	2010	2015	Change
Beverly	41.6	39.9	-4%
Danvers	44.1	44.9	2%
Lynn	35	33.7	-4%
Marblehead	44.3	47.4	7%
Peabody	43.3	44.9	4%
Salem	36.6	36.5	0%
Swampscott	44.9	44.3	-1%

Table 9. Median Age Over Time: Salem and Surrounding Communities, 2010-2015
(Source: ACS 2015 5 Year Estimate, US Census 2010)

	2010	2015	Change
Beverly	41.6	39.9	-4%
Danvers	44.1	44.9	2%
Lynn	35	33.7	-4%
Marblehead	44.3	47.4	7%
Peabody	43.3	44.9	4%
Salem	36.6	36.5	0%
Swampscott	44.9	44.3	-1%

Table 10. Household Change: Salem and Surrounding Communities, 2010-2015
(Source: ACS 2015 5 Year Estimate, US Census 2010)

	2010	2015	Change	Change	2010 Avg HH Size	2015 Avg HH size
Beverly	15850	16113	263	2%	2.4	2.34
Danvers	10615	10394	-221	-2%	2.49	2.56
Lynn	33310	32407	-903	-3%	2.6	2.8
Marblehead	8144	8137	-7	0%	2.45	2.48
Peabody	21313	21652	339	2%	2.46	2.38
Salem	17842	18029	187	1%	2.27	2.25
Swampscott	5520	5477	-43	-1%	2.43	2.53

Table 11. Household Change: Projected 2010-2030, Salem & Surrounding Communities
(Source: US Census 2010 and MAPC (Stronger Region projections))

	2010	2020	2030	Change	% Change
Beverly	15,850	16,871	17,809	1,959	12%
Danvers	10,615	11,731	12,849	2,234	21%
Lynn	33,310	36,050	38,662	5,352	16%
Marblehead	8,144	8,541	8,882	738	9%
Peabody	21,313	23,555	25,695	4,382	21%
Salem	17,842	19,236	20,486	2,644	15%
Swampscott	5,520	5,747	5,990	470	9%

Table 12. Households by Age: Projected Change 2010 to 2030, Salem
(Source: US Census 2010 and MAPC (Stronger Region projections))

	2010	2020	2030	Change 2010-2030	Percent
Under 19	367	320	307	-60	-16%
20 to 34	3,639	4,172	3,942	303	8%
35 to 54	6,978	6,524	7,253	275	4%
55 to 64	3,241	3,647	3,213	-28	-1%
65 plus	3,617	4,574	5,772	2,155	60%

Family and Non-Family Households

About 55% of Salem's households are family households and 36% are households with kids. There is also a substantial amount of non-family households that are living alone (6,441) and particularly households with one or more people 65 and older (4,149). This older population, along with single individuals and married couples without children, are likely to be interested in smaller units.

Income

Salem's median income is $60,690. When comparing this with the median income in 2010 (adjusted to 2015 dollars) it is actually lower and down by about 1%. Compared with surrounding communities, only Beverly and Lynn saw their median income rise, after adjusting for inflation. The median income in Salem is also low compared with the majority of surrounding communities. These are important trends to consider as new investment and market opportunity opens up within the City. It will be critical for the City to put policies in place that ensure that low income populations are not priced out and able to benefit from any new investment. Low income populations in particular may be vulnerable to any gentrification associated with new development.

It is also important to note that although the median income is lower in Salem, many residents/ commuters from more affluent communities (e.g., Marblehead, Swampscott) likely travel through Salem and offer an opportunity to capture spending, particularly on retail goods.

In addition, when looking at household incomes by age of the householder, those age 25 to 44 earn a

Table 13. Households by Type, Salem 2015 (Source: ACS 2015 5 Year Estimate)

	Salem		Massachusetts	
	Number	%	Number	%
Total:	18,029		2,549,721	
Family households: *	9,901	55%	1,620,917	64%
Married-couple family	6,309	35%	1,195,878	47%
Single Parent	3,592	20%	425,039	17%
Households with kids	4,504	25%	769,251	30%
Nonfamily households:	8,128	45%	928,804	36%
Householder living alone	6,441	36%	732,066	29%
Householder not living alone	1,687	9%	196,738	8%
Households with one or more people 65 and older	4,149	23%	697,846	27%
Average Household Size	2.25		2.53	
Average Family Size	2.96		3.15	

The breakdown of Family households (married-couple family, single parent, households with kids) does not sum to 9,901 because of overlap among the sub-categories.

Table 14. Household Income by Age (Source: ACS 2015 5 Year Estimate)

Age	Median Household Income
15 to 24 years	$ 30,625
25 to 44 years	$ 71,497
45 to 64 years	$ 65,254
65 years and over	$ 36,419

median household income of $71,497, indicating that certain age groups may have more disposable income available to support local retailers and businesses.

Educational Attainment

Salem's educational attainment levels are similar to those of Essex County and the State. About 24% of the population 25 plus in Salem have a bachelor's degree compared with 22% in Essex County and 23% in the state. Salem has a slightly smaller percentage of people with a graduate or professional degree than the county or the State. Graduate and professional degrees can often lead to higher incomes.

Table 15. Household Income (Adjusted to 2015 dollars) (Source: ACS 2015 5 Year Estimate)

	2010	2015	% Change
Beverly	$72,081	$72,837	1%
Danvers	$81,421	$77,949	-4%
Lynn	$46,706	$47,429	2%
Marblehead	$104,977	$102,993	-2%
Peabody	$70,832	$60,596	-14%
Salem	$61,603	$60,690	-1%
Swampscott	$98,129	$98,612	0%

Table 16. Household Income by Age (Source: ACS 2015 5 Year Estimate)

	Salem		Essex County		State	
	Estimate	%	Estimate	%	Estimate	%
Pop 25 years and over	29,013	100%	523,024	100%	4,610,510	100%
No HS Diploma	2,651	9%	55,985	11%	471,105	10%
High school graduate	7,454	26%	136,786	26%	1,169,375	25%
Some college, no degree	5,632	19%	90,700	17%	745,794	16%
Associate's degree	2,240	8%	43,250	8%	357,133	8%
Bachelor's degree	6,988	24%	116,780	22%	1,049,150	23%
Graduate or professional degree	4,048	14%	79,523	15%	817,953	18%
Percent high school or higher	n/a	90.86	n/a	89.3	n/a	89.78
Percent bachelor's or higher	n/a	38.04	n/a	37.53	n/a	40.5

RESIDENTIAL MARKET ANALYSIS

Existing Housing Stock

Housing Units by Type

The South Salem Study Area currently has very little housing, comprising 2% of the existing land use. However, directly adjacent to the Study Area to both the east and the west are residential neighborhoods. The majority of the neighborhood to the east consists of single family, two families, and 3-4 unit structures.[8] The neighborhood to the west has a similar make up. The northern end of the Study Area is directly adjacent to the Downtown where the scale of residential housing is denser and includes more units.

Table 17 summarizes housing trends to give us a sense of the current market demand in the City of Salem overall.

Salem overall has significantly less single family housing stock when compared with the County and the state. The City has a much higher percentage of units within 3-4 unit structures as well as a higher percentage of units within structures with 20 units or more. The majority of units within Salem are in multi-family structures as opposed to single family. The Study Area could likely support some additional multi-family development. The northern parcels in the Study Area would be best suited to this type of development since they are walkable to the downtown as well as to the existing commuter rail station. Implementing the recommendations associated with the TrOD development scenario could unlock development potential in the southern portion of the Study Area.

Housing Units by Age

Table 18 summarizes single family and multi-family units listed by year built. The majority of multi-family units were built in Salem prior to 1939 and just over 37% of single family homes were built prior to 1939. Housing development has picked up in recent years in Salem, and there are a number of units in the pipeline for Salem with over 380 units (347 multi-family and 33 single family units) permitted since 2014.

Housing Tenure

As illustrated in Table 19, about 52% of units in Salem are renter occupied which represents a shift in the market from 2010 when only 49% of units in Salem were renter occupied. Salem is now a majority renter market. In the past five years, the total number of renters has grown by about 1,106 or about 6%.

Figure 23 also demonstrates growth across renters of all ages. Renters age 55-64 have grown by the highest percentage and are up from 13% of renter households in 2010 to 17% of renter households in 2015 (494 households). Demand for rentals is poised to continue and based on historical growth, there will likely be growing demand amongst people age 35-54 and 55-64.

A large share of renters in Salem are fairly new to the City with 51% moving in 2010 or later. (See Table 20.) Although renters are generally more mobile, the growing popularity of the City, along with more modern rental units that have become available, may account for the number of renters who have recently moved in.

[8] Census Tract 2041.01

Table 17. Number of Units in Structure (Source: ACS 2015 5 Year Estimate)

	Salem	Essex County	State
Single Family	33%	57%	58%
Two Family	18%	12%	10%
3-4 units	21%	11%	11%
5-9 Units	7%	5%	6%
10-19 units	5%	4%	4%
20 or more	16%	10%	11%

Table 18. Housing by Type and Year Built (Source: ACS 2015 5 Year Estimate)

	2010 or later	2000-2009	1980-1999	1960-1979	1940-1959	1939 or earlier	Total
Salem							
Single-Family	0	298	1,279	1,023	1,208	2,263	6,071
Multi-Family	35	782	1,081	1,485	1,053	7,511	11,947
Total	35	1,080	2,360	2,508	2,261	9,774	18,018

Figure 22. Housing by Year Built, Salem (Source: ACS 2015 5 Year Estimate)

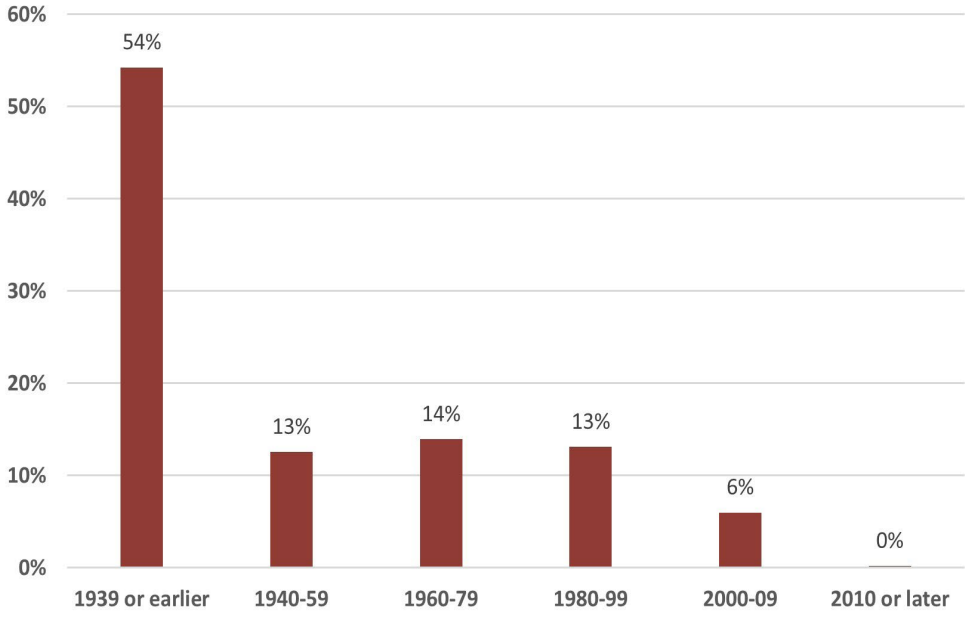


Table 19. Housing by Type and Year Built (Source: ACS 2015 5 Year Estimate)

	2000		2010		2015		Change 2010-2015	
	#	%	#	%	#	%	#	%
Owner Occupied	8,586	49%	9,048	51%	8,673	48%	-375	-4%
Renter Occupied	8,906	51%	8,794	49%	9,356	52%	562	6%
Total	17,492		17,842		18,029			

Figure 23. Rental Households by Age, Salem (Source: ACS 2015 5 Year Estimate)

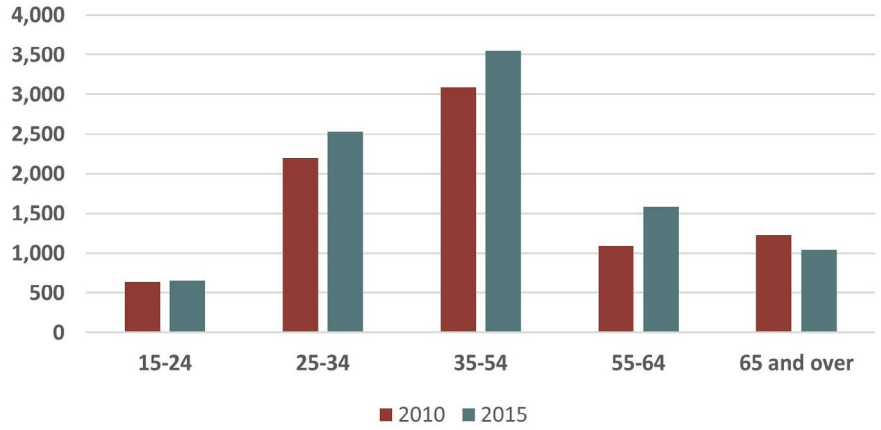


Table 20. Housing by Type and Year Built (Source: ACS 2015 5 Year Estimate)

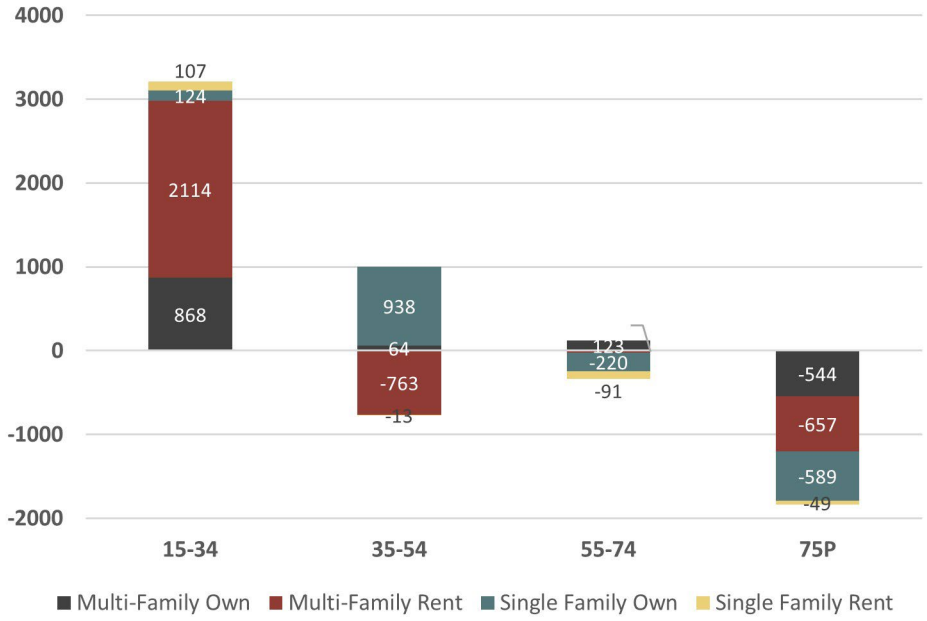
Tenure and Length of Stay		
	Number	%
Owner Occupied	8673	
Moved in 2010 or later	1256	14%
Moved in 2000 to 2009	3335	38%
Moved in 1990 to 1999	1759	20%
Moved in 1980 to 1989	804	9%
Moved in 1979 or earlier	1519	18%
Renter occupied	9356	
Moved in 2010 or later	4817	51%
Moved in 2000 to 2009	3498	37%
Moved in 1990 to 1999	748	8%
Moved in 1980 to 1989	135	1%
Moved in 1979 or earlier	158	2%

Household Unit Demand by Age Cohort

Figure 24 shows housing unit demand in Salem by age group in 2010. Households headed by those age 15-24 (currently 22-31 years old) are demanding a significant amount of multi-family rentals and multi-family ownership opportunities. Some of this demand will be met by other age cohorts that put this type of housing back on the market. For example, households age 35-54 year olds (now 42-61) free up a significant amount of multi-family rentals and demand more single family housing. However, not all of the demand for multi-family units will be met, indicating the need for more multi-family units overall.

Overall between 2010 and 2020, there is a projected demand for 1,181 multi-family and 207 single family new units in Salem. Some of this demand is already being met by projects that have been permitted and built in Salem, but there is still significant demand for additional multi-family units in the City.

Figure 24. Household Unit Demand Change by Age Cohort (Source: MAPC Stronger Region Projections



Housing Preferences

ESRI Business Analyst does a tapestry segmentation analysis, which classifies residential neighborhoods in the US into 67 unique segments based on demographic and socioeconomic characteristics. This analysis provides some insight into customer's lifestyle choices, what they purchase, and what they enjoy doing outside of work. Within a half mile of the proposed station in South Salem the population breaks down into the tapestry segments illustrated in Figure 25. "Trendsetters" make up 31.8% of the population within a half mile ring of the station. "Set to Impress" is 22.3% and "Emerald City" is about 12%.

Table 21 provides a summary of some general characteristics associated with the top three tapestry segments found within a half mile of the proposed South Salem commuter rail station. These neighborhood trends suggest that rentals at high price points will likely be constructed as the market picks up. This will help to attract investment to the area, but also suggests the need for City policies to ensure that affordable rentals are part of any new housing mix as well.

Figure 25. Salem Tapestry Segmentation (Source: ESRI Business Analyst)

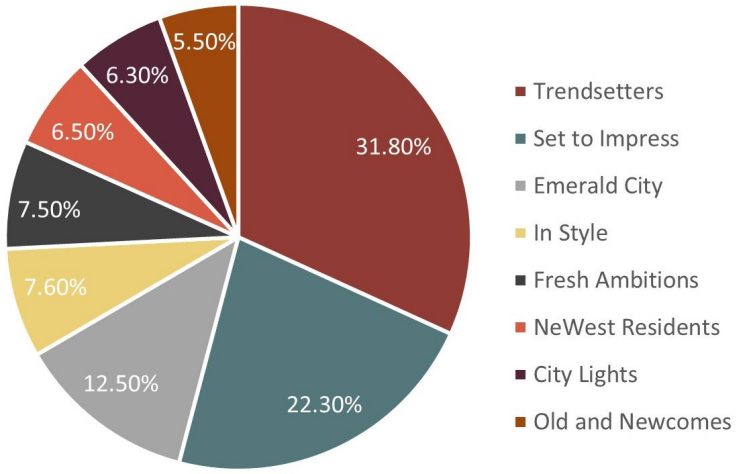


Table 21. Description of Housing Preferences by Tapestry Segment (Source ESRI Business Analyst)

Tapestry Segment	Neighborhood Trends
Trendsetters	"singles-living alone or with roommates or partners", "approximately 75% rent in upscale, multiunit structures", "renters willing to pay well above US average rent", "commuting can take up to an hour; public transportation, walking, and biking are popular; many own no vehicle"
Set to Impress	"Apartment complexes represented by multiple multiunit structures are often nestled in neighborhoods with either single-family homes or other businesses", "renters make up nearly three quarters of all households", "single-person households make up over 40% of all households"
Emerald City	"Older established neighborhoods with homes built before 1960", "just over half of all homes are renter occupied", "single-person and nonfamily types make up over half of all households", "median home value and average rent are slightly above the US levels"

Housing Sales & Pricing

Transaction information from the Warren Group shows that the number of sales has picked up considerably in the last few years post-recession and has now exceeded the peak number reached previously in 2005. Although condo sales have not yet reached their 2005 peak, they have steadily increased since 2008. Since 2008, the number of condo sales are up by 80%. (See Figure 26.)

When looking at inflation adjusted dollars, median sales prices have not yet reached the peaks of 2005. However, they have increased significantly in recent years. The median sales price for a single family home has risen over $80,000 since 2012 and condo prices are up 9% since 2012. (See Figure 27.)

Even though condo prices are significantly lower than pre-peak prices (-17%), when looking at recent sales within developments built in the last ten years, higher sales prices are noted. The lower median sales price overall may be related to age and quality of stock of condos in the City. As shown in the Table 22, newer condominiums, particularly those with amenities (e.g., in unit laundry, concierge, garage parking) are selling from $300,000 up to $449,000. For example, recent 2 bedroom condo sales at Derby Street Lofts have sold for over $400,000. Many of these recent sales are also in or near the downtown area, suggesting that a condo in an amenity rich area near transit can command a higher price.

As of June 7, 2017, there were 24 postings of condos for sale in Salem, 5 single family homes, and over 50 rentals posted on Zillow. That is a fairly limited amount of for sale opportunities.

