

Application for Multiple-Unit Housing Tax Incentive Program – SRC 2.790

City of Salem, Urban Development Department
350 Commercial Street NE, Salem, OR 97301

I. Applicant Information (If the applicant is an LLC, S-Corps or similar member company, please provide legal documentation of the LLC's formation and list of members, authorized to sign on LLC's behalf)

Name: <u>Angela J. Jones</u>	Title: <u>owner</u>
Company: <u>SAMAX LLC</u>	
Street: <u>231/233 Commercial St NE</u>	City, State, Zip Code: <u>Salem OR 97301</u>
Phone: <u>503-930-3020</u>	E-mail: <u>AngelaJJones62@comcast.net</u> FAX: <u></u>

II. Applicant's Representative Information (if different than above)

Name: <u>Angela J. Jones</u>	Title: <u>owner</u>
Company: <u>SAMAX LLC</u>	
Street: <u>7128 Janelle Ct SE</u>	City, State, Zip Code: <u>Salem OR 97317</u>
Phone: <u>503-930-3020</u>	E-mail: <u>AngelaJJones62@comcast.net</u> FAX: <u></u>

III. Property Information

Project is located within the designated program boundary: ☒ Yes ☐ No

Applicant has site control: ☒ Yes ☐ No

Address: 227 & 229 Commercial St NE Salem OR 97301

Map: 073W22DC08900 Block: 49 Subdivision: Salem Addition lots 344

Note: If property is only a fraction of a platted lot, indicate this fact and provide a metes and bounds description of the portion of the lot to be used.

Current use(s) of site: Just completed 2 1,100 sq foot apartments with indoor parking garage

If existing housing is being removed, please explain why: N/A

Current zoning: <u>CB Commercial</u>	Assessor's property account number(s): <u>073W22DC08900 8800</u>
Parcel size: <u>.099 Acres</u>	

IV. Project Information

Anticipated construction start date: Feb 1 2021 Anticipated completion date: 9-9-2021

Desired effective date (tax year) for the Multi-Unit Housing Incentive Program:

Number, size, and type of dwelling units proposed:

1 bedroom units	Square feet	Median sales price	Rental rate
<u>2</u>	<u>1,100</u>	<u>2,500</u>	<u>2,000 per month</u>
2 bedroom units	Square feet	Median sales price	Rental rate
3 bedroom units	Square feet	Median sales price	Rental rate
Other units	Square feet	Median sales price	Rental rate

Total building square footage: <u>4,293</u>	Dimensions of building: <u>184' x 26'</u>
Building covers <u>100</u> percentage of the lot.	
Amount of open space to be included: _____	
Method of construction: <u>Aluminum die cast housing</u>	
Type of materials: <u>brick and metal</u>	
Is other public financial assistance being requested for the project? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
If so, please list the amount and type of existing or anticipated sources of funds requested: <u>Urban Renewal Grant from Agency</u>	
V. Public Benefits (Please check all that apply)	
<input checked="" type="checkbox"/>	Units sales prices or rental rates accessible to a broad range of mixed incomes
<input type="checkbox"/>	Recreation facilities
<input type="checkbox"/>	Open space
<input type="checkbox"/>	Common meeting rooms
<input type="checkbox"/>	Daycare facilities
<input type="checkbox"/>	Facilities supportive of the arts
<input type="checkbox"/>	Facilities for the handicapped
<input checked="" type="checkbox"/>	Special architectural features
<input type="checkbox"/>	Service/commercial use permitted and needed but unavailable for economic reasons
<input checked="" type="checkbox"/>	Dedication of land or facilities for public use
<input checked="" type="checkbox"/>	Development or redevelopment of underutilized or blighted property
<input type="checkbox"/>	Provision of pedestrian-oriented design features
<input type="checkbox"/>	Extra costs associated with infill or redevelopment
<input checked="" type="checkbox"/>	Development in structures that may include ground level commercial space
<input type="checkbox"/>	Development on sites with existing single-story commercial structures
<input checked="" type="checkbox"/>	Development on existing surface parking lots
<input type="checkbox"/>	LEED certification of the project
<input checked="" type="checkbox"/>	Provision of parking spaces within the structure
<input type="checkbox"/>	Provision of amenities and/or programs supportive of the use of mass transit
Please attach the following and label as Exhibits A-F	
<input checked="" type="checkbox"/>	Legal Description, labeled as Exhibit A
<input checked="" type="checkbox"/>	Evidence of Site Control, labeled as Exhibit B
<input checked="" type="checkbox"/>	A description of the project including information regarding the size and type of units, target population, parking and circulation plans, private and public access, and public benefits of the project, labeled as Exhibit C
<input checked="" type="checkbox"/>	A site plan, drawn to a minimum scale of 1" = 20', which shows in detail the development plan of the entire project. Refer to SRC2.810 (3) and (5), labeled as Exhibit D
<input checked="" type="checkbox"/>	Letter from the City of Salem Public Works Department stating the proposed use can be served by existing sewer and water service, labeled as Exhibit E
<input checked="" type="checkbox"/>	Documents to explain the proposed public benefits, including economic feasibility studies and market studies when appropriate, labeled as Exhibit F