Figure 26. Salem Home Sales (Volume) (Source: Warren Group, 2016)

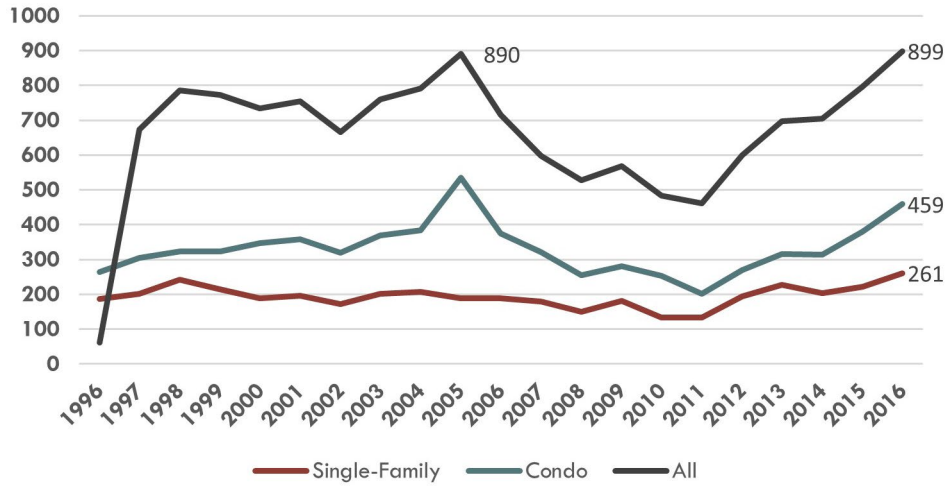
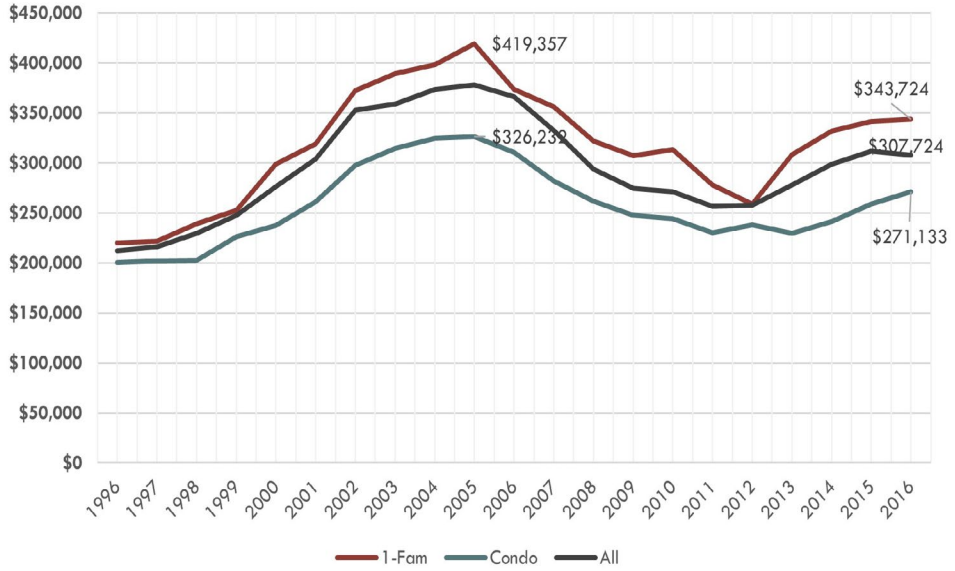


Figure 27. Median Sales Prices (Source: Warren Group, 2016)



Note: sales prices are adjusted to 2016 dollars.

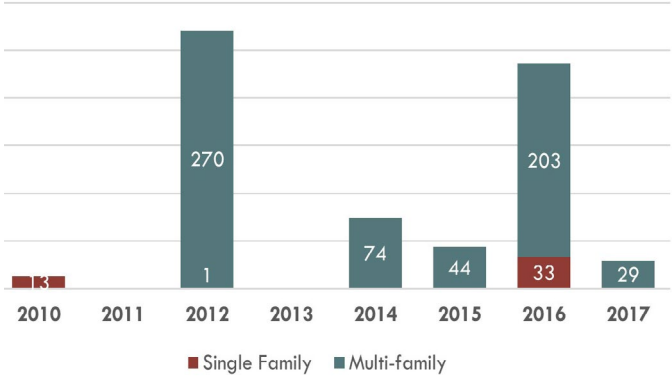
Table 22. Recently Sold Condominiums, Salem (Source: Zillow and Redfin May-August 2017)

Address	Building	Unit Size	SqFt	Sale Price	Sale/SF	Year Permitted	Year Built
281 Essex Street #204	281 Essex	2bd/2br	991	$330,000	$333	1900	2016
281 Essex Street #404	281 Essex	2bd/2br	983	$342,750	$349	1900	2016
315 Essex Street Unit 1	315 Essex	2bd/2br	1,130	$350,000	$310	1920	2016
11 Church Street #606	11 Church	2bd/2br	967	$275,000	$284	1990	2016
1 Washington Street #404	1 Washington	2bd/2br	1,285	$350,000	$272	1980	2016
1 Washington Street #402	1 Washington	2bd/2br	1,285	$371,000	$289	1980	2016
51 Lafayette St. #501	Derby Lofts	1bd/1br	1,109	$305,000	$275	2007	2016
51 Lafayette St. #203	Derby Lofts	2bd/2br	1,563	$303,000	$194	2007	2010
51 Lafayette St. #203	Derby Lofts	2bd/2br	1,576	$367,000	$233	2007	2010
51 Lafayette St. #411	Derby Lofts	2bd/2br	1,576	$410,000	$260	2007	2010
51 Lafayette St. #601	Derby Lofts	1bd/1br	1,100	$314,980	$286	2007	2007

Building permit has picked up significantly in Salem in recent years, however. Since 2010, Salem has permitted 620 multi-family units and 51 single family units (see Figure 28). The multi-family units will consist of a mix of rentals and condominiums.

Developers of newer multi-family units in Salem have had success in attracting the growing 20-34 year old population as well as couples age 50 plus in both the rental and for sale market, suggesting that there is market demand for these types of units within these age cohorts.

Figure 28. Salem Building Permits by Type (Source: City of Salem)



Rental Market Characteristics

As is displayed in the Table 23, compared to Essex County, a greater percentage of renter households in Salem are younger. Twenty-seven percent of households are age 25-34 in Salem versus only 21% in Essex County. Salem has seen renter households age 55-64 grow as a percentage of the City's population between 2010 and 2015 and has seen renter households age 65 plus decrease as a percentage of the City's overall population.

As is displayed in the Figure 29, the age cohort of renter households that has grown by the highest percentage in Salem are 55-64 year olds. The 55-64 age cohort has grown 45% or by 494 households between 2010 and 2015. The group that makes up the highest percentage of renter households in Salem is age 35-54. These households grew by about 454 households between 2010 and 2015.

As stated earlier, a large percentage of renters in Salem are fairly new to the City with 51% moving in 2010 or later. (See Table 24.) Although renters are generally more mobile, the growing popularity of the City along with more modern rental units that have become available may account for the number of renters who have recently moved in.

Table 23. Age of Renter Households (Source: ACS 2015 5 Year Estimate)

	Salem		Essex County		State	
	2010	2015	2010	2015	2010	2015
15-24	8%	7%	7%	5%	9%	7%
25-34	27%	27%	22%	21%	26%	26%
35-54	38%	38%	38%	38%	36%	36%
55-64	13%	17%	13%	16%	11%	13%
65 and over	15%	11%	21%	20%	18%	18%
Total	100%	100%	100%	100%	100%	100%

Figure 29. Salem Renter Households by Age (Source: ACS 2015 5 Year Estimate Census 2010)

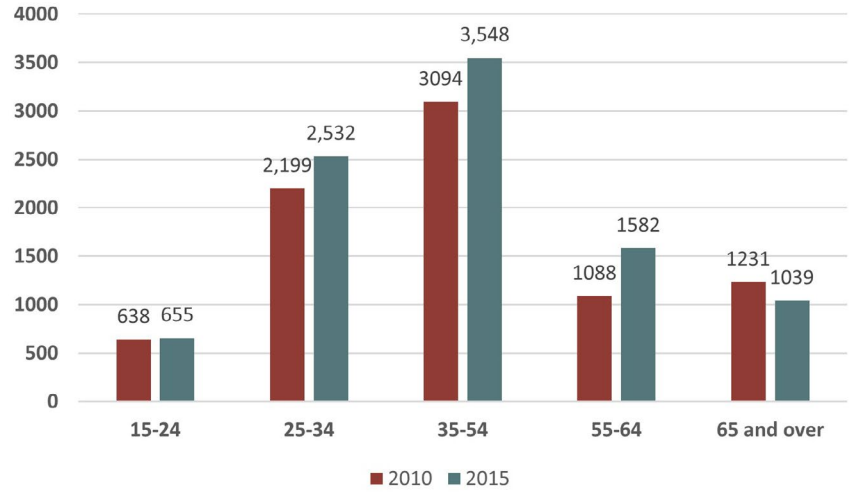


Table 24. Renter Household Length of Stay (Source: ACS 2015 5 Year Estimate)

Tenure and Length of Stay		
	Number	%
Renter occupied	9,356	
Moved in 2010 or later	4,817	51%
Moved in 2000 to 2009	3,498	37%
Moved in 1990 to 1999	748	8%
Moved in 1980 to 1989	135	1%
Moved in 1979 or earlier	158	2%

Rental Units

The population of renters is growing within the City and rental units seem to be in high demand. As Figure 30 illustrates, between 2010 and 2015, the average monthly asking rent rose from $1,481 to $1,875 which reflects a 27% increase.

Table 25 provides a sample of recent rental listings within developments throughout Salem. Most of these developments include ample amenities, and those that are closer to the existing commuter rail station and downtown are commanding higher rents, particularly compared with the average monthly asking rent above.

Figure 30. Monthly Asking Rent, Salem (Source: Zillow 2016)

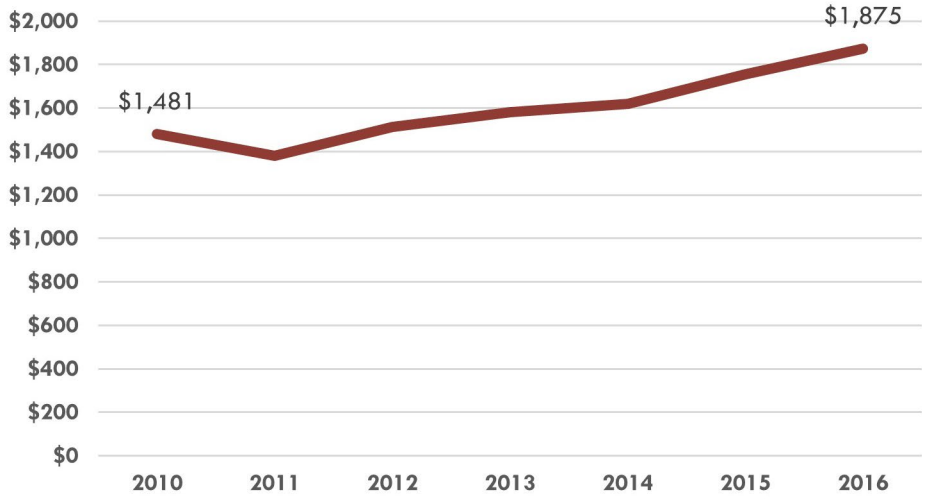


Table 25. Recent Rental Listings, Salem (Source: Zillow 2017)

Property	1 BR Rent	2 BR Rent	Amenities	Completed
Vinnin Square Apartments	$1,920	$2,065	Maintenance, Elevator, Free parking, pool, fitness center, movie theater, tennis courts, rec trails	2003
Bell at Salem Station	$2,000	$2,815	Washer/Dryer, High Efficiency Heating and Air Conditioning, Granite Countertops	2002*
North River Apartments	$1,695	$2,020	Fitness Center, Community Room, covered parking, electronic access card reader	2014
Old Salem Jail		$2,400	Designer kitchens, baths, elevator, parking	2016
Hawthorne Commons	$1,695	$2,080	Fitness Center, AC, garage parking	2005

Recent Development and Pipeline Projects

As noted previously, there is significant permitting activity that has occurred within the City of Salem for residential development in recent years. Table 26 represents mixed use and housing development that has been permitted in the City of Salem since 2010. (Note this list is limited to Planning Board Permits, and is, therefore, not inclusive of all recent development.

Three hundred eight three total units have been permitted in Salem since 2014. Of those 383 total units, 350 are multi-family units and 320 of those multi-family units are within a 15 minute walk to the existing commuter rail station. That indicates that 91% of multi-family units permitted since 2014 are within a 15 minute walk to the train station. Looking at an even closer walking distance reveals that 145 (or 42%) of the total multi-family units permitted since 2014 (350) are actually only a 10 minute walk. The amount of units that have been permitted within walking distance of the existing commuter rail station is a good indicator of the market demand for transit-oriented residential units.

Table 26. Recent Development, Salem (Source: City of Salem)

Development	Address	Year Permitted	Use	Units	Affordable Units
Former Hood Factory	9 S. Mason Street	2017	Multi-family	29	3
City Hall Annex	120 Washington Street	2017	Mixed-use: Residential, office space, and ground floor retail	14	0
Gateway Center	401 Bridge Street & 44 Boston St	2016	Mixed-use: Residential and ground floor retail & Community Center	117	12
Former Flynntan	70-92.5 Boston St	2016	Mixed-use: Residential and ground floor retail.	50	5
Former school	114 Derby	2016	Multi-family	6	0
Former Candy Factory	93-95 Canal St	2016	Multi-family	8	0
Former Convent	7 Howard St	2016	Multi-family	6	0
Woodlands Form C (Cluster Development)	Map 6, Lots 7, 8 and 9	2016	Single Family	26	0
Almeda Form C	14 & 16 Almeda	2016	Single Family	2	0
Sophia Rd ANR	3 Sophia Rd	2016	Single Family	2	0
Marlborough Rd ANR	186-190 Marlborough Rd	2016	Single Family	3	0
Old Salem Jail	50 St. Peter Street	2016	Multi-family	36	0
Renovate Commerical into Residential	92-94 Lafayette St	2015	Multi-family	8	0
Bridge Street ANR	43 Bridge Street	2015	Single Family	4	0
Jackson/Vale ANR	23 Jackson, 17 Vale	2015	Single Family	2	0
Washington/Dodge Street	239 Washington St	2014	Mixed-use: Residential & Commercial	68	0
107 Highland Ave	107 Highland Ave	2014	Multi-family	8	0
Riverview Place	72 Flint	2014 (amend)	Mixed-use: Multi-Family, commercial, and office	13	13
Former Convent	150 & 162 Federal St	2012	Multi-family	8	0
3 Webster	3 Webster st	2013	Multi-family	6	0
Legacy Park Apartments	60 Grove St	2012	Multi-family	129	13
Thorndike Form C	18 Thorndike St	2012	Single Family	5	0
Scotia Form C	15, 16 Scotia St	2010	Single Family	2	0
405 Highland Form C	405-419 Highland Ave	2010	Single Family	11	0
TOTAL SINGLE FAMILY				57	0
TOTAL MULTI-FAMILY				506	46
TOTAL				563	46

Residential Market Demand Results

Based on demographic information and housing trends, combined with the improvements outlined under the TrOD scenario, the market in South Salem will likely support additional housing units, particularly multi-family units. MAPC's housing demand projections suggest changing trends in births, deaths, migration, and housing occupancy might result in higher population growth and greater housing demand. In order to determine the residential demand for the South Salem Study Area without a station, MAPC demand projections are compared with the supply of housing recently put on the market (2010-2014) to give us a more accurate picture of how supply is aligning with demand at the municipal level. Because markets cross municipal boundaries, it is important to look at residential supply and demand across multiple communities. A community may actually experience more or less market demand than projected if surrounding communities are either not producing enough to meet their demand or are producing significantly more housing than demand projections indicated.

MAPC first identified a broader focus area of housing markets that might reasonably compete with Salem in attracting residents. The focus area included the communities of Beverly, Danvers, Lynn, Marblehead, Peabody, and Swampscott. MAPC then considered projected housing unit demand through 2020 by combining projected individual demand from each of these communities by both housing type and tenure. Based on MAPC demand projections, an estimated 8,996 units were projected by 2020 within the focus area.

In addition to the projected demand, it is also important to consider the supply, or the number of units that have been permitted since 2010, and that have begun to fulfill projected demand. Based on available building permit data, Salem has captured 45% of permitted multifamily units within the focus area since 2010 and has surpassed each of the neighboring communities in permitting this kind of housing. This permitting activity is indicative of a strong demand for multi-family housing within the City. Without the South Salem Station presenting a new TOD opportunity, it is unlikely that the City of Salem will be able to continue to capture (permit) multi-family development at this rate. Using a more conservative capture rate of 20-30%, the City can expect to support between 1,000 and 1,800 additional multi-family units across the City.

For single family housing, the City of Salem has captured about 5% of single family permitting within the Study Area since 2010. This is a smaller percentage than each of the comparison communities, except for Swampscott. If Salem can capture a similar amount of the additional expected demand for the Study Area through 2020, it could likely support between 50 (2% capture) and 200 (8% capture) single family units throughout the City. There is unlikely to be a significant amount of single family housing constructed within the Study Area, although there could be an opportunity for townhouse style units.

Although there is high demand for multi-family units city-wide, the South Salem Study Area right now is not a particularly appealing site for this kind of development. Certainly, there is some potential for South Salem sites that are in close proximity to downtown Salem. Furthermore, incorporating the recommendations associated with TrOD scenario can help the Study Area maximize its potential. With this context in mind, it is likely that the Study Area could support about 20% of the overall projected demand for multi-family within the City or between 200-300 multi-family units or 200-400 total units.

Table 27. Regional Housing Demand (Source: MAPC Projections)

Regional Housing Unit Demand					
		Salem Capture Rate		Salem Units	
Housing Unit Type	Units Demanded Regionally	Low	High	Low	High
Single-Family	2,378	2%	8%	50	200
Multifamily	5,429	20 %	30%	1,000	1,600
Total	7,807			1,050	1,800

Table 28. South Salem Housing Unit Demand (No Station)

South Salem Housing Unit Demand					
	Units Demanded City-Wide		Capture Rate	South Salem Units	
Housing Unit Type	Low	High		Low	High
Single-Family	50	200	30%	15	60
Multifamily	1000	1600	20%	200	300
Total	1050	1620		215	360

Residential Market Demand with Commuter Rail Station

Combined with zoning changes and better connections to the downtown, a commuter rail stop in South Salem has the potential to catalyze additional residential development in the Study Area. As noted in the current residential market scenario, the City of Salem is currently capturing 45% of permitted multifamily units within the identified focus area since 2010.[9] In addition, 84% of all units and 91% of multi-family units permitted since 2014 have been within a 15 minute walk to the Commuter Rail station, demonstrating the market for transit oriented development. The appeal of constructing units and living in homes around the station was also reinforced through interviews with local developers and brokers. The construction of a South Salem commuter rail station opens up a new and significant opportunity for transit oriented development and would particularly increase the market potential for multi-family housing within the South Salem Study Area.

As we saw in the current scenario analysis, without a second commuter rail station it is unlikely that Salem could continue to maintain a 45% capture rate of multi-family units within the focus area. However, with the introduction of the new South Salem station, a significant amount of new development potential within walking distance to a station will be unlocked. This new development potential may allow the City overall to continue at this more aggressive capture rate. Using 45% as a benchmark, MAPC estimates that the City of Salem with a new South Salem Commuter Rail station could capture between 45-50% of the projected demand for the focus area through 2020 or approximately 2,300-2,800 multi-family units. The single-family market capture rate remains unchanged from the current market scenario since the introduction of a South Salem Commuter Rail station is unlikely to exert a significant market change within the single family market.

Narrowing down to the Study Area that will be directly served by the new commuter rail station, MAPC estimates that the Study Area could support between 900 and 1,100 multifamily units. This represents between 600-700 more units than could potentially be supported by the market in the current scenario. Understanding that 42% of the multi-family units permitted in South Salem since 2014 were within a ten minute walk of the existing commuter rail station, MAPC used a slightly more conservative capture rate of 40% to estimate what percentage of new multi-family units might be supported by the market in the Study Area if the station were introduced.

Table 29. South Salem Housing Unit Demand (with Station)

South Salem Housing Unit Demand					
	Units Demanded City-Wide		Capture Rate	South Salem Units	
Housing Unit Type	Low	High		Low	High
Single-Family	50	200	30%	15	60
Multifamily	2,300	2,600	40%	900	1,000
Total	2,350	2,800		900	1,100

[9] Permitting data based on 2010-2014.

COMMERCIAL ANALYSIS OVERVIEW

MAPC staff also looked at the commercial development potential of the area, including both a retail and office market assessment. In order to understand the mix and the type of businesses currently present in the area, MAPC staff inventoried existing businesses. Figure 31 represents the existing business mix by number of establishments.

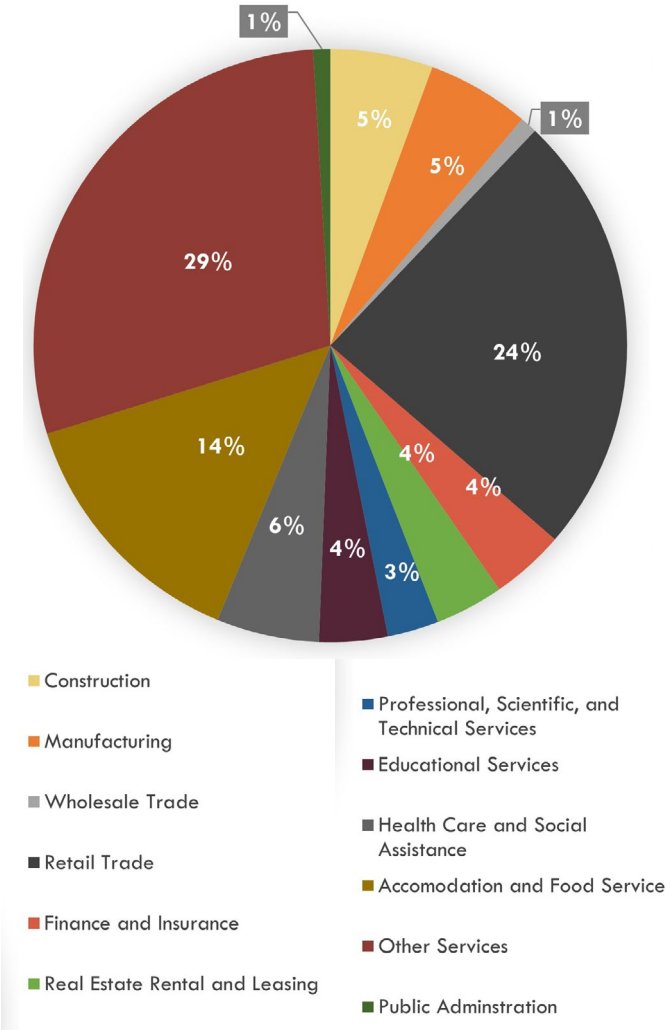
The majority of retail in the area is service oriented or convenience goods. Other services establishments make up 29% of existing businesses. This category includes a number auto oriented uses, such as auto repair shops. Also included in this category are personal service establishments such as hair salons, nail salons, dry cleaners, laundry, pet care, and massage.