Office Use Only	
Pre-Application date: <u>9/27/21 9/30/21</u>	Fee received: _____
Date final application received: _____	Received by: <u>Clint Dameron</u>
Urban Development Contact: _____	Pre-Application Conference Date: <u>9/27/21</u>
	Meeting Summary Letter sent on: _____
Date of correspondence to abutting property owners and appropriate affected parties, city departments, etc.: _____	
Correspondence sent to: _____	
Council Hearing date: _____	
<input type="checkbox"/> Approved? <input type="checkbox"/> Denied? <input type="checkbox"/> Other: _____	
Comments:	

I certify that the above statements are true, accurate, and complete to the best of my knowledge and belief.

Applicant's Signature: Angela J. Jones (Samarx LLC member) Date: 9.29.2021

Applicant's Name (Please print or type here): Angela J. Jones / Samarx LLC

Applicant's Title (Please print or type here): owner / 100 % member of LLC

Fill out form with Adobe Acrobat or print out and fill-in.

After completing form print, sign, and mail or bring to: Clint Dameron, 503.540.2404
350 Commercial Street NE
Salem, OR 97301

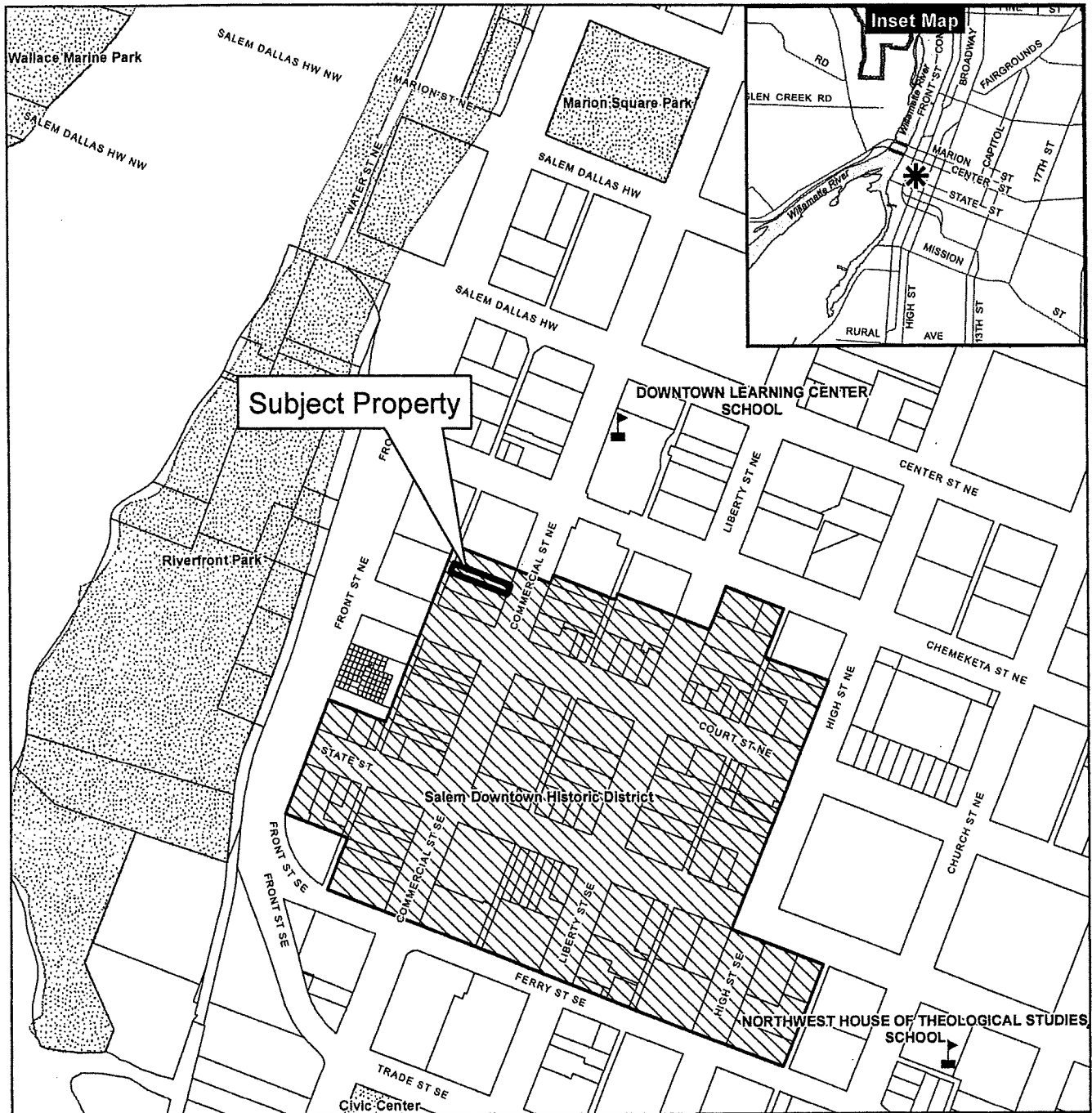
Cover page Exhibit A

Legal Description

Address: 231-233 Commercial Street NE, Salem Oregon 97301, more particularly described as:

"Commencing on a point on the West line of Commercial Street in the City of Salem, Marion County, Oregon, 13'1" Northward from the Southeast corner of Lot 3, Block 49 in said City, said point being in the middle of a stairway entrance between the brick building erected by J.L. Starkey and the brick building erected by David McCully; running thence Northwest along said West line of Commercial Street 26 feet; thence Westerly at right angles to said West line of said Commercial Street 165 feet to the East line of the alley passing through said block 49; thence Southward along the East line of said alley 26 feet; thence East at right angles of said West line of Commercial Street 165 feet to the place of beginning, being a fractional part of said Lot 3, Block 49, City of Salem, Marion County, Oregon."

Vicinity Map 231-233 Commercial St NE



Legend

Taxlots

Urban Growth Boundary

City Limits

Outside Salem City Limits

Historic District

Schools

Parks

CITY OF Salem
AT YOUR SERVICE
Community Development Dept.

This product is provided as is, without warranty. In no event is the City of Salem liable for damages from the use of this product. This product is subject to license and copyright limitations and further distribution or resale is prohibited.

0 100 200 400 Feet



Cover page Exhibit B

QUIT CLAIM DEED
STATE OF OREGON - COUNTY OF MARION

Exhibit B
Attachment

This indenture made this day of January, 2003, between Angela Jean Jones as GRANTOR, and SAMAX LLC as GRANTEE.