Retail trade makes up 24% of existing establishments, the majority of which is personal service oriented or convenience goods. There are a number of auto parts stores and auto dealerships, convenience stores, and gas stations. The area does not include a significant amount of shoppers goods or unique destination retail. There are a few full service restaurants in the area, including Bertini's, Minzu Sushi and Sidelines Sports Bar and Grill. However, the majority of the restaurants are limited service (i.e., Subway, Domino's Pizza, Honey Dew Donuts, etc).

There are very few establishments that fall under Professional and Technical Services within the Study Area. Within Health Care and Social Assistance, there are a few small offices, including chiropractors, a dentist, and dialysis center. There are also a couple of establishments within the Finance and Insurance category including some banks and insurance companies. There is not a significant amount of traditional office space available within the Study Area.

Although this area has an industrial character now, there may be limited demand for additional industry to locate in this area because of issues with the length of time for distribution. There are also other industrial areas in Salem that are likely better suited for industrial uses. For example, Salem Commerce Park is about 180,000 square feet and has about 10 different industrial condos. There are also some more industrial areas along Swampscott Road that might have better transportation access to suit industrial needs.

Figure 31. Study Area Business Inventory



RETAIL DEMAND ANALYSIS

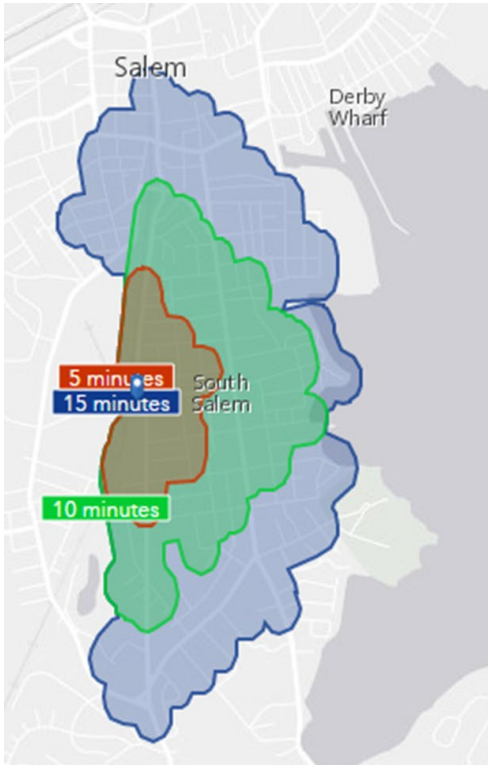
Trade Area

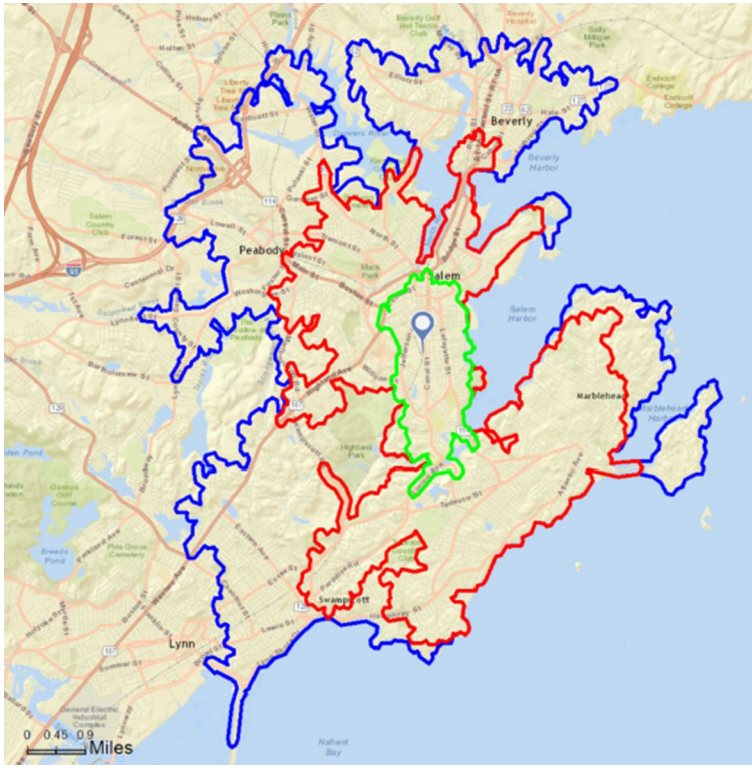
In order to estimate the amount of additional retail that South Salem can support, it is important to first identify a trade area. The trade area is the geographic area from which a retail establishment generates sales. There are many factors to consider when determining a trade area including the distance and time that people may be willing to travel in order to reach a destination, any physical or geographic barriers as well as regional competition. Defining the trade area is critical because it defines the boundaries for which data is gathered and analyzed to identify retail opportunities.

The Study Area as it is right now would be a challenging place for specialty retail to locate. This is due to the current auto orientation, lack of significant foot traffic, and heavily industrial character. South Salem is also in very close proximity to historic downtown Salem, an attractive area for shoppers' goods retail that would be direct competition for South Salem.

With this context in mind, it was determined that the primary trade area for the South Salem Study Area would be a five minute drive time. This trade area has minimal overlap with Downtown Salem and it is reasonable to assume that people would be willing to travel this distance in order to attain goods and services. A more local trade area of a ten minute walk time was also considered in order to account for students and nearby residents. MAPC staff also looked at a secondary trade area of a ten minute drive time to understand how the market for particular types of retail and restaurants might increase if there were a particular reason for people to travel a further distance to get to South Salem. Drive times and walk times are displayed in Figure 32.

Figure 32. Walk and Drive Times, Respectively (Source: ESRI Business Analyst)





Retail Gap Analysis

MAPC staff analyzed ESRI Business Analyst data within the defined trade areas in order to conduct a retail gap analysis. A retail opportunity or gap analysis looks at the overall demand for retail goods and services within a designated trade area based on the spending potential of the households (demand), and the actual sales for those goods and services within the market area (supply). The difference between the demand and supply is called the retail "gap." If the demand exceeds the supply, there is "leakage," meaning that residents must travel outside the area to purchase those goods. In such cases, there may be an opportunity to capture some of this spending within the market area to support new retail investment. When there is greater supply than demand, there is a "surplus," meaning consumers from outside the market area are coming in to purchase these good and services. In such cases, there is limited or no opportunity for additional retail development. Thus, the retail gap analysis provides a snapshot of potential opportunities for retailers to locate within an area.

Table 30 provides a summary of the retail opportunity gap analysis by industry group and trade area. Figures in red are negative numbers that indicate there is a surplus of sales within the trade area. Figures in green are positive numbers that indicate a retail gap or leakage and represent potential opportunities for more retail in the area.

There are opportunities for new retail across a wide range of sectors. However, it is important to keep in mind that residents within the trade areas have access to many different retail clusters and online

Table 30. Study Area Retail Gap Opportunity Analysis (Source: ESRI Business Analyst)

	NAICS	Local Trade Area (10 Minute Walk)	Primary Trade Area (5 minute drive)	Secondary Trade Area (10 minute drive)
Total Retail Trade and Food & Drink		$27,689,299	-$7,012,148	$652,248,436
Total Retail		$27,570,884	$9,581,446	$632,515,208
Total Food & Drink		$118,415	-$16,593,594	$19,733,228
Furniture & Home Furnishings Stores	442	-$889,709	$2,033,675	$29,176,499
Electronics & Appliance Stores	443	$1,292,519	-$4,581,245	$53,480,666
Building Materials, Garden Equip. & Supply	444	$592,388	-$3,622,179	-$44,525,445
Food & Beverage Stores	445	$10,439,924	-$10,547,220	$124,892,243
Health and Personal Care	446, 4461	-$1,051,056	-$2,681,222	$35,115,316
Clothing & Clothing Accessories	448	$4,185,747	$9,351,672	$67,251,451
Sporting Goods, Hobby, Book and Music Stores	451	-$4,071,928	-$3,944,922	$11,008,447
Miscellaneous Store Retailers	453	$1,056,153	-$7,771,132	-$4,946,058
Food Services & Drinking Places	722	$118,415	-$16,593,594	$19,733,228
Motor Vehicle & Parts Dealers	441	$5,467,138	$20,163,962	$185,208,294
Gasoline Stations	447	$3,088,918	$7,985,034	$54,620,705
General Merchandise Stores	452	$7,108,824	$3,791,992	$102,132,500
Non-store Retailers	454	$351,965	-$596,968	$19,013,479

stores, and South Salem will have to compete in order to draw in customers.

It is also important to note that certain sectors that reveal large gaps, including Motor Vehicle and Parts Dealers, are already present in abundance within the South Salem corridor. Adding more of this type of retail will not help to improve the walkability or attractiveness of the area for future mixed use or residential development. Another category that shows a large retail gap is General Merchandise Stores (Target, Macy's, etc). These stores do tend to locate along auto oriented commercial corridors, but typically those that bring in more automobile traffic than the South Salem corridor. Route 114 in Peabody/Danvers is an example where a number of auto dealerships and big box retailers are congregated along with North Shore Mall and Liberty Tree Mall.

Potential Supportable Retail Square Footage

MAPC staff used a conservative capture rate to analyze the retail gap and understand the potential for additional establishments. This capture rate acknowledges that any single retail district will never be able to re-capture the full amount of retail leakage. Competition from other retail shopping areas such as the North Shore Mall and Liberty Tree Mall, as well as other local districts (Salem, Beverly, Marblehead, Peabody, Danvers) and online shopping will always draw business away from the Study Area. When analyzing the market potential within the local and primary trade areas, MAPC used a 15% capture rate. When looking at market potential within the secondary trade area, MAPC used a lower 3% capture rate since this area will be competing with existing retail clusters including Salem's downtown, the Point neighborhood as well as Highland Avenue. Using this methodology, the market within a ten minute walk time, five minute drive time and ten minute drive time of the Study Area could likely support the industries detailed below.

It is important to note that the data below is not a prediction for what will occur in South Salem, rather it is an opportunity or estimate of retail space that could be supported based on the gap analysis figure, average sales per square foot of different store types, average store sizes in urban-inclined areas, and an estimated spending capture within each trade area. Table 31 shows that the ability for those within a 10 minute walk time to support additional retail establishments as it stands currently is extremely limited. Within the primary trade area, the potential exists to add about 6 new retail establishments in the South Salem area with the best opportunities being home furnishings, clothing stores, shoe stores, and sporting goods stores.

Residential spending within the secondary trade area can support additional stores. However, this trade area represents a larger distance and people have access to a greater number of competing retail centers. Restaurants or destination retail are the most likely types of retail to draw from the secondary trade area. They often draw a more regional customer base and tend to do better when located near one another. Restaurants in particular can be marketed collectively as a dining destination and patrons traveling to the area know that they will have several dining options. Multiple restaurants also increase the visibility and convenience of a location.

It is important to note that there are many factors that influence whether or not a retail store or restaurants may want to locate in a particular area. Some of the additional factors that impact the decision to locate a new retail establishment include:

- Availability and quality of the retail space
- Size of the spaces available
- Location of the space, i.e., whether it is a place where many people tend to pass by
- Foot traffic
- Rents and terms
- Parking availability and location
- Product or service price points
- Marketing
- Business plans and acumen
- Zoning and other regulations
- Permitting and inspection processes

The amount of retail captured in this area may be more or less than projected, dependent on the above factors. It should also be noted that implementing the TrOD scenario will increase the local resident population, providing greater opportunity for more retail options, especially eating establishments and places that serve residents.

Table 31. Study Area Supportable Businesses, based on Trade Area

Trade Area	Supportable Square Footage	Total Establishments	Types
Local Trade Area (10 minute walk time)	2,000 sq ft	1	1 Clothing Store
Primary Trade Area (5 minute drive time)	15,000 sq ft	6	1 Home Furnishings Store, 3 Clothing Stores, 1 Shoe Store, 1 Sporting Goods Store
Secondary Trade Area (10 minute drive time)	42,500 sq ft	10	1 Furniture Store, 1 Home Furnishings Store, 1 Electronic & Appliance Store, 1 Grocery Store, 3 Clothing Stores, 1 Shoe Store, 1 Sporting Goods, Hobby, or Musical Instrument Store, 1 Limited Service Eating Place

Consumer Preferences

Based on ESRI business analyst tapestry segmentation analysis, the top three tapestry segments within a half mile radius of the proposed station are “Trendsetters”, “Set to Impress” and “Emerald City” Below are some highlights of consumer preferences amongst these three consumer groups. Table 32 provides more insight into the types of retail and retail products that may be successful here, particularly if new residential is introduced to increase the overall market for retail in South Salem.

Worker Retail Potential

In addition to residents, workers in or near the downtown can also support additional establishments with their spending power. Within the local trade area (10 minute walk time), there are approximately 1,365 employees and within the primary trade area (5 minute drive time) there are approximately 12,584 employees. If South Salem could capture the spending power of some of these workers, local businesses may be able to support additional establishments as seen Table 33.

Student Retail Potential

With the proximity of Salem State University to the Study Area, retail establishments will also be supported by students that live in the area or pass through the area regularly to attend classes. Table 34 is based on numbers provided by re:fuel agency and summarizes discretionary student spending at the national level by category.[10]

[10] Re:fuel Agency College Explorer Report, 2014

Table 32. Tapestry Segmentation, Retail Preferences (Source: ESRI Business Analyst)

Retail Preferences	
Trendsetters	"well paid, with little responsibility, these consumers are spenders rather than savers.", "They use the Internet to keep up with the latest styles and trends and shop around for good deals", "socially and environmentally conscious, they are willing to pay more for products that support their causes", "up-to-date on technology, they explore and exploit all the features of their smartphones", "these consumers shop at Whole Foods or Trader Joe's and buy organic when they can; however, their cart is more often filled with prepared or ready-to-heat meals"
Set to Impress	"always have an eye out for a sale and will stock up when the price is right", "prefer name brands, but will buy generic when it is a better deal", "quick meals on the run are a reality of life" "image-conscious consumers that dress to impress and often make impulse buys", "enjoy leisure activities"
Emerald City	"consumers research products carefully before making purchases", "buy natural, green, and environmentally friendly products", "regularly buy and eat organic foods", "importance on learning new things to keep life fresh and variable", "interested in the fine arts and especially enjoy listening to music"

Table 33. Study Area Worker Retail Potential

Worker Retail Potential	# of workers captured	Annual Spending (estimated)	Square footage retail	Number of Supportable Stores
Workers within 10 minute walk (50%)	682	$ 682,000	2400	1
Workers within Primary Trade Area (10 minute drive) (10%)	1258	$ 629,000	2200	1

Assumptions: 50 work weeks per year, $20/week spending per Local Trade Area employee, $10/week spending per Primary Trade Area employee

Table 34. Study Area Student Retail Potential (Source: re: fuel agency, College Explorer 2014)

	Spending Across all College Students	Spending Per Year Per Student	Spending Per Week per student
Food	$ 50,000,000,000	$2,314	$44.52
Auto	$31,600,000,000	$1,462	$28.13
Clothing and Shoes	$18,600,000,000	$861	$16.56
Technology	$15,300,000,000	$708	$13.62
Cell phone/smartphone	$14,000,000,000	$648	$12.46
Entertainment	$9,800,000,000	$453	$8.73
Personal Care Products	$9,800,000,000	$453	$8.73
Other	$7,500,000,000	$347	$6.68
Cosmetics	$7,500,000,000	$347	$6.68

Retail Potential with Commuter Rail Station

The introduction of the commuter rail has the potential to also catalyze retail development and increase the market for retail in this area because of associated investment and new housing that a new station may spur. In order to determine the additional potential for retail, MAPC staff made a conservative estimate about future residential spending power in the area based on an estimate of 900-1,100 future units and the current median disposable income per household within a half mile radius of the proposed station ($38,219). Assuming a 15% capture rate, the development enabled by the South Salem station could help to support an additional 22,000 to 26,000 square feet of retail or 11-13 stores.

Table 35. South Salem Retail Demand (with Station)

South Salem Future Retail Demand, 2014-2020				
	Number of new residential units	New spending captured	Supportable Square feet Retail	Number of Supportable Stores
Low	900	$5,159,565	21,588	11
High	1,100	$6,306,135	26,386	13

OFFICE MARKET ANALYSIS

In order to determine the potential office demand in the South Salem station area, MAPC looked city-wide to analyze existing inventory, economic trends in Salem, and regional trends in the office market.

Existing Office Space

In close proximity to the South Salem Study Area, there is already significant vacant space available for companies looking to locate their office. Shetland Park, consisting of four buildings, is a 1.5 million square foot facility on the harbor and convenient to many of the amenities (including restaurants and retail) in downtown Salem. As of February 2017, they had about 220,000 square feet of vacant space. Average rental rates differ for

Table 36. Commercial Development Pipeline (Source: City of Salem)

Development	Address	Year Permitted	Use
PEM	161 Essex St	2016	Museum expansion
NSMC	81 Highland Ave	2016	Hospital expansion
Vesuvius Restaurant Expansion	2 Paradise Rd, 538 Loring Ave	2016	Commercial
331 Lafayette Place	331-335 Lafayette St	2016	Commercial
Tropical Products 4000 sq. ft. addition	220 Highland Ave	2015	Commercial
Salem Waterfront Hotel Expansion	24 Congress St	2014	Commercial
Salem Waterfront Hotel, Pickering Wharf	225 Derby St	2014	Commercial
CVS - Canal/Loring/Jefferson	300 Canal St	2012	Commercial
A.L. Prime Energy	183 Lafayette St	2011	Commercial
McDonalds	1 Traders Way	2011	Commercial
U.S. Biological - Technology Way	1 Technology Way	2010	Light industrial/R&D

each use within the facility and are listed below.

- Office: $16.00 - $20.00/sf
- First Floor Warehouse/Industrial: $6.00 -$10.00
- Lower Level Storage: $5.50/sf
- R&D /Industrial Flex: $12.00 - $16.00

Commercial Development Pipeline and Recently Permitted Commercial Space

MAPC staff also examined the recent commercial development pipeline in Salem to see what other space might be built in the near future. Table 36 provides commercial permitting data from the City of Salem covering projects that have been permitted since 2010. Most of the recent commercial development has been hotel development/expansion in addition to retail. There has not been a major new office development in the past five years.

Jobs

Salem had a total of 19,628 jobs in 2015 with 10,161 of those being in office inclined sectors. (See Table 37.) Salem has experienced a 6% growth in jobs overall within the City from 2005-2015. This is slightly lower than the percentage growth of all jobs in Essex County (9%) and the State (8%) over the same time period. In terms of office-inclined industries, the City of Salem has experienced 13% growth since 2005 while Essex County has experienced 20% growth and the state overall is at 18% growth. The industry that has seen the highest percent growth since 2005 is Educational Services at 34% or 739 jobs were added over this ten year time period. This compares with 16% in Essex County and 15% in the state. In FY14, Salem State employed 2,251 people, a significant portion of the educational services industry in Salem.

Although healthcare represents the largest portion of workers within an office inclined sector in Salem, the industry has grown fairly modestly (17%) over the past ten years when compared with Essex County (44%) and the state (35%). In 2015, there were 5,379 employees in the Health Care and Social Assistance industry in Salem. NSMC employs about 5,000 people (3,500 FTE) throughout their campuses and makes up a large share of the Health Care and Social Assistance industry. NSMC is in the process of constructing a facility and unlikely to expand again soon, although, in our discussions, there was the mention of the potential future need for an outpatient facility.

Wages

When looking at job growth, it's also important to see how wages within particular industries are changing to ensure that residents and workers in Salem have access to good jobs with wage growth potential. (See Table 38.) Health Care & Social Assistance, Educational Services, and Administrative and Waste Services (the three office industries that have grown over the last ten years) have all experienced a decrease in the average weekly wage over the last ten years. Notably these sectors have seen positive wage growth over the same time period in both Essex County and Massachusetts. The office-inclined industries that have experienced the highest percentage growth in their average weekly wage are Real Estate and Rental and Leasing, followed by Finance and Insurance and Professional & Technical Services. As illustrated in Table 37, however, these are not industries that have added significant amounts of jobs in the past ten years.