WITNESSETH: That the GRANTOR, on behalf of herself, her heirs, executors, administrators, successors, representatives and assigns, for and in consideration of the sum of ONE DOLLAR, cash in hand paid at or before delivery of this document, the receipt of which is hereby acknowledged, has bargained and sold and by this document and does grant, bargain, sell, convey, remise, release and forever QUIT CLAIMS unto said GRANTEE, on behalf of herself, her heirs, executors, administrators, successors, representatives and assigns, all the right, title, interest, claim or demand which the GRANTOR may have had in and to the following described property:

Address: 231-233 Commercial Street NE, Salem Oregon 97301, more particularly described as:

"Commencing on a point on the West line of Commercial Street in the City of Salem, Marion County, Oregon, 13'1" Northward from the Southeast corner of Lot 3, Block 49 in said City, said point being in the middle of a stairway entrance between the brick building erected by J.L. Starkey and the brick building erected by David McCully; running thence Northwest along said West line of Commercial Street 26 feet; thence Westerly at right angles to said West line of said Commercial Street 165 feet to the East line of the alley passing through said block 49; thence Southward along the East line of said alley 26 feet; thence East at right angles of said West line of Commercial Street 165 feet to the place of beginning, being a fractional part of said Lot 3, Block 49, City of Salem, Marion County, Oregon."

TO HAVE AND TO HOLD the said tract of land, with all singular the rights, members and appurtenances thereof, so that neither GRANTOR nor any other person claiming under him shall at any time claim or demand any right, title or interest to the said tract of land or its appurtenances.

SIGNED AND SWORN TO this 10th day of January, 2003 by

Angela J. Jones
Angela Jean Jones, Grantor

State of Oregon
County of Marion

AND ACKNOWLEDGED

SIGNED AND SWORN TO before me this 10th day of January, 2003, BY ANGELA J. JONES.



Pamela Sornson
Pamela Sornson, Notary Public for Oregon
My commission expires February 8th, 2005.

Page ONLY - QUIT CLAIM DEED -

JAN 14 2003

REEL:2053

PAGE: 249

January 14, 2003, 12:50 pm.

CONTROL #: 75983

State of Oregon
County of Marion

I hereby certify that the attached
instrument was received and duly
recorded by me in Marion County
records:

FEE: \$ 31.00

ALAN H DAVIDSON
COUNTY CLERK

THIS IS NOT AN INVOICE.

JAN 14 2003

RECORDING COVER SHEET

THIS COVER SHEET HAS BEEN PREPARED BY THE PERSON PRESENTING THE ATTACHED INSTRUMENT FOR RESORNDING (ORS 205.234). ANY ERRORS IN THE COVER SHEET DO NOT AFFECT THE TRANSACTIONS CONTAINED WITHIN THE DOCUMENT.

A. Names of the Transactions described in the attached instrument:

QUITCLAIM DEED

B. Name of the First Party: Angela Jean Jones

Name of the Second Party: SAMAX LLC

C. Consideration Paid: \$1.00

D. Lien or Satisfaction Amount: N/A

Date Warrant or Order Recorded: N/A

E. Until a change is requested, all tax documents shall be sent to the following address:
No Change

✓ F. Name and Address of Person authorized to receive the instrument after recording:
Pam Somson, Attorney at Law
4742 Liberty Road #232
Salem OR 97302-5000

Tax Statements are to be sent to:
Angela J. Jones
2625 Sunrise Avenue
Salem OR 97302

RECORDING COVER SHEET

JAN 14 2003

Cover page Exhibit C

09-29-2021 Exhibit C

Angela J Jones/Samax LLC Revitalization Project at 231/233 Commercial St NE Salem, Oregon 97301