Table 37. Comparative Employment Analysis (Source: MA Department of Labor and Workforce Development)

	Salem					Essex County					Massachusetts				
Comparative Employment Analysis, by Industry	2005	2010	2005-2010 % Change	2015	2005-2015 % Change	2005	2010	2005-2010 % Change	2015	2005-2015 % Change	2005	2010	2005-2010 % Change	2015	2005-2015 % Change
51 - Information	258	145	-44%	208	-19%	7,312	6,151	-16%	6,536	-11%	93,221	90,866	-3%	93,961	1%
52 - Finance and Insurance	559	484	-13%	481	-14%	9,262	9,590	4%	9,085	-2%	177,079	169,044	-5%	168,192	-5%
53 - Real Estate and Rental and Leasing	261	211	-19%	195	-25%	3,603	2,964	-18%	3,378	-6%	45,109	39,803	-12%	44,068	-2%
54 - Professional and Technical Services	637	641	1%	653	3%	16,947	17,002	0%	16,604	-2%	236,039	252,858	7%	298,228	26%
55-Management of Companies and Enterprises	247	NA	NA	NA	NA	4,062	3,128	-23%	4,498	11%	65,781	57,815	-12%	65,197	-1%
56 - Administrative and Waste Services	309	204	-34%	329	6%	13,912	14,689	6%	16,124	16%	164,876	157,837	-4%	178,383	8%
61 - Educational Services	2,177	2,828	30%	2,916	34%	25,739	26,971	5%	29,972	16%	302,972	322,415	6%	348,988	15%
62 - Health Care and Social Assistance	4,579	5,401	18%	5,379	17%	45,312	52,416	16%	65,260	44%	459,041	522,082	14%	618,663	35%
Office/Institutional Sectors-Building Type	9,027	9,914	10%	10,161	13%	126,149	132,911	5%	151,457	20%	1,544,118	1,612,720	4%	1,815,680	18%
44-45 - Retail Trade	2,387	2,220	-7%	2118	-11%	38650	36,816	-5%	38191	-1%	355889	340,462	-4%	353620	-1%
71 - Arts, Entertainment, and Recreation	664	615	-7%	598	-10%	5484	5,537	1%	6038	10%	51436	54,039	5%	62235	21%
72 - Accommodation and Food Services	1,762	2,069	17%	2363	34%	23650	24,984	6%	28780	22%	246747	258,780	5%	294386	19%
81 - Other Services, Ex. Public Admin	769	915	19%	918	19%	11111	13,455	21%	11933	7%	120613	134,511	12%	115676	-4%
Retail/Commercial & Other Building Type	5,582	5,819	4%	5,997	7%	78,895	80,792	2%	84,942	8%	774,685	787,792	2%	825,917	7%
22 - Utilities	261	247	-5%	84	-68%	1215	1,255	3%	1131	-7%	12827	14,131	10%	14263	11%
23 - Construction	710	627	-12%	786	11%	14045	10,796	-23%	13812	-2%	151492	118,080	-22%	150044	-1%
31-33 - Manufacturing	868	777	-10%	778	-10%	45604	41,401	-9%	40861	-10%	305522	254,172	-17%	249087	-18%
42 - Wholesale Trade	426	289	-32%	275	-35%	10499	10,191	-3%	9445	-10%	132686	122,983	-7%	123917	-7%
48-49 - Transportation and Warehousing	202	231	14%	214	6%	5164	5,127	-1%	5369	4%	100723	96,002	-5%	104426	4%
Industrial/Warehousing Building Type	2,467	2,171	-12%	2,137	-13%	76,527	68,770	-10%	70,618	-8%	703,250	605,368	-14%	641,737	-9%
92 - Public Administration	1,168	1,198	3%	1,124	-4%	11,535	11,327	-2%	11,372	-1%	130,967	137,539	5%	136,525	4%
All Other	NA	NA	NA	NA	NA	789	676	-14%	676	-14%	8,747	7,787	-11%	8,401	-4%
Total, All Industries	**18,244**	**19,102**	**5%**	**19,419**	**6%**	**293,895**	**294,476**	**0%**	**319,065**	**9%**	**3,161,767**	**3,151,206**	**0%**	**3,428,260**	**8%**

Table 38. Wage Comparison (Source: MA Department of Labor and Workforce Development)

	Salem					Essex County					Massachusetts				
Average Weekly Wage Comparison	2005	2010	2005-2010 Change	2015	2005-2015 % Change	2005	2010	2005-2010 Change %	2015	2005-2015 % Change	2005	2010	2005-2010 Change	2015	2005-2015 % Change
Office/Institutional Sectors-Building Type															
51 - Information	$1,390	$977	-30%	$955	-31%	$1,433	$1,296	-10%	$1,452	1%	$1,669	$1,835	10%	$1,990	19%
52 - Finance and Insurance	$1,244	$1,308	5%	$1,386	11%	$1,364	$1,479	8%	$1,692	24%	$2,248	$2,399	7%	$2,801	25%
53 - Real Estate and Rental and Leasing	$829	$927	12%	$985	19%	$916	$1,021	11%	$1,186	30%	$1,146	$1,249	9%	$1,407	23%
54 - Professional and Technical Services	$1,138	$1,302	14%	$1,211	6%	$1,561	$1,731	11%	$1,797	15%	$1,900	$2,096	10%	$2,279	20%
55-Management of Companies and Enterprises	$1,731	NA	NA	NA	NA	$1,653	$2,144	30%	$2,586	56%	$1,847	$2,176	18%	$2,696	46%
56 - Administrative and Waste Services	$827	$839	1%	$821	-1%	$762	$719	-6%	$777	2%	$782	$801	2%	$853	9%
61 - Educational Services	$1,056	$850	-20%	$977	-7%	$926	$968	4%	$1,005	8%	$1,040	$1,101	6%	$1,129	9%
62 - Health Care and Social Assistance	$1,109	$1,078	-3%	$1,073	-3%	$881	$936	6%	$893	1%	$991	$1,080	9%	$1,040	5%
Retail/Commercial & Other Building Type															
44-45 - Retail Trade	$556	$478	-14%	$516	-7%	$588	$563	-4%	$600	2%	$628	$576	-8%	$603	-4%
71 - Arts, Entertainment, and Recreation	$601	$635	6%	$740	23%	$477	$457	-4%	$481	1%	$677	$704	4%	$701	3%
72 - Accommodation and Food Services	$381	$365	-4%	$391	3%	$374	$363	-3%	$385	3%	$403	$402	0%	$430	7%
81 - Other Services, Ex. Public Admin	$467	$428	-8%	$473	1%	$504	$463	-8%	$525	4%	$596	$573	-4%	$682	15%
Industrial/Warehousing Building Type															
22 - Utilities	$1,782	$2,046	15%	$1,647	-8%	$1,577	$1,742	10%	$1,805	14%	$1,796	$1,929	7%	$1,944	8%
23 - Construction	$1,308	$1,321	1%	$1,531	17%	$1,140	$1,215	7%	$1,327	16%	$1,206	$1,273	5%	$1,361	13%
31-33 - Manufacturing	$1,053	$1,319	25%	$1,149	9%	$1,475	$1,595	8%	$1,630	11%	$1,426	$1,560	9%	$1,657	16%
42 - Wholesale Trade	$1,286	$1,318	2%	$1,265	-2%	$1,418	$1,624	15%	$1,726	22%	$1,534	$1,649	7%	$1,762	15%
48-49 - Transportation and Warehousing	$858	$839	-2%	$814	-5%	$926	$967	4%	$956	3%	$999	$980	-2%	$1,012	1%
92 - Public Administration	$ 949	$ 1,134	20%	$ 1,269	34%	$ 1,068	$ 1,150	-9%	$ 1,279	20%	$ 1,186	$ 1,240	5%	$ 1,406	19%
Total, All Industries	**$ 793**	**$ 903**	**14%**	**$ 933**	**18%**	**$ 992**	**$ 1,026**	**10%**	**$1,059**	**7%**	**$1,142**	**$1,202**	**5%**	**$1,283**	**12%**

Largest Employers

MAPC staff also analyzed data on the largest employers to determine which industries are the most represented among this group. Table 39 shows the seven employees in Salem that employ more than 250 people. As you can see, both North Shore Medical and Salem State University are at the top of the list. There are a few other health care employers on this list along with Essex County Jail, Market Basket, and the Peabody Essex Museum. These are generally not traditional office inclined industries.

Employment Projections

Analyzing job projections at the workforce development level demonstrates which industries are projected to grow in and around Salem and where there may be the greatest potential for Salem to grow its office market.

The Massachusetts Department of Labor and Workforce Development projects job growth between 2014 and 2024 for the North Shore Workforce Development Area (+9.3% or 7,359 jobs for traditional office oriented industries). Table 40 provides projected job growth within the North Shore Workforce Development Area in sectors that are most likely to locate in traditional office buildings. It is important to note that a number of municipalities will be competing for these jobs.[11] Healthcare and social assistance along with Professional, scientific, and technical services are projected to grow the most through 2024 and may represent opportunities for the City of Salem.

Table 39. Largest Employers, Salem (Source: MA Department of Labor and Workforce Development)

Largest Employers by # of Employees, Salem 2013				
Company Name	Street	# of employees	NAICS	NAICS Title
North Shore Medical Center	Highland Ave	1,000-4,999	6221	General Medical & Surgical Hospitals
Salem State University	Lafayette St	500-999	6113	Academies, college or university
Market Basket	Highland Ave	250-499	4451	Supermarkets and Other Grocery
Northeast Behavioral Health	Mason St # 1	250-499	6211	Offices of Physicians
Peabody Essex Museum	Essex St	250-499	7121	Museums
Spaulding Hospital-Continuing Med	Dove Ave	250-499	6221	General Medical & Surgical Hospitals

Table 40. Projected Job Growth by Industry, Boston North Shore (Source: MA Department of Labor and Workforce Development)

Projected Job Growth by Industry, Boston North Shore	2014 Employment	Projected 2024 Employment	+/- Jobs	Total % Change
Total All Industries - Selected Likely Office Tenants	79,321	86,680	7,359	9.3%
Information	3,868	3,975	107	2.8%
Publishing Industries (except internet)	881	839	(42)	-4.80%
Telecommunications	767	798	31	4.00%
Finance and Insurance	5,445	5,668	223	4.1%
Credit Intermediation and Related Activities	2,962	3,082	120	4.1%
Insurance Carriers and Related Activities	1,934	2,015	81	4.2%
Real Estate and Rental and Leasing	1,879	1,978	99	5.3%
Real Estate	1,157	1,206	49	4.2%
Professional, Scientific, and Technical Services	7,867	8,396	529	6.7%
Admin/Support/Waste Management /Remediation	8,108	8,316	208	2.6%
Administrative & Support Services	7,627	7,815	188	2.5%
Waste Management and Remediation Service	481	501	20	4.2%
Educational Services	16,846	17,542	696	4.1%
Health Care and Social Assistance	35,308	40,805	5497	15.6%
Ambulatory Health Care Services	13,561	17,092	3531	26.0%
Nursing and Residential Care Facilities	7,536	8,036	500	6.6%

[11] The North Shore WDA includes the following communities: Beverly, Danvers, Essex, Gloucester, Hamilton, Ipswich, Lynn, Lynnfield, Manchester-by-the-Sea, Marblehead, Middleton, Nahant, Peabody, Rockport, Salem, Saugus, Swampscott, Topsfield, Wenham

Office Market Conditions

MAPC staff also looked broadly at the regional office market on the north shore to identify the role of Salem within the larger market. Salem is part of the Boston-North market as defined by Jones Lang Lasalle.[12] For the sake of comparison, characteristics of the Boston North submarket are shown alongside the 128/Mass Pike market and the overall suburban office market in Table 41. The table shows that the average asking rent in the Boston North submarket is still lower than in 128/Mass Pike or the overall suburban market. However, the vacancy is lower and the year over year decrease in vacancy is more significant in Boston North than it is in 128/Mass Pike or in the overall suburban market.

The Boston North market is performing very well and 2016 was a strong year for communities in this market.[13] The new headquarters for Partners Healthcare in Somerville and the new home for the Federal Bureau of Investigation in Chelsea contributed to 1.5 million square feet of positive absorption in the North submarket. Vacancy in the submarket is the lowest that it has been since 2001 and the average asking rent is at a cyclical high of $24.62. Wakefield and Woburn in particular have experienced significant rent growth. Over the past decade supply has expanded by 20% in the North submarket and now contains over 12 million square feet of space. There has also been significant construction activity with two built-to-suits completed in 2016 and two speculative development slated for 2017, including one in Beverly.

Currently Available & Recently Leased Office Properties

Although the Boston North submarket is doing well, it is also important to look specifically at Salem to see how trends within the City compare with larger office trends in the submarket and other communities within the submarket. In general, the average office rents in Salem are lower than the average for the Boston North submarket of $24.62. Table 42 includes a sample office listings from Loopnet in March of 2017. Within this sample, the average rent across the Class A space listings in Salem below is $19; the average rent for Class B space is $16; and the average rent for Class C space is $15. An example of vacant office space in the South Salem Study Area is 10 Jefferson Avenue, which is listed below and currently renting for $12/sf.

In addition to lower rents, Salem also has ample available office space Shetland Park with around 220,000 square feet of available space (going for $16-$20). This is prime waterfront space close to the downtown that many potential office tenants would likely find appealing. In general there has not been any significant office development within the City in recent years, particularly in comparison with other communities within the Boston North submarket. Competitors such as the Cummings Center in nearby Beverly are likely to attract office demand in the region as well.

[12] The North submarket includes the communities of Arlington, Beverly, Chelsea, Danvers, Everett, Lynn, Lynnfield, Malden, Marblehead, Medford, Melrose, Nahant, North Reading, Peabody, Reading, Revere, Salem, Saugus, Somerville, Stoneham, Swampscott, Wakefield, Wilmington, Winchester, and Woburn

[13] JLL, Boston North, Q4 2016

Table 41. Office Market Comparison (Source: Jones Lang Lasalle, Q4 2016 Statistics)

Comparative Analysis of Regional Office Markets			
	North	128/Mass Pike	Suburbs
Supply (million s.f.)	12.1	20.5	90.4
% Class A	55.97%	62.49%	61.80%
Average Asking Rent	$24.62	$38.55	$25.06
YoY Rent Growth	6.7%	14.2%	8.6%
Total Vacancy (Direct)	8.7%	9.6%	14.4%
YoY Change (ppts)	-2.8	1.0	-0.1
Total Net Absorption YTD	1,483,185	152,406	1,321,682
as % stock	12.3%	0.7%	1.5%
Total availability	13.50%	18.20%	21.50%
YoY Change (ppts)	-4.0	4.0	1.3

Table 42. Sample Office Listings, Salem (Loopnet.com, March 2017)

Address	Space Available	Rental Rate	Building Size	Class
76 Lafayette St.	1,000 SF	$1.68/SF/Mo	3,000 SF	A
201 Washington St.	450 SF	$2.22/SF/Mo	24,131 SF	A
84 Highland Ave.	572 SF	$1.08/SF/Mo	50,000 SF	A
35 Congress St.	45,327 SF	Negotiable	500,000 SF	B
27 Congress St.	28,182 SF	Negotiable	200,550 SF	B
120 Washington St.	2,459 SF	$1.53 - $1.68/SF/Mo	48,500 SF	B
185 Essex St.	1,850 SF	$1.50/SF/Mo	3,700 SF	B
92 Jackson St.	539 SF	$2.38 - $2.92/SF/Mo	16,500 SF	C
45 Traders Way	6,000 SF	Negotiable	12,000 SF	C
10 Jefferson Ave.	5,000 SF	$1.00/SF/Mo	14,586 SF	C
94 Lafayette St.	4,500 SF	$0.67/SF/Mo	9,570 SF	C
53 Mason St.	250 - 45,000 SF (7 Spaces)	Negotiable	55,200 SF	?

South Salem Office Development Potential

South Salem is unlikely to be a major attractor for new office space at this point. The limited amount of office space currently on the market or slated to come onto the market in Salem suggests that if the City is interested in increasing office space, build to suit options may hold the greatest potential. Build to suit is a way of leasing commercial property where a developer builds to the specifications of a tenant and may be a good way to bring a larger office tenant to this area if desired. The introduction of a South Salem station could help to spur office development in the longer term if the area transforms first through residential and retail development. If South Salem becomes a dynamic, transit-oriented area that is well connected to existing amenities, it will certainly be attractive to offices that are looking for that kind of environment for their employees. It will likely be particularly attractive for young knowledge based workers that are looking for a dynamic work environment. However, the station is unlikely to immediately affect the market potential for additional office space in this area.

Lynn Gear Works

Further south from Salem along the Newburyport/ Rockport line is a large proposal that could provide a useful comparison to a new station in South Salem. The Project is located at the former General Electric Gear Works site in Lynn, MA, on an approximately 65.5-acre site. The proposed project includes approximately 1.5 million square-foot transit-oriented development at the River Works MBTA commuter rail station, comprised of approximately 1,260 residential units, 2,080 parking spaces, a sports club, retail space, a leasing/management office, a clubhouse, a pool house, and a community waterfront building/ pavilion. Currently, the station is only available to GE employees and under current plans the future development will *not* provide public access. The Final Environmental Impact Form states that the stop will only be available to the residents, although that could change in the future.

The development proposal on a currently industrial site indicates the bullish sentiment for mixed use development at a commuter rail station north of Boston. Although the site is not a perfect comparison – it's closer to Boston (two stops from North Station) developed by a single owner – it provides a guidepost to the development potential in the area. The developable area is relatively similar to the Study Area and would be providing a large amount of development in a currently underutilized area, catalyzed by a commuter rail station. The Study Area also has the advantage of being far better connected the existing downtown than the Lynn Gear Works proposal is to Lynn's downtown. Furthermore, the South Salem stop would be available to the public, not only the residents of a high-end development.

Source: Lynnway Associates, LLC

Source: Lynnway Associates, LLC

DEVELOPMENT SCENARIOS

This chapter of the report will consider the area's potential without and with a commuter rail station. These scenarios build off the market analysis and provide a potential development scenario over a longer term if various improvements (described in further detail in the Recommendations chapter) are made to help the area achieve its potential. Because the rail trail is a critical factor in the success of this development scenario without a station, it is being termed the "Trail-Oriented Development Scenario (TrOD)."

The following section will use a similar framework to analyze the area's potential with a station, i.e., the Transit-Oriented Development Scenario (TOD).

Following these analyses is a chapter on Managing Neighborhood Change. The Study Area has great potential for growth over the medium term; however, this growth may have negative impacts on some segments of the population and strategies should be implemented to minimize these negative impacts. This brief chapter is followed by Recommendations. It is important to note that implementing the two sets of recommendations (i.e., TrOD or TOD) are not mutually exclusive. Instead, all recommendations in the TrOD Scenario are applicable if a station is constructed. MAPC recommends the City begin implementation of the recommendations in the TrOD scenario concurrently as it continues to plan and advocate for a future station in South Salem.

TRAIL-ORIENTED DEVELOPMENT OVERVIEW

People value trails and other open spaces because they provide opportunities for recreation, exercise that produces health benefits, multimodal transportation routes, conservation of habitats and biodiversity, and aesthetic / visual / psychological benefits.

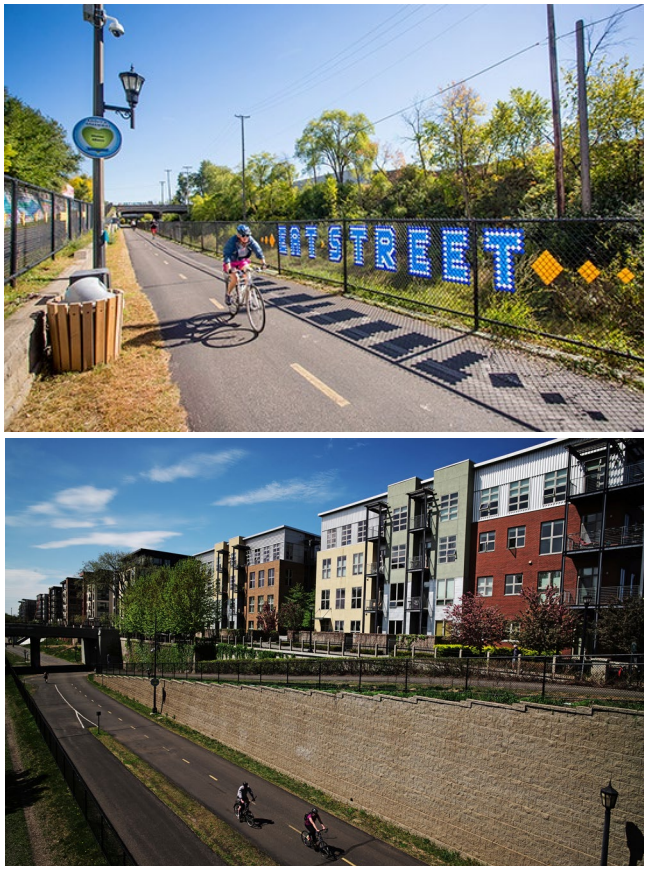
Recently, community leaders and planners, buoyed by sophisticated new economic studies, have begun to use trails, greenways, and urban parks as economic engines for community revitalization.[14] Mounting new evidence shows an almost universal positive connection between well-designed trails and open spaces and important economic development indicators.

Trails are increasingly being used to help more urban communities revitalize long-underutilized corridors, such as the South Salem Study Area. Trails can contribute to creating strong, vital communities with increased property values for area residents and improved economic opportunities for local businesses. Utilizing trails to spur revitalization is part of a concept known as Trail-Oriented Development (TrOD). TrOD seeks to combine the active transportation benefits of a trail with the revitalization potential associated with well-designed and well-managed urban parks to help create more livable communities.