The basic project is to demolish and rebuild the back portion of the building at 231/233 Commercial St. NE Salem, OR 97301. The result of the completion of the project will provide for mixed use of the property, improvements to the alley behind the building, provisions for upper floor construction of two residential 1,100 square-foot apartments that the city has classified as a duplex with addresses of 227 and 229 Commercial St. NE. Salem, OR 97301. There will be an enclosed two car parking garage for the residential units. A large space for recycling and garbage is provided and a 4 stall bike rack will be installed for the residential units. The project will also take a blighted first floor office space and develop that for commercial use allowing for 3 to 4 new jobs in the downtown core area. This project will target residents of Salem and provide much-needed downtown housing and much-needed improved alley access for residential and public use. Parking is a premium downtown and I am providing and meeting the needs of the Salem housing analysis and economic opportunity report of secure enclosed parking that did not exist before this project. This historical downtown footprint will go from two sources of public use and income to five sources of public use and income on the same footprint, meeting the city needs of infill without urban sprawl. This duplex is accommodating the city's development goal and meeting the needs of the Salem housing analysis and economic opportunity report.

Pub. Benefits?

** See at back*

Attachment B

223 - 233 Commercial Street, NE

Classification: Historic Contributing (2)

Historic Name: Starkey-McCully Building

Year of Construction: c. 1867/1868

Legal Description: 073W22DC08900, Salem Addition, from Lots 3 & 4, Block 49

Owner(s): 223 Commercial: Marilyn S. Fletcher
c/o Carlton Warren, Trustee
850 NE 122nd Avenue
Portland, Oregon 97230
233 Commercial: Michael D. and Angela J. Jones
2802 SE Morland Lane
Portland, Or 97202

Description: This Italianate style block is comprised of two commercial two-story, stucco-faced brick buildings. They are the surviving northern-most two stories of a five-story business block. The cast-iron decoration on the facade is believed to be the oldest of its kind in Oregon which remains *in situ*.

The northern-most portion of the primary facade is brick. The second floor has four window bays capped by lintel cornices with scrolled brackets.

Second-story openings on the southern portion (six bays) have been filled with decorator panels; a newer wooden cornice has been added to the parapet. Two gable-roofed single-story additions have been added to the northern portion. More recently a two-story concrete block addition has enlarged the rear of the southern portion.

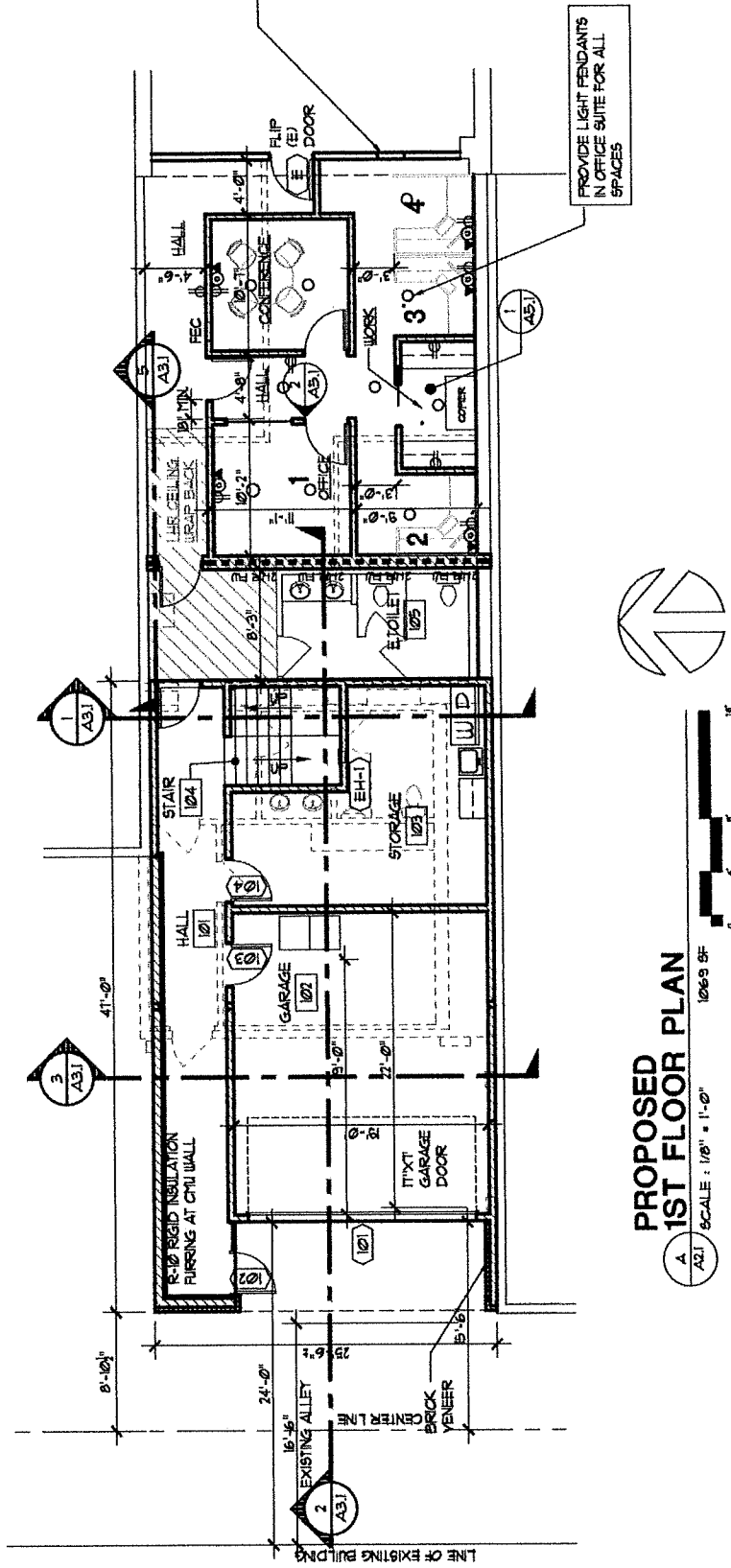
History and Significance: The history of both the building and its owners are equally interesting. David McCully was born in New Brunswick in 1814. His family immigrated to Ohio in 1822. In 1844 he moved to Iowa, and in 1848 opened a general merchandise store with his brother, Asa McCully. Later the brothers sold their store and went to California with Amos Starkey, John L. Starkey and Sam Starkey in search of gold. They returned to Iowa with \$5,000 each. Asa McCully and John L. Starkey formed a partnership and moved to Oregon in 1852.

In 1858 McCully and John Starkey opened a general store at the corner of State and Commercial streets (the present location of Ladd and Bush Bank). In 1867 McCully and Starkey erected a new building at 233 Commercial Street, and opened a second store.

Occupancy history can only be traced in detail in the Salem City Directory after street numbers were first adopted in 1886. However, glimpses of the building's use before that year are possible. Nicklin and Company operated a general store selling groceries, dress goods and hardware, and a Mrs. Snyder operated a millinery shop. By 1894 there were two grocery stores in the southern portion of the building. In the northern portion of the building E.S. Lamport had a harness shop, Charles G. Giver repaired boots and shoes, and Charles W. Hellenbrand operated a restaurant. Lamport continued his harness business at that location until his death in 1912. Later occupants included Watt Shipp & Co (sporting goods, 1913-1915); Quackenbush Auto Supplies (1921); F.W. Pettyjohn & Co (automobiles, 1924); the Nash Furniture Company (1928-45); Coast-to-Coast Stores (hardware, 1947-48); and Valley Furniture Business (1951-56).