Numerous studies suggest that a shared use path provides an attraction for home buyers and a new market for local businesses. The potential synergy associated with well-designed trail corridors and revitalization planning has attracted several communities around North America to experiment with TrOD-type redevelopment projects. For example, Minneapolis' Midtown Greenway project is a paradigmatic example of this movement. (Montreal's Lachine Canal redevelopment is another strong example.) It has experienced success in encouraging redevelopment through the mix of new public space amenities and zoning changes designed to facilitate new mixed-use development on underutilized corridors.

The first phase of the Midtown Greenway was opened in 2000, converting a rail line trench into a new neighborhood amenity. The depressed former rail line, however, was not well-connected to communities around the trail. During the next several years, members of the Midtown Greenway Coalition worked to create zoning and land use plans designed to provide enhanced access to the trail. Similarly, Salem rail trail, combined with appropriate zoning changes and creating a connected network throughout the downtown, could similarly spur revitalization along parts of the Study Area.

Figure 33. Pictures of Minneapolis' Midtown Greenway under current conditions. (Sources: Railstotrails.org (top); Star Tribune (bottom))



[14] Numerous studies have examined the economic benefits of trails. E.g., Lindsey et al (2003) found that proximity to a greenway generally has a statistically significant, positive effect on property values. In Austin, Texas, increased property values associated with a single greenway were estimated to result in $13.64 million of new property tax revenue (Nicholls and Crompton, 2005). In Dallas, developers report that there is a 25 percent premium for properties adjacent to the Katy Trail (Dallas Morning News, 2006).

Sources: From Trail Towns to TrOD: Trails and Economic Development. 2007. www.railstotrails.org; Property Values, Recreation Values, and Urban Greenways. 2004. Greg Lindsey et al. Journal of Park and Recreation Administration. Volume 22, No. 3 pp 69-90.

Figure 34. The images below depict a section of the trail showing development prior to the Midtown Greenway's opening in 2000 (top) and existing conditions (bottom). Numerous under-utilized sites have been redeveloped in the past 15 years. (Source: Google Earth Imagery)

DEVELOPMENT SCENARIO: TrOD

As noted previously, this section provides a development scenario over the medium term (approximately 10 years). This is not intended to suggest what necessarily will happen in the future; rather, it provides a realistic scenario for future development if various recommendations (described in the following chapter) are met. The actual land use mix and development intensity could vary from this scenario. Furthermore, this scenario does not provide a vision for what the community should do; instead, it illustrates the development potential for the area. Other planning initiatives, such as the City's master planning process, will help the City develop the area's vision.

The division of the Study Area into subareas is shown in Figure 35. Each subarea has its own unique characteristics, which help inform the development scenario. A brief description of each of the subareas is below.

Subarea 1

At 7 acres, this is the smallest of the subareas. It is located at the northern end of the site, adjacent to the traditional downtown, and runs along Canal Street to St. Paul Street. The subarea contains 29 parcels with 163,000 square feet of building area. The uses and building styles vary greatly, from 6 story multifamily buildings to auto-oriented services, and the size of parcels are relatively small.

Subarea 2

This subarea runs between Canal Street and the rail line south of Subarea 1 to Jefferson Avenue. This is the largest subarea, comprised of 37 parcels over its 28.9 acres, with a total of 348,000 square feet of building area. The parcels in this subarea are generally larger than those of Subarea 1. Much of the site is devoted to auto-centric retail activities in single story buildings. The subarea is adjacent to Salem State University.

Subarea 3

The 16.7 acre MBTA-owned parcel is by far the largest single parcel in the Study Area. (The second largest parcel in the Study Area, housing the industrial company, Univar, is less than half that size.) MAPC engaged in several conversations with Greystone Solutions, which has a joint contract with Jones Lang LaSalle to provide real estate services to the MBTA, including asset management, property disposition, and consulting services. Greystone staff informed MAPC that the site currently contains several revenue-producing tenants (adjacent property owners are leasing space), and they are actively formalizing and clarifying the boundaries of each at this time.

Over the longer term, commuter rail operations staff have indicated that they believe the site could continue to be used for its operations, as it is the only remaining large parcel of MBTA-owned land on the north shore. Further complicating future potential development on the site, Pan Am has certain freight rights along the inactive rails that would need to be released to the extent a permanent change to the property occurred. Finally, there are numerous power lines running through the site.

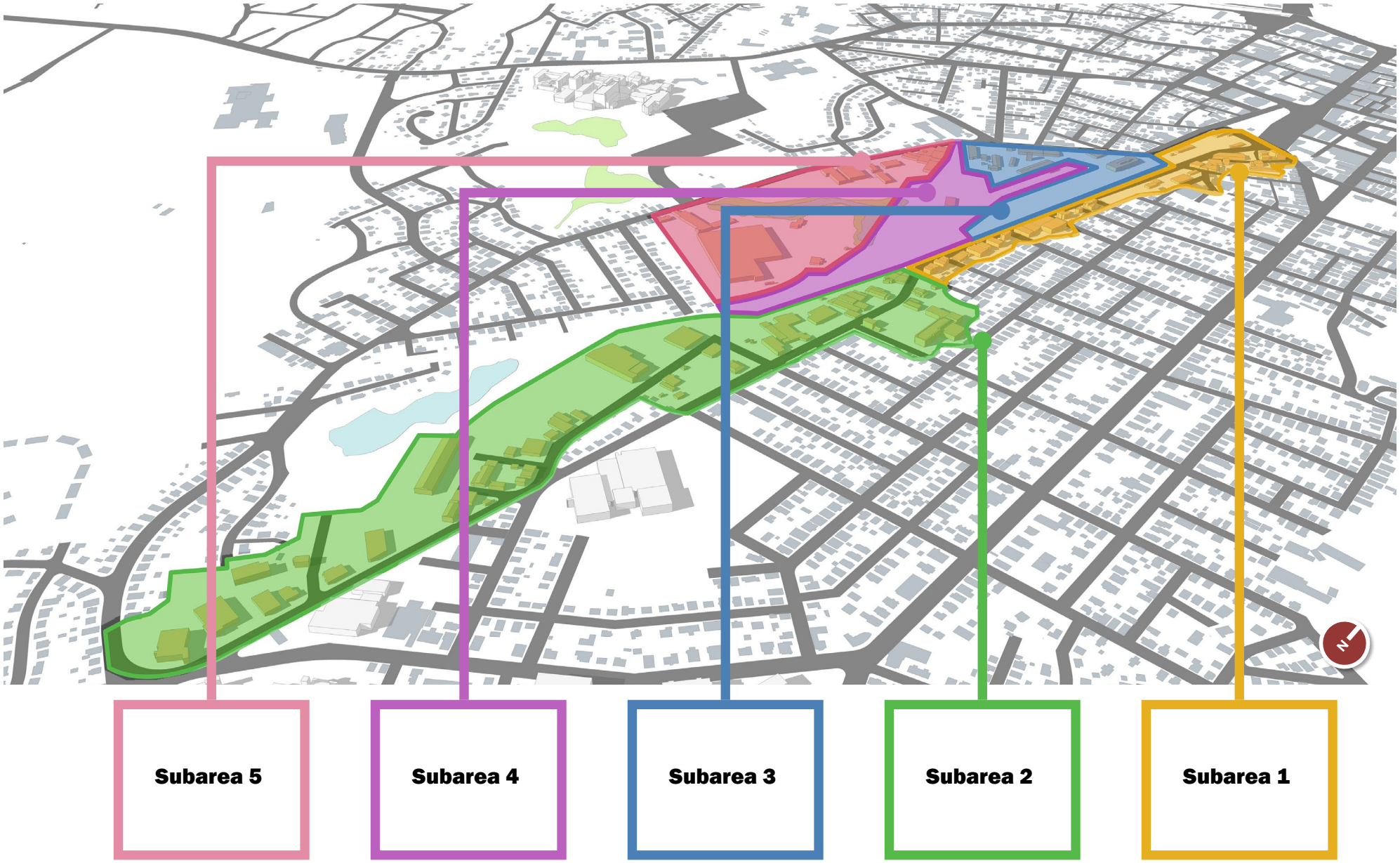
Subarea 4

This subarea runs along Jefferson Avenue from the Police Station to the access point for the MBTA's property (to the south of Jackson Street). It is 18.3 acres with 173,000 square feet of building area among its 14 parcels. The subarea contains a hodgepodge of uses, including the Police Station, the Department of Public Works, industrial spaces, and a variety of retail services.

Subarea 5

This subarea contains 7 parcels over 20.5 acres. The 148,000 square foot Univar building is the largest single building in the Study Area, despite being only 1 to 2 stories. Univar is a multinational distributor of chemistry and related products. In addition to Univar, the subarea contains wetlands, offices, industrial uses, and serviced-oriented retail spaces. Total building area is 223,000 square feet. Subarea 5 is adjacent to North Shore Medical Center.

Figure 35. Study Area Subareas



Assumptions

As noted above, these scenarios are intended to provide a realistic assessment of the redevelopment potential. Accordingly, several assumptions were made. Because the scenario considers development potential, it did not consider existing zoning as a limiting factor. Instead, parking area was considered the primary driver of buildable space; i.e., ensuring a realistic balance between needed parking and building area. MAPC assumed 1.5 spaces per residential unit and 4 spaces per 1,000 gross square feet of commercial space. These ratios are often considered best practices in neighborhoods lacking strong transit access. Gross parking space area was assumed to be 350 square feet. Units in multifamily homes were assumed to average 1,100 square feet. Townhomes were assumed to be 2,400 square feet (60x20 sq' footprint), including direct access parking.

Examples of building styles that may be appropriate for Study Area

Subarea 1

Subarea 1 is proximate to downtown, making it a prime location within the Study Area. Even the furthest parcels within the subarea are within a one mile walkshed of the existing station. Several parcels are part of the Central Development district, allowing dense, mixed-use development, including residential. The small parcels, however, generally limit major redevelopment opportunities. The scenario focused, therefore, on the larger parcels. This includes:

- The site of the Phoenix School on Jefferson Avenue, where the property owner has suggested he may redevelop in the future into multifamily residential units;
- The parcel immediately to the north, which contains a one story commercial space; and,
- Two of the larger parcels along Canal Street, which contain retail and industrial space.

The future scenario for Subarea 1 with no station has several 2-4 story buildings, primarily residential, adding 33,850 square feet to the existing buildings. This results in 58 additional dwelling units.

Figure 36. Subarea 1 TrOD Development Scenario

Subarea 2

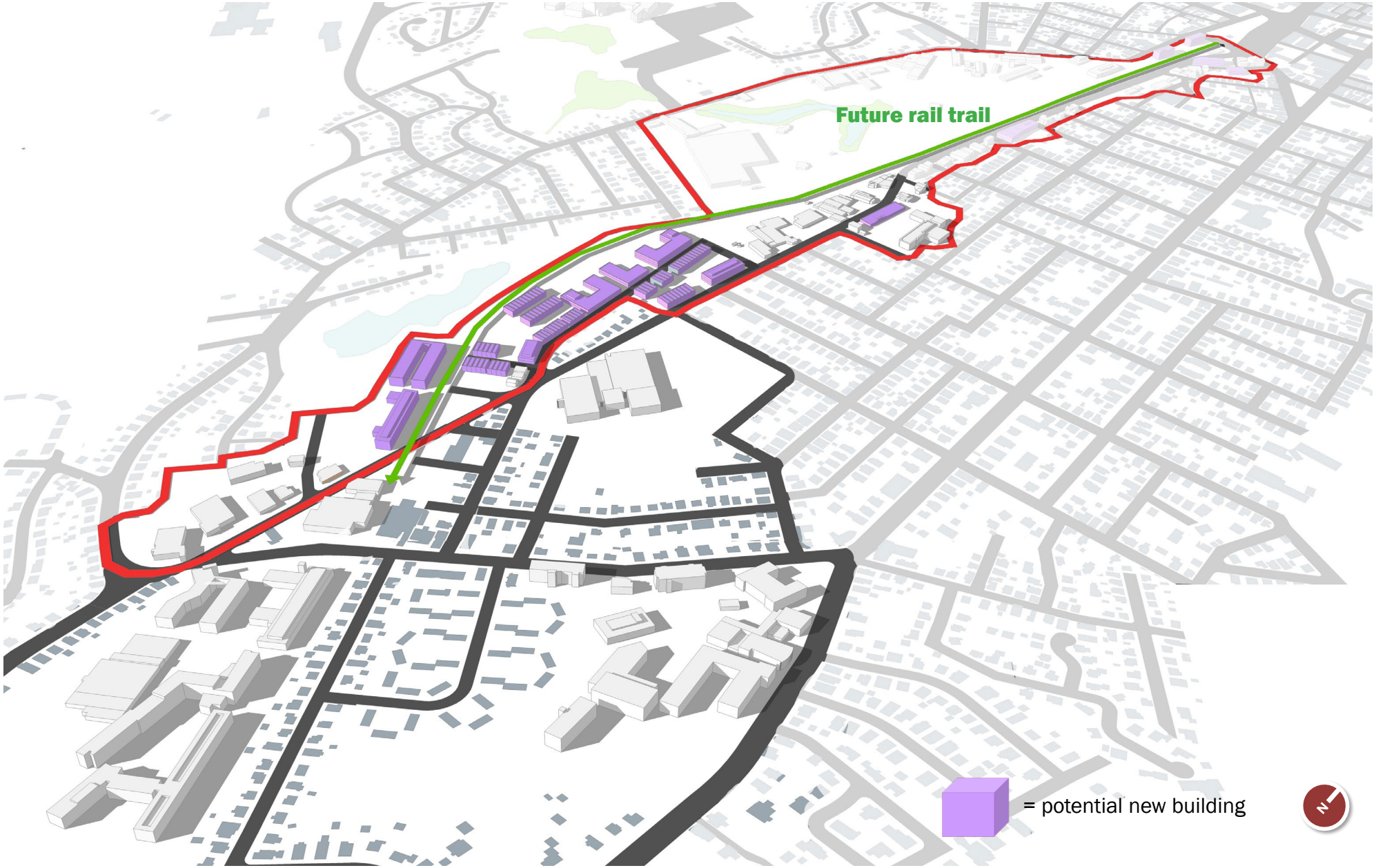
The proximity to Salem State University and its larger parcels are key strengths of Subarea 2. Its primary challenge is it is farther from downtown Salem, thus making it less attractive for development. It is also currently zoned for industrial and highway business uses, implying zoning would need to be changed to fully take advantage of its potential. Despite these challenges, Subarea 2 has a high level of redevelopment potential. The first phase of a shared use path along the rail right of way, connecting the existing Marblehead Shared Use Path to the downtown, is under construction. The second phase is programmed in the Transportation Improvement Program (TIP) for 2018 construction. The combination of developing an industrial space with a shared use path has the potential to spur revitalization in the area under the guise of trail-oriented development.

The scenario focused on redevelopment opportunities south of Ocean Avenue. To the north is Crosby Marketplace and associated stores. There is a potential opportunity on this property to create additional retail space along the street frontage, thus creating a more walkable feel and taking advantage of the relatively strong retail market in this location. Across Canal Street there are a number of single story commercial buildings, built relatively recently.

At the far south end of the subarea, the retail spaces were assumed to be retained, given the location at the crossroads of several arterials and relatively new construction.

These small commercial clusters bookend an opportunity for redevelopment. Along Broadway are numerous industrial and commercial businesses, directly abutting wetlands to the west and single and two family homes on the east. As noted above, a shared use path will provide access to the downtown and, by extension, the commuter rail station, by a short bicycle ride. A combination of multifamily buildings and townhomes could accommodate approximately 350 residential units, as well as the potential for ground floor retail along parts of Canal Street. Total additional development in Subarea 2 was 281,000 square feet, excluding space assumed to be built by SSU.

Figure 37. Subarea 2 TrOD Development Scenario with adjacent Salem State University Campus



Subareas 3-5

Under a scenario with no commuter rail station in South Salem, redevelopment potential in Subareas 3-5 (i.e., along Jefferson Avenue) is limited. Although the area is proximate to North Shore Medical Center and contains wetlands that could be viewed as a public amenity, the subareas' challenges overshadow these strengths. The MBTA-owned parcel is a large and potentially catalytic site, but given the MBTA's operational needs and other complicating factors, it is unlikely to be redeveloped. Subarea 4 is outside the one-mile walkshed from the existing station, limiting potential for walkable, mixed-use development. Finally, the area is predominately industrial and lacks the development pressure that a commuter rail station may provide to significantly redevelop. If the City relocates its DPW and finds alternative spaces for other industrial properties in the area, this could help kick-start development in this subarea.

Figure 38. Subareas 3-5 TrOD Development Scenario

TrOD Development Scenario Summary

Table 43 summarizes the existing conditions and TrOD development scenario. By implementing various recommendations the Study Area could potentially increase the amount of housing units from 57 today to between 350-400 units (approximately 600,000 square feet). Total commercial space fell as space along Canal Street and Broadway gave way to residential and mixed use development.

Table 43. TrOD Development Scenario Summary

	Existing	TrOD
Total Area (Acres)	96	96
Total Building Area (Sq')	911,200	1,329,600
Residential Area (Sq')	73,400	598,100
Commercial (Sq')	530,100	423,700
Office Area (Sq')	*43,300*	*43,300*
Retail Area (Sq')	*486,800*	*380,400*
Industrial (Sq')	285,300	285,300
Other (Sq')	22,500	22,500
Residential units	56	382

Figure 39. TrOD Development Diagram

DEVELOPMENT SCENARIO: TOD

A new commuter rail station in South Salem would provide numerous benefits for both the City and region. While the future development could have a strong fiscal impact for the City, it would also help the region tackle its lack of housing inventory in general and lack of affordable housing in particular. By unlocking the potential for more development, especially around transit, the region could grow in a sustainable manner that minimizes the need for single occupancy vehicle trips, especially for those commuting to Boston. Given its location adjacent to SSU and, to a lesser degree, NSMC, a South Salem Station could further reduce vehicle miles traveled (VMT) by increasing the number of reverse commuters. Although some students do utilize the existing station and SSU shuttle, a station close to the university could make the commuter rail a more feasible option.

As the market analysis explains in detail, a commuter rail station will greatly increase the market potential for the Study Area, especially for new housing. The new station could unlock development potential in the following ways:

1. **Walkshed**. As Figure 40 illustrates, the majority of the Study Area is within a half mile walk (approximately ten minutes for the average person) of the proposed station location. The entire site and beyond is within one mile of the station, thus making it an option for residents beyond the Study Area.
2. **Reduced parking requirements**. The presence of a commuter rail station would allow for a reduction in the parking requirements for the Study Area. This reduction allows for more building area on the same sized parcel. For the TOD scenario, MAPC has assumed one parking space per dwelling unit. MAPC research has found that parking utilization for multifamily residential properties within a mile of a transit station to be less than one. In some cases, parking requirements for commercial property have also been reduced from 4 spaces per 1,000 square feet of building area to 2 spaces per 1,000 square feet. (For additional information regarding parking, please see Bass River District Rezoning sidebox.) The basis for this assumption was developers could request relief from the 4 spaces per 1,000 square feet requirement if they could show parking demand would be met or accommodated from other means. For the purpose of the model, it was assumed that the presence of on-street parking would provide that demand.
3. **Connection to Jefferson Avenue**. The conceptual plans for a new station create an east-west connection to Jefferson Avenue. This connection could help stimulate demand for additional development in this area.
4. **Potentially incentivize development of MBTA parcel**. Given the recent discussions with Greystone, the Development Scenario did not utilize the MBTA's parcel for future growth. There is the potential, however, that the presence of a commuter rail station could provide an incentive for the MBTA to use all or even part of the site for private development, as it would be an attractive location, especially for residential uses.

Figure 40. Concepts affecting the TOD development scenario potential.

Beverly Bass River District Rezoning

As noted previously, the main change in assumptions from the TrOD Scenario is the reduction in parking requirements. Several years ago the City of Beverly worked with MAPC on a TOD study for the area around its Beverly Depot station. The City is currently in the process of implementing a rezoning of this district. The following are draft parking requirements. Given its location just to the north of Salem, the City may want to use these regulations as a starting point for its own rezoning efforts:

Parking Requirements

1. Off-Street parking shall be provided in accordance with the requirements set forth in Section 38-25, except standards provided within this section shall take precedence where there is a conflict. The following on-site parking requirements apply for the BR District:

a. Residential:

- 1 bedroom or less – .75 spaces per dwelling unit
- 2 or more bedrooms – 1 space per dwelling unit

b. Retail trade: 1 space per 500 square feet of floor area

c. Personal services: 1 space per 500 square feet of floor area

d. Professional office: 1 space per 500 square feet of floor area

2. Off-street parking may be provided under or on the first floor of commercial, residential, or mixed-use buildings provided the primary use screens parking facilities from the public way, internal circulation pathways, and waterfront walkways.

3. Bicycle Parking Facilities: Bicycle parking shall be provided for all new development to the following standards:

a. Bicycle parking facilities shall be at least fifty (50) percent sheltered from the elements, and shall be located as close as possible to the building entrance(s).

b. One (1) bicycle parking space shall be provided for each twenty (20) off-street parking spaces required.

c. Each will be a minimum of two (2) feet wide by six (6) feet long.

d. Rack(s) will be provided that allow for the bicycle frame and one wheel to be locked to the rack and that support the bicycle in a stable position without damage to wheels, frame or components. All bicycle racks and lockers shall be securely anchored to the ground or building structure.

e. Any property required to have bicycle parking may establish a shared bicycle parking facility with any other property owner within the same block.

4. Transportation Demand Management: For new development projects or substantial alterations or improvements to buildings over 10,000 square feet shall develop and implement a Transportation Demand Management (TDM) plan to be approved by the permit granting authority.

Subarea 1

The amount of development increased slightly in Subarea 1 from the TrOD, from 196,000 square feet and 115 residential units to 250,000 square feet and 150 residential units. The reduced parking requirements allowed for slightly denser buildings on the parcels noted in the TrOD scenario for having the greatest potential.

Figure 41. TOD Scenario Subarea 1

Subarea 2

This area again had the largest potential for transformation. In addition to building off its potential without a station, the area was able to develop more densely due to the reduction in parking requirements. (Some buildings were assumed to be built prior to a station and therefore utilized the parking assumptions associated with the TrOD scenario.) In addition, several parcels further north, which are adjacent to the commuter rail station, were assumed to be redeveloped under this scenario. Total development in Subarea 2 was 1,030,000 square feet and 530 residential units, up from 683,000 square feet and 268 residential units under the TrOD scenario.

Subarea 3

This development scenario assumes the MBTA-owned parcel would not be developed, due to the MBTA's stated operational needs.

Subarea 4

As with the TrOD scenario, development potential in this area was considered limited, especially because other areas closer to the station could accommodate expected demand. If other subareas, such as Subarea 5, are not fully developed and if the existing DPW is relocated, Subarea 4 could help accommodate the increased future demand for development.

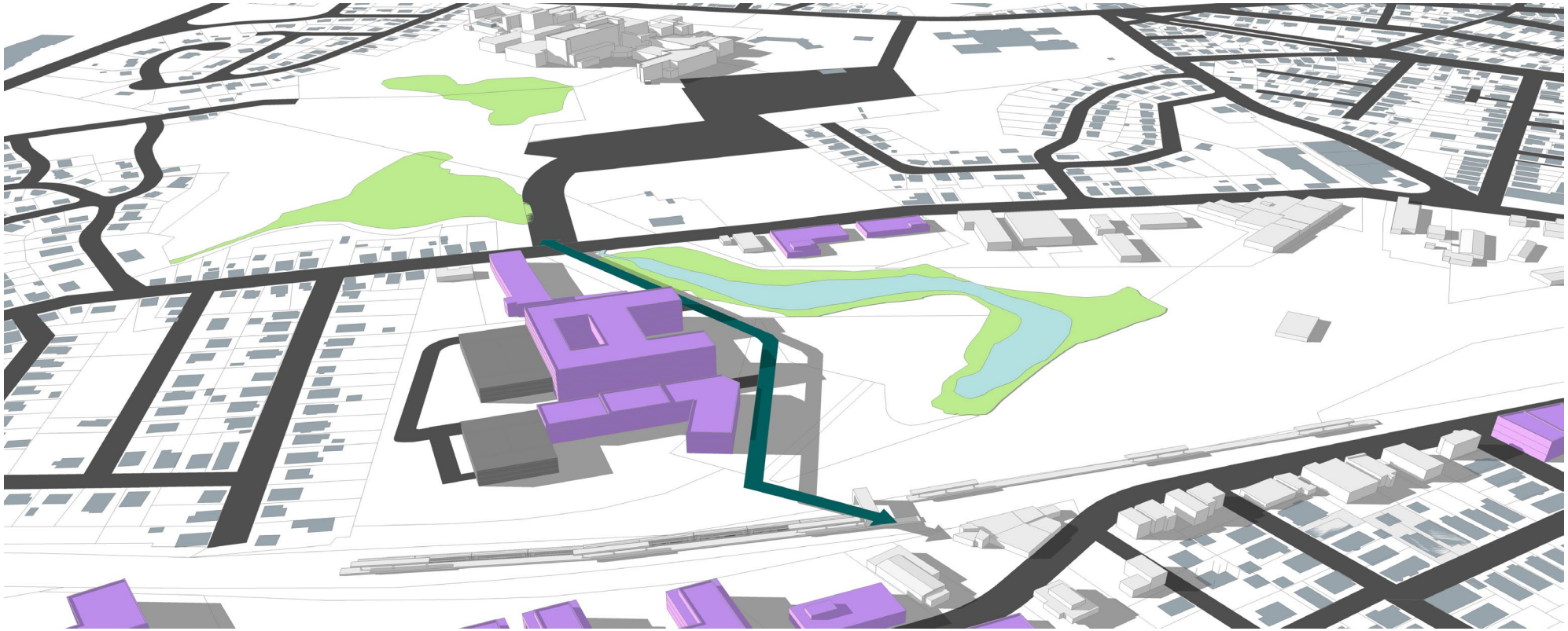
Figure 42. TOD Scenario Subarea 2

Subarea 5

This subarea saw the most dramatic change from the TrOD scenario, which had modeled no new development. With the creation of an east-west connection, and the adjacency to a highly sought after amenity such as a commuter rail station, there could be far greater financial incentive for the industrial plant, Univar, to relocate. This large parcel, next to the commuter rail, would be an ideal location for multifamily housing; furthermore, its size suggests that development potential is great enough to make a structured parking facility feasible, which would further increase development potential. The model illustrates an example with two buildings, oriented towards the wetlands with parking situated to provide a buffer to the existing single family residential area immediately to the south. The structured parking allows for 2 buildings of 3 and 5 stories, providing approximately 400 residential units.

In addition, the station could allow for a slight increase in the number of commercial office and retail spaces, including a redeveloped building at 10 Colonial Drive (providing an additional floor of leasable space) and two modest buildings at 65 Jefferson Avenue. Given the proximity to NSMC, this location could provide medical office or other space complementary to the hospital.

Figure 43. TOD Scenario Subarea 5. The Green line indicates one of the potential access points (developed under the AECOM feasibility study), providing a direct connection to Jefferson Avenue and North Shore Medical Center.



Development Scenario: Summary

As Table 44 summarizes, the change in assumptions and development opportunities a new station would provide, the amount of development increases significantly by the presence of a commuter rail station in South Salem.

Table 44. Development Scenario Summary

	Existing	TrOD	TOD
Total Area (Acres)	96	96	96
Total Building Area (Sq')	911,200	1,329,600	2,067,400
Residential Area (Sq')	73,400	598,100	1,486,700
Commercial (Sq')	530,100	423,700	502,300
Office Area (Sq')	*43,300*	*43,300*	*54,800*
Retail Area (Sq')	*486,800*	*380,400*	*447,600*
Industrial (Sq')	285,300	285,300	55,900
Other (Sq')	22,500	22,500	22,500
Residential units	56	382	1,072

Figure 44. TOD Development Scenario Land Use Diagram

NEIGHBORHOOD CHANGE

INTRODUCTION TO NEIGHBORHOOD CHANGE

New investment in a community typically brings change beyond the investment itself, whether it's significant new development, redevelopment, new transit, or new bike/ped infrastructure. The larger the investment, the greater the opportunity for change. Some of these changes are positive, ranging from improved connectivity to environmental and public health to meeting market demand to beautification, depending on the investment. But they can also bring potential risks.

Because Salem is home to significant lower-income and minority populations, it is likely that new investment on a large enough scale will lead to gentrification in South Salem and even accelerate this phenomenon elsewhere in the City.[15] Gentrification usually coincides with one of two changes in housing occupancy:

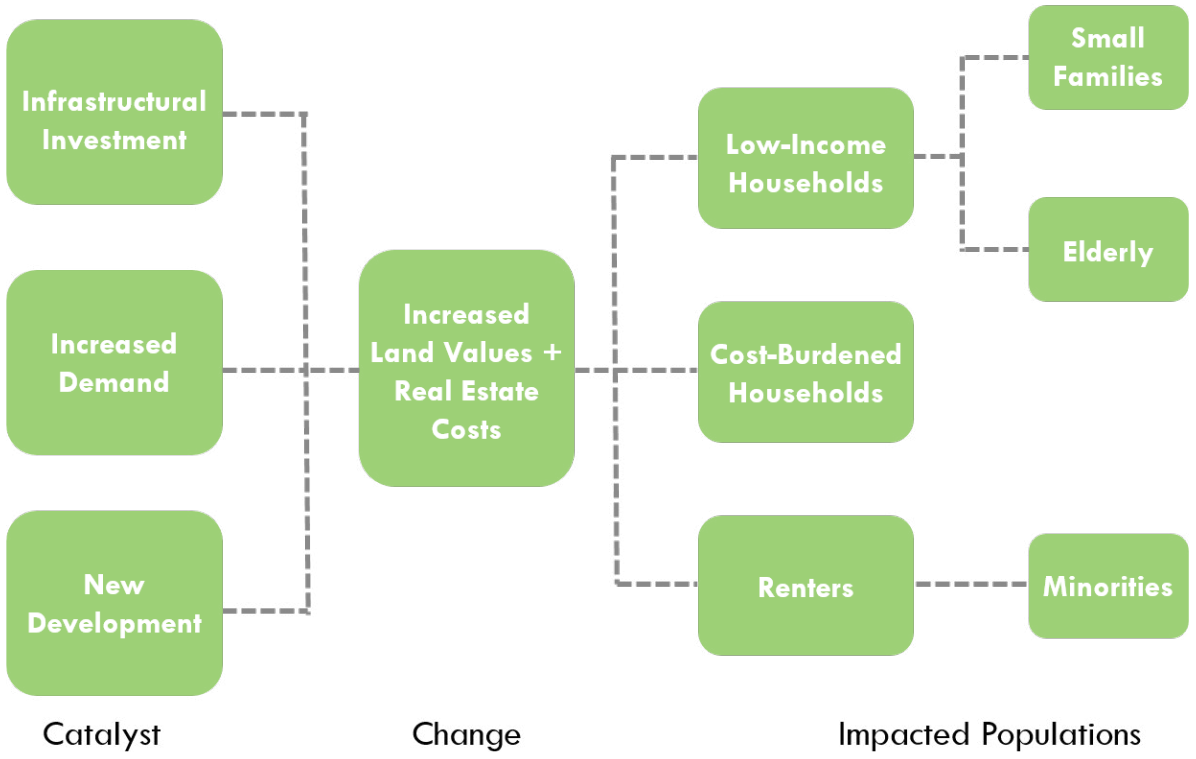
- **Replacement**: Replacement occurs when the number and composition of out-migrants does not change, but the people who move in have different demographics from those who move out. With this pattern, current residents do not face pressure to leave, but those who choose to are replaced by residents with a different demographic profile.
- **Displacement**: Displacement occurs when the rate of outmigration is higher than it otherwise would be because lower-income residents move due to increases in housing costs and a lack of affordable options. In-migrants can afford a higher cost of living and tend to have a different demographic profile from those who move out.[16]

The differences between these kinds of housing occupancy changes can be subtle, but meaningful. Importantly, either of them—not just displacement—result in profound changes in the demographic composition and social cohesion of a community. It is likely that one or both of these changes in housing occupancy and the associated changes in demographic composition will happen in Salem as an indirect result of new development trends already underway and those that emerge in response to new investment in South Salem.

It is vital, then, that the City and community leaders take action to manage the market inflation that results from reinvestment and can prompt the relocation of low- and moderate-income residents, either by choice or displacement, to less accessible areas where housing is more affordable. History shows us that cities in the Greater Boston region and across the country do not always rise to this challenge. But Salem can plan ahead to leverage investment and mitigate the risks associated with it. Ideally, this results in a more equitable distribution of the benefits of new investment among current residents and new ones. In Salem, this would mean the city maintains its diversity and vibrancy, while offering new opportunities to both those who currently live there and those who are seeking to call it home.

Towards that end, this section explores the key neighborhood changes that are most likely to occur in Salem and why. Ultimately, it recommends strategies to manage change in Salem, including leveraging opportunities and mitigating risks.

Figure 45. Pathways of neighborhood change



THREE SCENARIOS FOR CHANGE

Salem faces three different residential market change scenarios, each with similar associated risks but varying in degree.

1. Naturally-Occuring Change

Salem is already changing as a result of market forces. Increased demand for housing has increased land acquisition and construction costs, which is then passed on to buyers and renters. Of course, some areas of the city are seeing more new development and increased housing costs than others. The downtown has changed more dramatically than other parts of Salem, with several new high-rises home to luxury apartments and condos.

Unless housing demand dwindles or is completely absorbed elsewhere, it's only a matter of time before top-tier development opportunities dwindle in the city center and developers look elsewhere in Salem. As that happens, new development will likely head south to the Study Area. Though the Study Area itself is largely industrial, it's surrounded by residential land uses. New residential development will likely have an inflationary effect on surrounding housing costs, incentivizing homeowners to sell and posing the risk of displacement to renters whose landlords are eager to raise rents in response to demand from a higher-earning demographic drawn to the area by the new development.

2. TrOD-Associated Change

Even without a major catalyst, Salem is undergoing change. But South Salem, a largely industrial area, has generally stayed the same in recent years. Public investment in the form of the new rail trail along Canal Street, however, will likely attract new developer interest, as such interventions have been shown to do elsewhere. There are several studies connecting trails with increased property values, and examples connecting new trails with rezoning and new development.

For example, the Minneapolis Midtown Greenway, which opened in 2000, coincided with $200 million in residential development and more than 1,200 new units. Together, these changes quickly transformed a former industrial area into one of Minneapolis' trendiest, not to mention expensive, residential neighborhoods.[17] (See page 66 for additional information.)

An increase in land and property values along the South Salem rail trail and new development that attract a different demographic to the area will impact the existing lower-income residential base in much the same way as described above, but likely more dramatically in terms of the speed and rate of market inflation.

3. TOD-Associated Change

As with the new rail trail, a new commuter rail station in South Salem is likely to have an inflationary effect on surrounding land, influencing development trends and, as an extension, population composition.

History shows that development often follows transit. U.S. examples include Fulton Market in Chicago, downtown Kansas City, Austin, and the RiNo neighborhood in Denver. Development ranges from residential to mixed-use to commercial, and depends on a variety of factors, especially land availability and rezoning. Numerous studies support this observation, showing that proximity to rapid rail transit increases property values, whether commercial or residential, including in Washington, D.C., the San Francisco Bay area, New York, Boston, Los Angeles, Philadelphia, Portland, and San Diego (though some studies in other cities have shown mixed results).[19]

Increases in property values in areas with proximity to transit are tied to both the transit itself and new TOD. By making neighborhoods more accessible, transit often attracts new development and with it, new residents, raising land and property values and housing costs. Current residents who don't own their homes may be replaced by more affluent households, while low-income households may be prevented from moving into the neighborhood by the high housing costs. This pattern is similar to that anticipated in the development scenarios, but the impacts of a new station on a lower-to-moderate-income population like that in South Salem will like be more dramatic than what is anticipated in either a TrOD scenario or one of naturally-occurring change.

[15] MAPC thinks of gentrification as a particular type of neighborhood change defined by an increase in housing costs and an influx of new, higher-income residents.

[16] "The Dimensions of Displacement: Baseline Data for Managing Neighborhood Change in Somerville's Green Line Corridor." MAPC. February 2014.

[17] www.startribune.com/midtown-greenway-spurs-urban-development-especially-in-uptown/303081591

[18] www.nytimes.com/2017/05/23/business/transit-rail-property-development.html?_r=0

[19] www.thoughtco.com/rail-transit-and-property-values-2798802

RISKS ASSOCIATED WITH NEIGHBORHOOD CHANGE

In any context, change brings both benefits and risks. In South Salem, the benefits of new land uses and development, a shared use path, and even a commuter rail station have been described elsewhere in this report. Here, we'll consider more specific risks to the area's residential landscape and population composition.

Because the housing stock is generally older, small-scale multifamily, rental properties, it is vulnerable to redevelopment or tear down in strengthening markets. It's typically replaced with higher-cost housing, reflecting higher land acquisition costs and increased demand.

Because current Salem residents tend to be lower income than the County and State, they will struggle to afford the new housing that replaces the old or even the older housing that remains but increases in cost due to greater demand from a new higher-income population attracted by new investment.

Vulnerable Housing Stock

Condominium Conversion

Salem's existing housing stock is relatively old, with more than half of units (54%) built before World War II. Only 6%, or 1,080 units, of the City's housing has been built since 2000 (ACS 2011-15). More than a third of Salem's housing units (39% or 7,570) are in smaller multifamily buildings consisting of 2-4 units total. Given that a slight majority of Salem's housing (52% or 9,356) is renter-occupied (ACS 2011-15), we know that many of the units in these smaller multifamily buildings are for rent.

Higher-income residents priced out of Inner Core markets and drawn to Salem by the changes taking place are more likely to have the resources and inclination to seek out for-sale rather than rental housing. If new construction does not provide the supply demanded by them, then owners of existing rental units may find it profitable to convert their properties to a condominium form of ownership and sell off the units individually rather than renting them.

Salem's existing housing stock—composed primarily of older, smaller multifamily structures comprised of rental units—are especially vulnerable to condominium conversions. Developers can often acquire them at competitive prices, and resell them for a considerable profit, depleting the city's rental housing stock in the process. As options to rent dwindle, residents require greater means, in the form of a down payment, to secure housing.

Expiring Subsidized Housing

Based on data from the Commonwealth's Subsidized Housing Inventory, the ratio of Salem's deed-restricted affordable housing stock to overall housing stock has remained fairly steady in recent years. In 2002, subsidized housing represented 12.50% of the total year-round housing. That rate rose to 14.31% in 2008, before dropping to 12.35% in 2014. By 2016, it was up to 12.98%. As we approach 2020, when a new and higher Census estimate for Salem's overall housing supply will be issued, it is important that production of affordable units remains apace or increases so that opportunities for lower-income households in the city do not decrease.

With rising rents and sale prices, conversion of rental units to condominiums, and new units added at the high end of the market, publicly subsidized housing increasingly provides the primary means for low-income households to remain in Salem. While the city has a significant supply of project-based deed-restricted affordable housing—2,465 units—a significant portion of this stock is at risk.

Many deed restrictions have a specified term, often ranging from 30 to 100 years, after which the units can be rented or sold at market rates. Owners can choose to renew their affordability contracts before they expire by refinancing, but there is less incentive to do so in appreciating housing markets like Salem. If they do not, lower-income households with few affordable alternatives can be displaced.

While 969 units (39%) of Salem's subsidized housing inventory are affordable in perpetuity, 1,419 units (58%) could expire at some point down the line. This is a far-off risk for some units, but others will be vulnerable in the near future. Between now and the year 2035, 998 units could be lost, 41% of Salem's total deed-restricted affordable housing supply.

Considering that Salem's inventory of affordable housing, though large, is insufficient to meet the needs of existing residents—2,465 units for 9,095 eligible households—it is vital that this stock be preserved. Towards that end, the City should work with property owners to extend affordability, and with developers to ensure new affordable housing units are produced.

Figure 46. Summary of Vulnerable Housing Stock, Salem

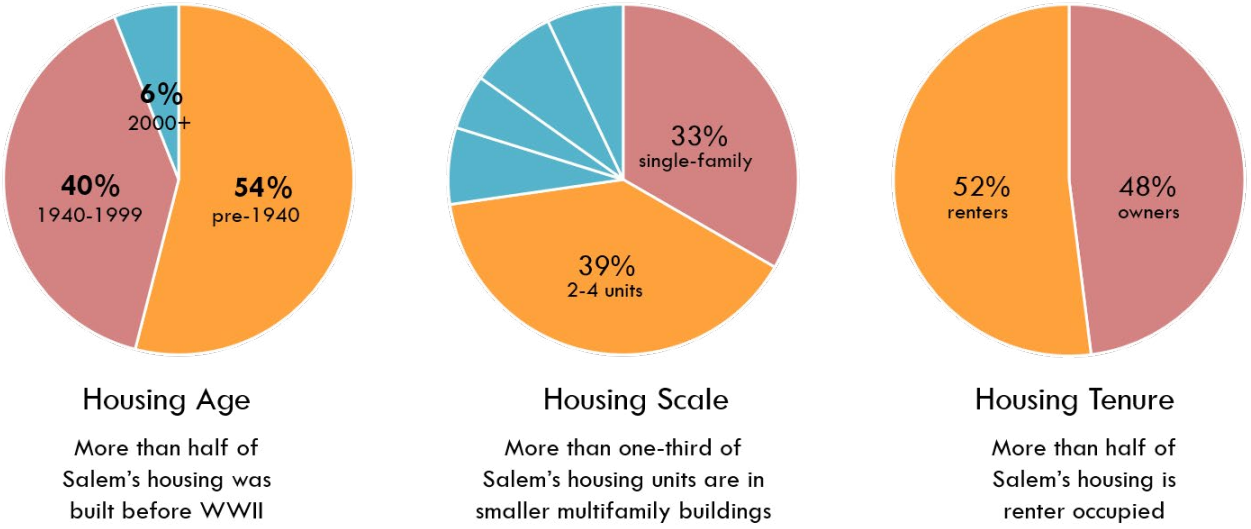


Figure 47. Summary of Subsidized Housing Inventory, Salem

Vulnerable Populations

Renters & Residents of Color

More than half of Salem residents (52%) rent their homes, a much higher rate than the state (38%) or Essex County (37%) (ACS 2011-2015). Renters are more vulnerable to changes in the housing market than homeowners. The latter may be incentivized to sell their units by rising home sale prices or rising taxes associated with increased property values and relocate, but renters may be displaced by property owners who raise rents or convert units to ownership. City-wide, monthly asking rent in Salem rose dramatically from $1,481 in 2010 to $1,875 in 2016, a 27% increase, according to Zillow data.