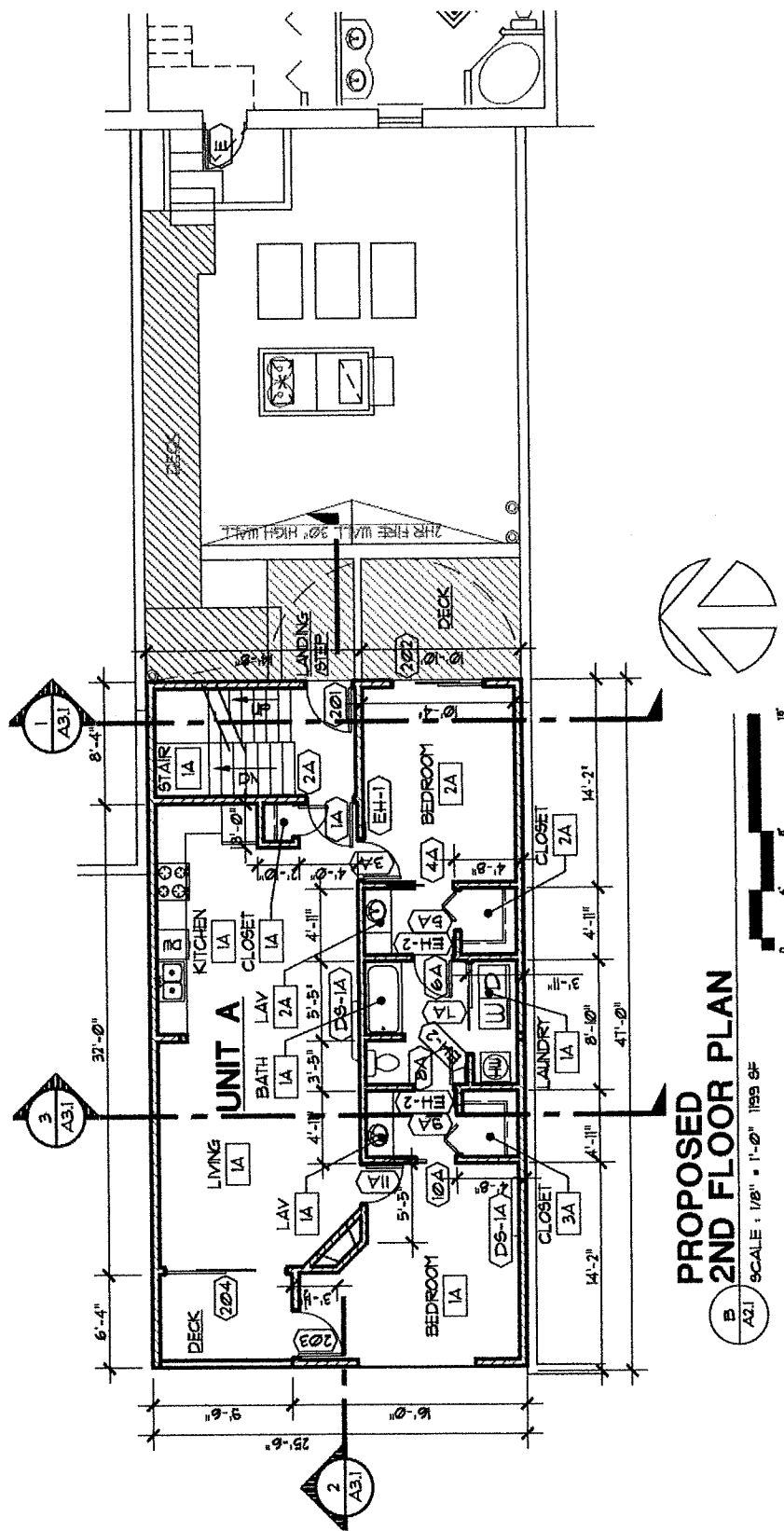
The Starkey-McCully Building is listed on the National Register of Historic Places.