Of Salem's 9,125 renter households, 4,239 or 46% are cost burdened, meaning they pay 30% or more of their household income on housing costs (CHAS 2008-12). The US Department of Housing and Urban Development (HUD) considers a rate of cost burden exceeding 30% to pose various issues for a community, ranging from housing instability to a lack of discretionary income to support local business. If Salem rents continue to rise, as is likely, it will become more and more difficult for these cost-burdened renter households to afford to stay in Salem.

While more than half of white residents, who comprise 75% of Salem, are homeowners (53%), the vast majority of Latinos (84%), African-Americans (85%), and Asians (98%) are renters (ACS 2011-15). The disparity between white and Latino homeownership rates is 37%, 38% between white and African American homeownership rates, and 51% between white and Asian homeownership

rates. The homeownership gap between white residents and people of color in Salem—though similar to that in Essex County and the State (with the exception of Asians)—is dramatic.[20] In general, white residents of Salem are 20% more likely to own a home than residents of color. Since people of color make up a disproportionate share of renter households in Salem, these communities are at a greater risk of displacement as a result of rising housing costs.

As home sale prices increase in the City, homeownership opportunities decrease. Since 2011, when home prices were at a 10-year low, median sales price has increased 22% from $256,577 to $312,500. Though this price remains lower than many of Salem's neighbors (except for Lynn at $288,500), the rate of increase is noteworthy. As these trends continue with a strengthening economy, Salem is at risk of losing racial, ethnic, and economic diversity.

Low-Income Households

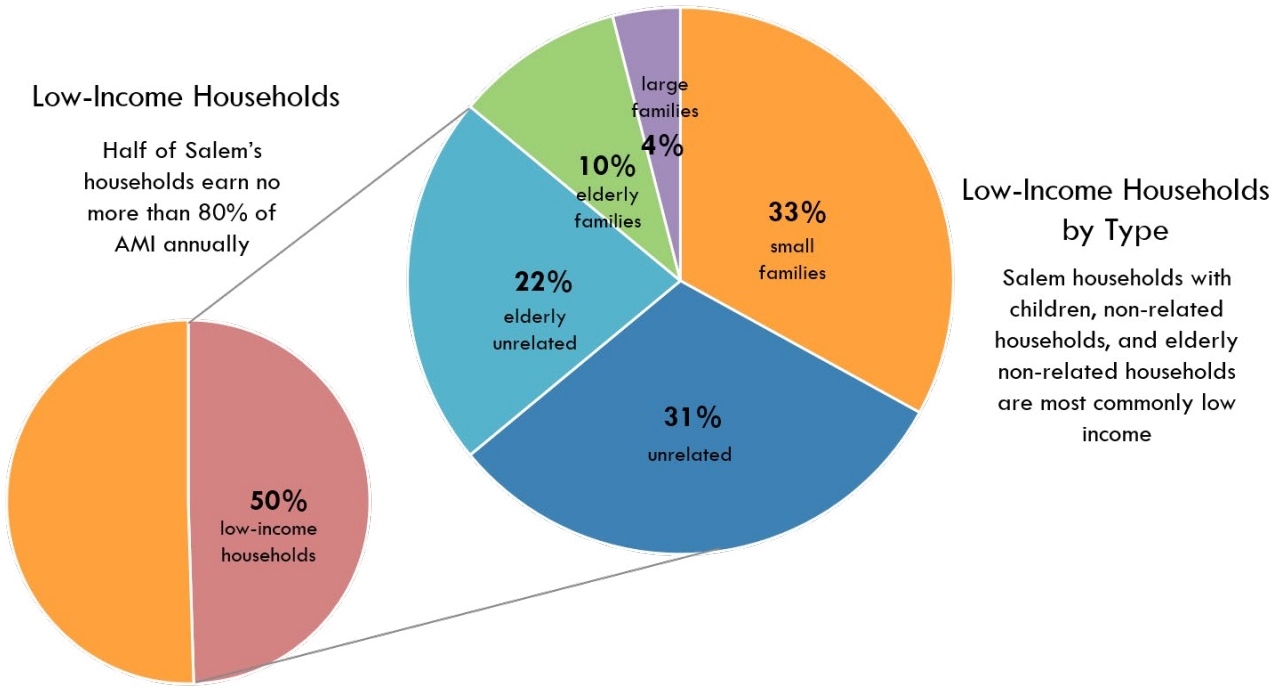
Median household income in Salem is significantly lower than that of the state and Essex County: $60,690, $68,563, and $69,068, respectively (ACS 2011-15 Estimates, adjusted to 2015 dollars). Of Salem's 18,365 households, half (9,095) qualify as low income (CHAS 2009-13), meaning the household has a total income of no more than 80% of area median income (AMI), which amounts to $73,050 for a household of four in this area.

Of the low-income households that live in Salem, more than one-third (33%) are small families and another third (31%) are non-family households, such as roommates. Nearly a quarter (22%) of low-income households are composed of elderly non-related residents. Only 10% of low-income Salem households are elderly families and 4% are large families of 5 or more people.

There are very high rates of cost burden among low-income Salem households. While 46% of all households pay 30% or more of their income on housing, the rate increases to 64% for low-income households (5,805 households) (ACS 2008-12).

A very high number of low-income households in Salem rent. Of the 9,356 renter households in the

Figure 48. Low Income Household Summary, Salem



[20] The homeownership gap between white residents and African Americans does not vary greatly from Salem to Essex County to the State: 38%, 35%, and 39%. Between whites and Latinos, the gap is smaller in Salem: 38%, 43%, and 46%. Between whites and Asians, however, the gap is much higher in Salem: 51%, 17%, and 5%.

city, more than a third are low income—6,035. Of those low-income renter households, 4,050 or 69% are also cost burdened (CHAS, 2008-12).

Young Adults and Seniors

In Salem, incomes vary by age of householder, with very young and older adults living on much less than those in between. While approximately one-third of householders age 25-64 earn $100,000 or more a year, only 8% of householders under 25 and 12% of those 65 or older have such high incomes.

Approximately one-quarter of both groups on either end of the age range earn less than $20,000 annually; another 36% of those under 25 earn between $20,000 and $39,999 and 29% of those 65 and older have incomes within that range (ACS 2011-15). It's likely that these younger householders haven't maximized their earning potential yet, but the older householders are likely on low fixed incomes. Either way, because of their lower incomes, younger householders and seniors are most likely to see their housing opportunities decrease as the market strengthens in Salem and housing costs increase.

However, because older Salem residents tend to be homeowners, they have greater housing security than their younger counterparts. The rental rate for those age 65-74 is 6% and goes down to 2% for those age 75-84 and 3% for those 85 and older. This is compared to 27% for those age 25-34. Nevertheless, older Salem residents may be incentivized to sell their homes by the higher prices their properties suddenly command, and unable to relocate within their communities unless adequate alternative housing is available—that is, affordable units and ones that are appropriate in terms of size, layout (bedrooms on the main level), and maintenance needed.

This need is intensified by the fact that the senior population is increasing. In fact, between 2000 and 2010, Salem's growing population experienced the largest increases among those age 50-59 (26%) and 60-74 (19%). Going forward, MAPC projects those two age groups to grow at even faster rates, by 52% and 33% between 2010 and 2030, respectively.

MANAGING NEIGHBORHOOD CHANGE

The City of Salem is already changing in many ways, including a strengthening housing market and demand from higher-income residents. There are many indications this is likely to continue; the question is to what degree?

In high-demand markets like those in the metro Boston region, housing costs will rise regardless of whether new, higher-cost housing goes in. In a scenario where no new housing is added, intense market pressures will cause rents to rise and rental units to convert to condominiums. In a scenario where new housing is added, however, rents don't always stabilize—often they increase, just at a slower rate than in the first scenario. This is likely because regional demand in markets like Boston overwhelms local increases in housing supply. In such cases, new development in a neighborhood often coincides with gentrification.[21] MAPC supports new residential development to address the housing crisis in our region by helping to meet housing demand, provided it coincides with the necessary regulatory actions to protect lower- and moderate-income households. Please refer to the Recommendations chapter for strategies to better maintain Salem's socioeconomic diversity as the city's residential market continues to improve with infrastructural investment, increasing housing demand, and new development.

[21] www.refinblog.com/new-housing-and-displacement-in-the-bay-area/

RECOMMENDATIONS

The following recommendations can help the Study Area achieve its greatest potential both with and without (or prior to) a commuter rail station. The majority of recommendations will positively impact the area regardless of when/whether a station is constructed; thus, MAPC recommends the City pursue these recommendations while it concurrently continues to plan for a new station. Introduction of the commuter rail impacts the recommendations in several ways, which are noted below.

LAND USE + ZONING

Zoning is perhaps the strongest tool the City has to impact the built environment. A combination of altering dimensional standards and changing allowed (and prohibited) uses in the Study Area will allow developers to maximize the opportunities created by both the rail trail and future commuter rail station.

Extension of Central Development

Given its proximity to the traditional downtown, the Central Development District could be extended down a section of Canal Street. As the downtown becomes built out adjacent neighborhoods could see increasing demand for mixed-use development, including residential. MAPC recommends considering extension of the Central Development district to approximately Cypress Street, which would put the farthest parcels within 1,000 feet of large municipal parking lot located immediately to the north of the site.

Rezoning for portion of Subarea 2

Because of the shared use path and its proximity to SSU, Subarea 2 has a strong potential for redevelopment. If SSU purchases and redevelops a property in this area, it will further help catalyze redevelopment; regardless, appropriate zoning will be needed for change to occur.

The boundaries for a new zoning district can start on a focused area and be expanded as development occurs, if needed. For example, the area envisioned under the TrOD scenario began at Ocean Avenue on the north and ran between Canal Street and the rail line down to Rose Street.

The City should determine whether it prefers to implement new base zoning or establish an overlay district. The advantage to the latter is it avoids conflicts with existing non-conforming uses. Changing the underlying zoning, however, would provide a more emphatic statement and potentially accelerate change. It would also help to avoid noxious and incompatible uses with new residential development. Regardless, the new district could be defined as the "South Salem Trail-Oriented District," which could later be amended to the "South Salem Transit-Oriented District."

Most critically, the new district should allow residential uses, which are not allowed under existing zoning. Multifamily and mixed-use buildings, especially should be encouraged, as well as townhouse style buildings. Eating establishments, especially with outdoor seating, should also be allowed and encouraged.

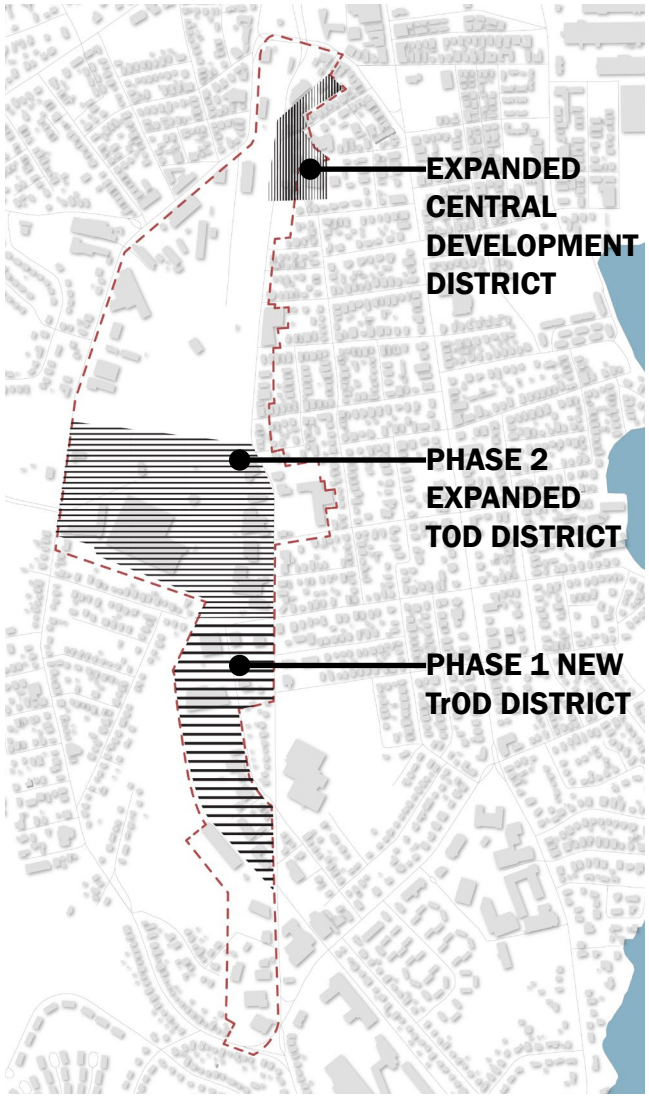
Dimensional standards for this District could be based off the Central Development District with modifications as necessary. For example, the City may deem 70' heights too tall and reduce accordingly. Alternatively, the City could also allow 70' height for buildings set back a certain distance from the road and lower heights along Canal Street. This is a model SSU has applied for many of its and buildings and could be emulated.

Parking requirements should reflect the best practices, given the context of the location. Outside of the Central Development, Salem's parking ratios are often higher than necessary for a walkable, mixed-use neighborhood (even without the presence of transit). MAPC recommends the City create parking ratios specifically for the newly created district (similar to how Central Development has its own requirements) or change the parking requirements applicable to all districts. The ratios used for the modeling of the scenarios, 1.5 spaces per dwelling unit and 4 spaces per 1,000 square feet of commercial space, reflective of best practices in suburban locations, provide a basis for the City to create appropriate parking requirements. Specific uses could have higher or lower ratios, as appropriate. To the extent possible, parking should be located in the rear or side of the building to create a walkable district.

TOD Scenario

With construction of a station, the rezoned district in Subarea 2 could be further expanded to capture a greater amount of area, including the Univar site and other parcels adjacent to the station. In addition, the parking requirements could be modified to be reflective of a more transit-rich location. MAPC's research suggests 1.0 parking space per dwelling unit for residential uses proximate to commuter rail stations is generally appropriate. Commercial parking could be reduced from 4 spaces to 2 spaces per 1,000 square feet of developed space if the applicant can demonstrate parking demand could be adequately met, e.g., in locations along Canal Street with on-street parking. See the Side Box on Beverly's rezoning efforts (page 77) for a potential starting point.

Figure 49. Future Zoning



CONNECTIVITY

Safe, convenient multimodal access are critical to the success of achieving the Study Area's development potential. Both downtown Salem and the SSU campus continue to grow as activity centers that anchor the each end of the Study Area, potentially creating significant pedestrian, bicycle, and vehicular traffic in the corridor. Accordingly, even without a new commuter rail station, improved connectivity will be needed to provide safer and more convenient mobility.

Shared use path

One of the most important aspects for the Study Area's revitalization is construction of the shared use path. Phase 1 of the project, running from the north end at Washington Street down to St. Paul Street, is currently under construction as part of a larger Canal Street reconstruction project. Phase 2, which will complete the connection from the existing path on SSU's campus to the Phase 1 portion, is currently programmed on the 2018 TIP.

Bicycle facilities from the Study Area to existing station

In order for the shared use path to be a viable transportation option (as opposed to being primarily a recreational path), it is important that safe bicycle facilities be provided connecting the shared use path to the existing station. The City is currently working with Toole Design Group on assessing on-road bicycle facilities throughout the downtown. Connecting both the shared use path and the existing Lafayette Street bicycle lane via a network of on-road bicycle facilities should be prioritized.

Additional complete streets improvements

As noted previously, the local access score showed a high travel demand for pedestrian and cyclists on Canal Street, Loring Avenue, Lafayette Street and Jefferson Avenue. In addition to the Canal Street improvements, MAPC recommends complete street improvements to Loring Avenue between Canal and Lafayette Streets. Loring Avenue provides a critical connection between Lafayette Street (the main north-south thoroughfare in the area) and the SSU campus. Bicycle lanes, consolidated curb cuts, and better crosswalks will provide a safer route for students to SSU, the Horace Mann School, and to the bicycle and pedestrian network improvements along Canal Street that connect with the South Salem commuter rail station.

Bike share

Salem has recently begun a bike-share share system operated by Zagster, Inc. with support from Blue Cross Blue Shield of Massachusetts and SSU. The bike share option initially had three stations with three additional stations added during this summer. As the Study Area develops, the City should consider adding additional stations where appropriate.

Optimize SSU shuttle service

The City of Salem and SSU should consider a partnership to create a locally operated transit system that could better link the rail stations, downtown, and the various SSU locations. An initial step could be a simple arrangement whereby the SSU shuttle allows non-students to board for a nominal fee. There is currently an SSU stop on the southern end of the Study Area. An additional

stop on Canal Street in Subarea 2 could capture additional users, including new residents and students.

TOD Scenario

Crosswalk

The new commuter rail station and proposed east-west pedestrian connection will create significant pedestrian and bicycle activity along Canal Street at the station. MAPC recommends a clearly marked crosswalk on Canal Street at the station. This crosswalk could be located near Roslyn Street, which would provide a strong east-west connection to Lafayette Street and the proposed bicycle route near the shore. The City could consider rapid flash beacon to further improve pedestrian safety if needed.

Bus routes

Once the South Salem commuter rail station is constructed, the City should work with the MBTA on revising the routing of either bus 455 or 459 to travel along Canal Street with a stop at the station. SSU should also add a stop for the existing shuttle that travels between downtown and the campus.

Ultimately, the City of Salem and SSU should consider a partnership to create a locally operated transit system that could better link the rail stations, downtown, and the various SSU locations. This new transit arrangement could be developed by creating a city operated transit system, or by operating shuttles via the existing North Shore Transportation Management Association (TMA). The TMA option could also leverage other TMA funds to extend transit options such as carpooling, and if jointly funded by other adjacent municipalities, could include regional shuttles linking employment to residents and students. (This would be similar to the current operations of the Crosstown Connect TMA that operates both employer sponsored and regional public transportation shuttles in Acton and Maynard.) These new transit options can be explored prior to the opening of the South Salem commuter rail station.

Additional bike share station

The commuter rail station would be an ideal spot to add an additional bike share system, providing a critical first/last mile connection.

ECONOMIC DEVELOPMENT

The following recommendations focus on the economic development in the Study Area, providing a multi-pronged strategy for maximizing market potential.

Find alternative locations for some industrial uses

The City should consider the industrial uses that are currently in this Study Area and how they can best co-exist within a mixed use neighborhood. Lighter industrial operations may be able to function easily within a mixed-use neighborhood. However, heavier uses may not be compatible (particularly with residential) and future planning should take this into account. It is important to think through ways that the jobs provided by these industries can be preserved while also creating re-investment in the neighborhood by encouraging residential and mixed use development. Industry can often provide good jobs at lower levels of educational requirements, which is relevant from a jobs equity standpoint.

The City should reach out to industrial property owners in the area to understand more about the land use needs for these businesses and how this can be integrated into planning processes in South Salem. These industries may need larger lots for production, storage of equipment and materials, or loading and unloading. They also likely need good access to regional transportation network such as highways and arterial roads that are important for reaching markets and customers.

Consider redeveloping city-owned sites within the Study Area

The DPW could potentially be re-located to a different site in the City, changing the industrial character of this part of the Study Area. If this occurs it would be an opportunity to kick-start development in the area. The site is within reasonable walking distance to the existing commuter rail station and the existing Downtown. It would be particularly well-suited to development that included all or part affordable units.

The City may wish to discuss options and resources with MassDevelopment, which has worked with other communities who are interested in similar relocations.

Attract businesses that could benefit from proximity to a major hospital or University

Consider a partnership with the Enterprise Center at Salem State University to seed businesses that participate in the Enterprise Center's programming

into available office/retail spaces within South Salem.

A co-working space or innovation center developed in partnership with the Enterprise Center could also help to bring additional business activity to the area. There are a number of groups in Salem that work to support the business community that could participate in this type of endeavor, including the Salem Partnership, Salem Chamber of Commerce, Enterprise Center at Salem State, and Small Business Development Center. This network of supportive organizations would be attractive to future commercial tenants and should be capitalized on in any marketing campaigns to bring more businesses to the area.

Activate this area through creative retail and events

Once development begins to occur, introducing pop-up restaurants and retail in some of the large parking lots or vacant sites is a good way to test the retail market in the area. Creative events like food truck festivals could bring more people into the area and also be incorporated into ongoing planning processes for South Salem.

The City can reach out to some of the industrial operations in this area to see if they would be interested in adding a retail component to their operation that might help to enliven the area and attract additional activity. There is already a brewery and a distillery in this area. Building on these existing assets, there may be some potential to add additional establishments of this type.

TOD Scenario

Univar site redevelopment

As a key parcel adjacent to the future commuter rail station, the City should pursue conversations with the owners of the Univar site to keep them informed of ongoing planning processes in South Salem and to work to integrate them into the planning process as redevelopment in the area begins.

Attract health services uses

Focus existing business attraction efforts on businesses within the health services cluster that could benefit from the proximity to North Shore Medical Center. Examples of businesses within this cluster might include home health care facilities, labs, drug stores, or optical goods for example.

MANAGING NEIGHBORHOOD CHANGE

The benefits of a strengthening market are myriad, as indicated throughout this report, but strategies are needed to ensure they are more equitably distributed than they otherwise would be in a free market, and that not only newcomers but also existing residents have the opportunity to take advantage of them. Tenant protections, housing preservation and production, and the amount of subsidized housing can be strong tools to retain existing residents and avoid replacement or displacement. The following are strategies to better maintain Salem's socioeconomic diversity as the city's residential market continues to improve with infrastructural investment, increasing housing demand, and new development.

Facilitate a robust housing production and preservation strategy

The City should demonstrate a commitment to maintain and increase the diversity of housing types and price points. Given that 41% of Salem's 2,465 Subsidized Housing Inventory (SHI) units could expire between now and 2035, it is vital that the city work with owners of expiring-use properties and subsidy providers to renegotiate terms. The MA Department of Housing and Community Development regularly updates the SHI. The City can monitor those properties approaching expiration and conduct outreach to their owners so that they're aware of their option to maintain affordability and how to do so.

At the same time, the City can work with the development community to attract market-rate residential projects that range in scale, housing type, and unit size. Creative re-use to large-scale development to smaller townhouse or rowhouse projects, and rental projects in particular, should all be considered. In addition, the City can support the efforts of the local community development corporation and other affordable housing developers to increase the supply of deed-restricted housing.

Prepare for land prices to rise through smart acquisitions and partnerships

This analysis provides evidence that land prices are rising in Salem and will continue to do so in the coming years with new infrastructural investment and increased housing demand. As land prices rise, development costs will also increase. Without intervention, new housing development will be

unaffordable to lower-income households. Before new infrastructure goes in or rezoning occurs, while land values are still relatively low in the area, the City should consider strategies that will facilitate future affordable housing development in the area.

The City should also assess the feasibility of acquiring additional sites in the area, before rezoning incentivizes property owners to increase sale prices. One strategy to do this is land banking. Land banks are typically created as public entities by local ordinance or allocated to existing entities, such as planning departments or local housing authorities. They are designed to acquire properties, sometimes hold them tax free, and negotiate sales based not on the highest bid but on development proposals that meet planning goals.

Low land acquisition costs allow development of below-market rate housing, and relieve the pressure to develop for the "highest and best" use. The City can facilitate this by removing land from the private market while it is still affordable, and influencing what development takes place at those sites.

Adopt an inclusionary housing policy

Inclusionary zoning is an effective and predictable way to increase affordable housing stock. As the residential market in the city continues to strengthen, and new housing opportunities are created in South Salem, this tool can leverage market-rate multifamily housing development to better meet housing need. Salem should adopt a city-wide inclusionary zoning ordinance to ensure that new sizable market-rate residential development includes a minimum percentage of affordable units. Based on the market analysis, the City should determine, or work with a consultant to determine, the appropriate project size threshold that triggers the inclusionary policy, set-aside requirement, developer incentives, and other components.

Adopt a condominium conversion ordinance

In strong housing markets composed mainly of rental housing stock, demand from higher-income populations for ownership housing incentivizes landlords to convert their units from the former to the latter. Because Salem's housing is particularly vulnerable to conversion, given not just its tenure but also its age and scale, the City should adopt a condominium conversion ordinance to protect tenants of rental housing when the property owner proposes to convert units to condominium or cooperative ownership, or to gut or demolish the structure.

The ordinance provides for various tenant rights and landlord duties and obligations. First and foremost, the ordinance stipulates the percentage of units that may be converted city-wide within a calendar year. Rental units cannot be removed from the market without a removal permit, typically issued by the Planning Board after an application process. The Board often considers the benefits to the citizens of the city issuing the permit, the hardships imposed on the tenant, the potential for relocating the tenant to comparable housing in the city, amongst other factors. The ordinance also governs tenant notification of a conversion with a given timeline. It provides the tenant with the right to purchase the unit after conversion. Should the tenant decide instead to relocate, the ordinance requires the landlord to provide reimbursement for moving costs.

Raise funding for affordable housing

There are several strategies the City can implement in order to raise resources to support affordable housing production and preservation. First, Salem should consider raising the Community Preservation Act (CPA) surcharge on property taxes. Salem voters adopted CPA in 2012 in order to raise revenue for historic preservation, open space and outdoor recreation, and affordable housing through a surcharge of 1%. This surcharge can be as high as 3%. Salem should consider a slight increase to 2% in order to raise additional funds for CPA-allowed activities.

Second, should the City adopt an inclusionary zoning ordinance per the above recommendation, it will likely include a payment in lieu of units (PILU) option for developers who can't feasibly include on- or off-site affordable units. These funds are typically calculated to reflect the cost of residential market development at the time. They should be used to advance affordable housing activities and can be allocated to the local housing authority, local community development corporation, or other ally.

All resources raised for this purposes should be directed to the City's Affordable Housing Trust Fund (AHTF), established in 2006, to ensure they're used to create and preserve affordable housing.

Use Developer Agreements and Community Benefits Agreements

As markets heat up, municipalities find themselves in a position to negotiate with the development

community for the public good. Towards that end, Salem should adopt a standard articulating City values for negotiating with developers to generate resources and amenities that advance equity, specifically affordable housing. There are two primary ways to do this. The first tool is the developer's agreement. This is a contract entered into between a municipality and a property owner, typically the developer, that provides the latter with certainty that their project will be immune from zoning changes over the course of development in exchange for benefits to the city, such as infrastructure improvement or monetary payments.

The second tool is a Community Benefits Agreement (CBA). This is a contract signed by a community group or a coalition of community groups and a real estate developer that stipulates the latter will provide specific benefits and/or mitigations to the community in which new development is occurring. It is a tool intended to empower those traditionally left out of the planning process for their own communities. Benefits could include green building requirements, public space, and, as is recommended here, inclusion of affordable housing.

Consider adopting just cause eviction controls

Increased housing demand from a higher-earning demographic can incentivize landlords to raise rents or even evict current tenants in order to replace them with new ones that can afford higher housing costs. Just Cause Eviction Controls (JCEC) deter landlords motivated to evict tenants to raise rents by requiring them to identify a proper reason like failure to pay rent or destruction of property. Salem has significant populations of those typically most prone to eviction: low-income and fixed-income households, people of color, and the elderly. JCEC can protect these tenants from discrimination while also curbing rapid rent increases by preventing high rates of turnover—an important strategy for preserving affordable housing in emerging housing markets. This stabilization of the community during periods of growth ensures that existing tenants benefit alongside developers, landlords, and newcomers.

Salem should first assess and, if needed, foster community and political support for JCEC. In order to implement and enforce such a policy, the City will need both local and state approval. In Massachusetts, landlord-tenant relationships are usually regulated by the State, so the City must submit a Home Rule Petition to the state legislature to secure regulation authority over the JCEC. The policy must also be adopted by City Council.

Monitor impacts of neighborhood change on vulnerable populations

The City of Salem should identify and monitor benchmark indicators on demographics and housing in order to evaluate the efficacy of managing neighborhood change strategies recommended herein, and revise as needed in response to shifting trends. If it is determined that unfavorable changes are occurring within the City's population composition, the regulations recommended above can be strengthened. For example, an inclusionary zoning policy with a 10% set aside can be increased to 15% as the market the strengthens, or the project size threshold that triggers the policy can be lowered, or a district-specific policy can be made city-wide.

TOD Scenario

Raise affordable housing funds through payment-in-lieu for parking reductions

With a commuter rail station, the City should consider allowing developers to pay a fee in lieu of providing parking on site. The City may be able to consolidate parking in centralized public lots or structures, perhaps on city-owned land like the DPW site if that use is relocated. In such cases, developers would build less on-site parking, and the resources saved on parking would be flagged for advancing affordable housing goals.

PUBLIC HEALTH

There are a number of strategies that the City and its partners could take to enhance the overall positive impacts associated with the changes to the South Salem area. Wherever possible, recommendations are based on evidence that have been shown or associated with a proven effect. Where evidence does not exist, MAPC proposes that the city set up a monitoring program in order to determine if strategies are having the intended effects.

Introduce new publicly accessible green space

Green spaces like parks and plazas that offer trails and outdoor exercise facilities have been associated with increases in physical activity. In addition, they are associated with increases in social connections and mental health benefits, such as decreased stress.

Remediate existing hazardous materials on properties

As a site with former industrial uses, remediation measures must be undertaken to minimize and eliminate potential exposure to hazardous materials. Likely this would inherently be part of any redevelopment, but it is important to reinforce given known linkages between hazardous materials and poor health conditions and outcomes.

Lower target vehicular speeds and introduce traffic-calming measures

Lower traffic speeds are associated with fewer injuries and deaths from traffic-related crashes. If new on-road connections are established, streets should be designed with a target speed for 25 mph or less in order to reduce safety risks and encourage other modes of travel. If streets are designed for higher speeds, separated facilities for walkers and bicyclists should be provided. Vision Zero (visionzeronetwork.org) provides background and more guidance on implementation of this approach.

Introduce housing at a range of price points

The benefits described in the Neighborhood Change section of providing affordable housing extend to public health. Housing stability and security are essential for a health community. When householders are cost-burdened, they can be forced to choose between housing payments and other expenses such as food, medical care, and utilities. In addition, children in unstable housing are also at risk of malnutrition and developmental delays that can have lifelong health consequences. Early steps to ensure housing for a variety of situations in a new neighborhood development will address these risks.

Encourage the introduction of public markets to increase access to fresh food; Explore potential for community gardens in multi-family developments

A number of Salem's health issues are connected to diet. Crosby's Marketplace offers a number of healthy choices, such as fresh produce. Connections to this store in a multi-modal manner should be enhanced as new development occurs. In addition, to increase access to, and consumption of, fresh foods, community gardens can be permitted to increase local fresh food production. Model zoning language can be found in Municipal Strategies to Increase Food Access, Volume 2 of the Healthy Community Design Toolkit.[22]

Consider local hiring policy and encouragement of new local small businesses

Consider local hiring laws and wage protections (e.g., living wage ordinance) to promote local employment practices in order to include local residents in economic development benefits and build local wealth. Additionally, local small business generally have strong economic ties to their communities. Their presence is associated with economic growth and local investment and they are more likely than larger companies to reinvest their profits locally.

Target area for community-based programming to increase physical activity

The installation of more facilities for active transportation in combination with traditional neighborhood development designs are important and recently have been cited by the Centers and Disease Control and Prevention as recommended interventions to increase physical activity. In addition, programming such as walking clubs for older adults have been shown to help specific populations become more active. Changes to South Salem should include both investments to increase walking and biking facilities as well as programming to get more residents involved in being physical active.

[22]www.pvpc.org/projects/food-access)

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TAX IMPACT ANALYSIS

Despite the many benefits, a key barrier to constructing a commuter rail station in South Salem is securing funding. AECOM estimates that construction of the station will cost approximately $24 million, including additional needed track and signal work. MAPC undertook an analysis to determine the possible changes to property tax receipts resulting from projected possible changes in development in the South Salem area. This analysis can serve two purposes:

1. Provide a measure of the economic impact under the TrOD and TOD scenarios
2. Provide a first step for determining a potential value-capture strategy to help fund the cost of station construction.

MBTA EXPANSION PROJECTS

MassDOT's capital expenditures focus on three priorities:

- Reliability
- Modernization
- Expansion

MassDOT devotes the bulk of its resources on fixing and modernizing transportation assets that have been allowed to deteriorate or that fail to meet customer needs and requirements. Securing projects related to system expansion comprise a small portion of MassDOT's capital improvement plan, thus making them highly competitive.

Expansion projects focus on the following goals:

- Addressing unmet demand with increased service
- Promoting economic development
- Providing more equal access and opportunity
- Meeting environmental goals by reducing automobile congestion.

In the post-Big Dig era (i.e., since 2013) the MBTA has committed or begun construction on several capacity expansion projects, including:

- CapeFlyer
- Assembly Station (orange line)
- Green Line Extension
- Wachusett Extension
- Silver Extension to Chelsea
- Boston Landing Station (Brighton)
- West Station (Allston)

VALUE CAPTURE OPTIONS

MassDOT's universe of capital improvement projects includes more than 3,700 unfunded projects (345 expansion projects). Given that demand far exceeds available state funding, it is increasingly important for communities to find creative ways to fund expansion projects. The City may consider applying various "value capture" tools, whereby a public agency "captures" a portion of the increased property values to help pay for the infrastructure itself.

Table 45 provides a generalized description of various value capture tools authorized in Massachusetts.[23]

Value capture is not a strategy that can be applied to every TOD project; however, South Salem contains many of the elements typically associated with strong value capture potential:

- Strong real estate market
- Significant development potential
- Project creates significant value for nearby properties
- One jurisdiction
- Strong municipal fiscal position
- Political support and municipal capacity
- Projected revenues of sufficient scale to justify transaction costs

Other elements include few property owners (this element could be more of a challenge for South Salem) and the availability of other funding sources (unclear at this point).

Not all of the tools summarized in Table 45 may be appropriate for South Salem. For example, although the MBTA owns a large parcel of adjacent property, which could generate significant revenue, as previously discussed, the MBTA's current position is to hold on to its property for future operational functions. I-Cubed requires a certain threshold of new jobs being brought to the area and given the limited market potential for new commercial on site, that program could also be a challenge. LIDP requires 100% of property owners in the district to agree to a special assessment to fund infrastructure, a potentially insurmountable obstacle (the program has never been used in the State).

Potentially more feasible options could be the establishment of a DIF and/or developer contributions.[24] A DIF is a locally driven public financing alternative available to all cities and towns in the Commonwealth. The DIF program enables municipalities to finance public works and infrastructure projects in a designated area by "capturing" the increase in property tax revenues, or tax increment, derived from new housing, commercial or industrial activity in the designated area and applying the revenues towards the municipality's development program. A tax increment is the difference between the beginning assessed value of the targeted property in its dilapidated state and the assessed value going forward in time, as the planned improvements take shape. The tax increment, calculated by the local Assessor, is the tax on the added value of new construction, rehabilitation or new equipment or

machinery. Using DIF, municipalities can pledge all or a portion of tax increments to fund district improvements over time.

DIFs have been used fewer than 10 times in the state, but can be used to pay for a wide range of infrastructure improvements, including transit stations. The recently established DIF in downtown Brockton is an example of one that has been implemented in a larger district covering multiple properties with different owners.

Table 45. Summary of Massachusetts value capture options

Type of Tool	Definition	Tool Used in Massachusetts
Tax increment financing (TIF)	Diversion of growth in tax revenues generated within a district (usually property tax)	• District Improvement Financing (DIF) • Infrastructure Investment Incentive Program (I-Cubed)
Special assessments and taxes	An additional assessment or tax on properties or businesses within a specific district or jurisdiction	• Local Infrastructure Development Program (LIDP) • Business Improvement Districts (BIDs) • Betterments and Special Assessments
Developer contributions	Includes a variety of mechanisms by which developers contribute directly to the provision of infrastructure and community facilities, including: • Development impact, linkage, and in-lieu fees: A one-time fee assessed on new development to offset the cost of infrastructure needs generated by development • Negotiated development contributions: Direct provision of or payment for public improvements by a developer in conjunction with a development project • Density bonus programs: A zoning tool that allows developers to build to a higher density or height in exchange for provision of specific community benefits	• Impact Fees • Affordable Housing Linkage and In-Lieu Fees • Negotiated developer contributions • Density Bonuses
Public sector real estate transaction	Revenues generated through sale, ground lease, joint development, or concessions on publicly-owned land, air rights, or facilities	• Joint development • Sale and ground lease • Concession

Notes:

1. In Massachusetts, the term "tax increment financing" is typically used to refer to tax abatements provided to developers or employers in order to promote economic development. DIF is a more traditional form of TIF, in that it is intended to capture incremental growth in municipal property tax revenues in order to fund public improvements.

2. I-Cubed also includes a special assessment district component.

3. Impact fees are subject to significant legislative restrictions.

[23] For additional information, please refer to Expanding the Use of Value Capture for Transportation and TOD in Massachusetts. January 20, 2017. Prepared for MAPC, City of Somerville, Barr Foundation, and A Better City by Strategic Economics.

[24] Refer to A Guidebook of Massachusetts' Public Financing Programs for Infrastructure Investment (by Margaret Keaveny) for additional information.

ESTIMATION OF FUTURE LOCAL TAXES

Assumptions

Using the development potential from a "Do Nothing," TrOD, and TOD scenarios, MAPC estimated the potential future tax receipts. In addition to the assumptions developed to create the various scenarios, this analysis includes a number of additional assumptions.

Average building value per square foot

MAPC utilized averaged assessed building values for all properties throughout the City of Salem and segmented them into the various uses assumed for the future development of the Study Area (see Table 46). This data was used to project the value of future development of each building type. Existing land values for the Study Area were utilized as a proxy for future land value.

Table 46. City of Salem Average Building Value / Sq'

Use	Avg Building Value / Sq'
Retail	$51.19
Office	$88.46
Multifamily	$52.50
Townhomes	$83.88

Tax Rates

Salem uses a split tax rate for residential properties (FY2017 rate: $15.86 per $1,000 assessed value) and commercial/industrial/personal property (FY2017 rate: $29.99 per $1,000 assessed value). The FY2017 rate was applied for all future years to the projected assessed building values.

Other assumptions

MAPC assumed a 15 year timeline for each of the scenarios.

MAPC assumed absorption, i.e., the amount of newly constructed square footage that is added to the Study Area each year, to be a flat rate. Flat rate absorption assumes the same square footage comes online each year. This is a simplifying assumption – real estate will go through cycles, and economic factors beyond the new train line will play an important role in dictating market demand.

A discount rate of 5% was applied to capture the present value of future cash flows (i.e., tax receipts). In discounted cash flow analysis the discount rate takes into account both the time value of money and the risk/uncertainty of future cash flows.

The Do Nothing scenario assumes no changes to zoning or implementation of other recommendations. An inflationary factor of 0.5% was applied to capture modest reinvestments in the area over the 15-year time horizon.

Future Local Tax Analysis Results

Table 47 provides a summary of the results of the analysis for local property tax receipts.

Under both the TrOD and TOD scenarios total tax receipts are higher than under the Do Nothing scenario. The TrOD scenario is only modestly higher due to the shift from commercial to more residential development. The effects of constructing a station (TOD scenario), however, is significant – almost twice as much property tax revenue: $31.2 million versus $15.8 million cumulative over the fifteen year timeframe.

Table 47. Local Tax Impacts

Discounted 15 Year Tax Receipts	Do Nothing	TrOD	TOD
Total	**$15,810,000**	**$17,400,000**	**$31,240,000**
Residential	$920,000	$3,890,000	$9,210,000
Commercial	$14,890,000	$13,510,000	$22,050,000

ESTIMATION OF FUTURE STATE TAXES AND JOB GENERATION

MAPC also created a model to project state tax receipts and jobs created as a result of the construction of a new commuter rail station in South Salem. As with the local tax analysis, the model takes key assumptions about the square footage of new real estate that can be absorbed by the market each year, and also forecasts the building costs associated with this new construction. As a caveat, as with most projection models, the model relies heavily on assumptions, which if altered can result in large effects. Using relatively conservative metrics, this model offers a snapshot of how public stakeholders might be affected by investments in transit.

Assumptions

Additional assumptions for this analysis include:

Construction costs[12]

- Office: $270 per square foot
- Retail: $200 per square foot
- Residential: $270 per square foot

Job creation[13]

- Office: 4.0 per 1,000 square feet, $70,000 average annual wage (permanent)
- Retail: 2.0 per 1,000 square feet, $25,000 average annual wage (permanent)
- Construction: 0.8 per $100,000 of new development, $50,000 average annual wage (temporary)

MA Tax Rates

- Income tax: 5.60%
- Sales Tax: 6.25%

Future State Taxes and Job Creation Analysis Results

As Table 48 summarizes, there is a strong economic impact for the State, resulting in approximately $23 million over the 15 year development period.

More than 90 construction jobs per year could be generated by the new development and more than 500 office and retail jobs over the development period.

Table 48. Potential State revenue from construction of South Salem Station

MAJOR STATE REVENUE SOURCES	Annual Average	Discounted 15 Year Cumulative Value
1) MA Sales Tax	$133,800	$2,013,600
on Construction Materials (Commercial Development)	$8,600	$152,600
on Construction Materials (Residential Development)	$35,900	$634,700
on Retail Sales in New Development	$41,100	$501,400
MBTA Set-Aside	$48,200	$724,900
2) MA Income Tax	$1,740,300	$22,579,400

[12] The Greater Boston Housing Report Card. 2015. Northeastern University Dukakis Center

[13] Source: Assembly Row I-Cubed Program

IMPLICATIONS OF THE ANALYSIS

The analysis indicates that constructing a station would have a strong economic impact for both the City and the State and generate numerous temporary and permanent jobs. The City could consider the differential local tax impact of constructing a station, approximately $15 million according to this analysis, as a starting point for considering establishment of a DIF.

Given the approximately $24 million required to construct a new station, other sources of funding may also be required. For example, SSU and/or NSMC, as well as the City of Salem itself, could potentially provide funding. The cities of Cambridge and Somerville have established the precedent in municipalities helping to fund transit expansions through their contributions for the Green Line Extension. If a large enough initial development parcel could be identified, the City could also partner with a developer for part of the construction costs. The newly constructed Boston Landing Commuter Rail Station in Allston, MA is an example where the land owner (New Balance) funded the construction costs. The City of Salem should work closely with the MBTA and its stakeholders to explore innovative funding solutions to bring this important transit node to fruition.


Google Earth
Image Landsat / Copernicus