FIRST FLOOR PLAN

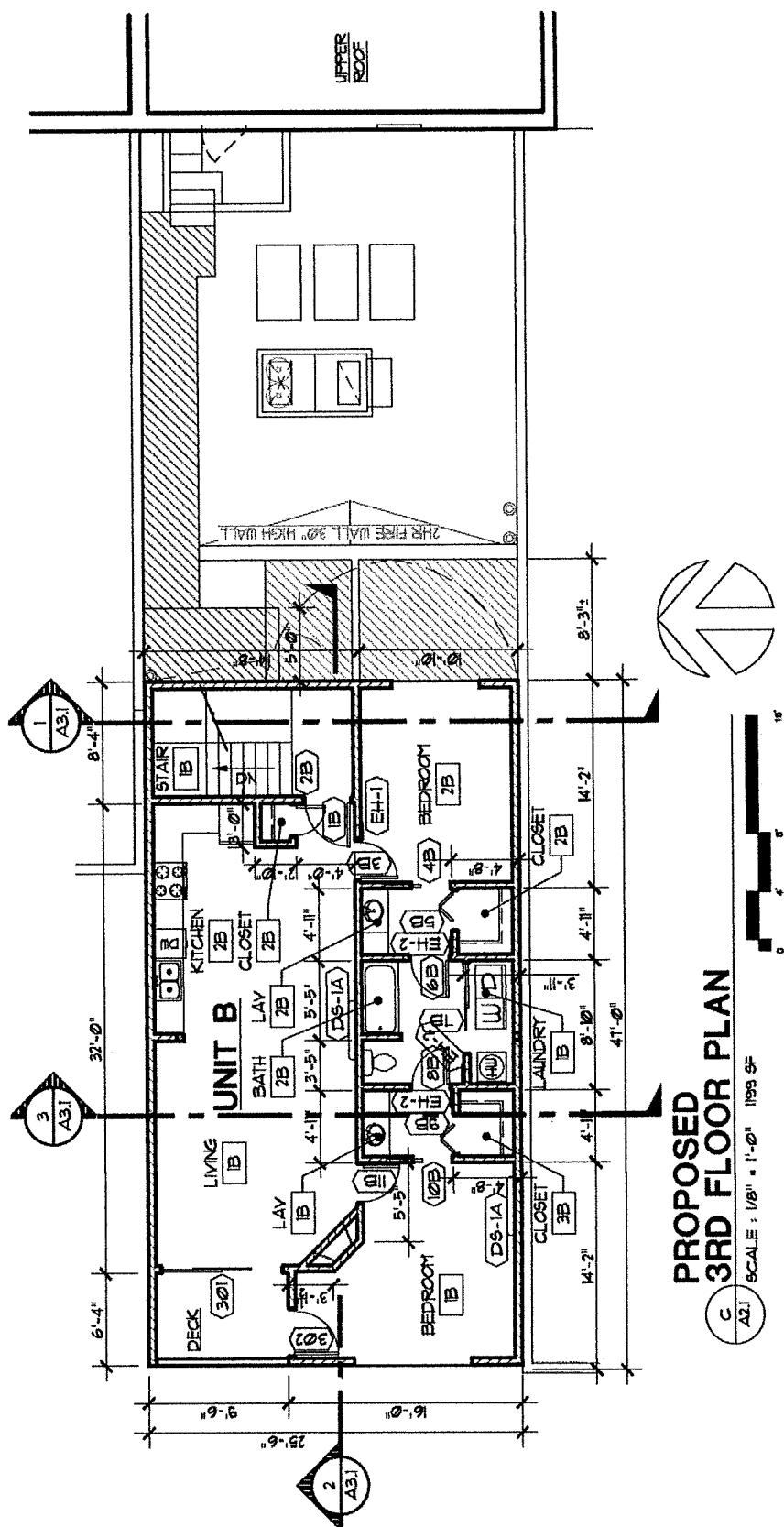


BBG

SECOND FLOOR PLAN



THIRD FLOOR PLAN



The first benefit to the public would be two additional residential units in the downtown core available for community members to rent on a monthly basis and live in in their city core.

The second benefit to the public is that I have created more additional downtown parking. This project was not required to provide any parking but I chose to provide enclosed secure off street additional downtown parking for the tenants of these two new residential units. These tenants will not be taking any street parking away from the public, they have their own secure private parking on site.

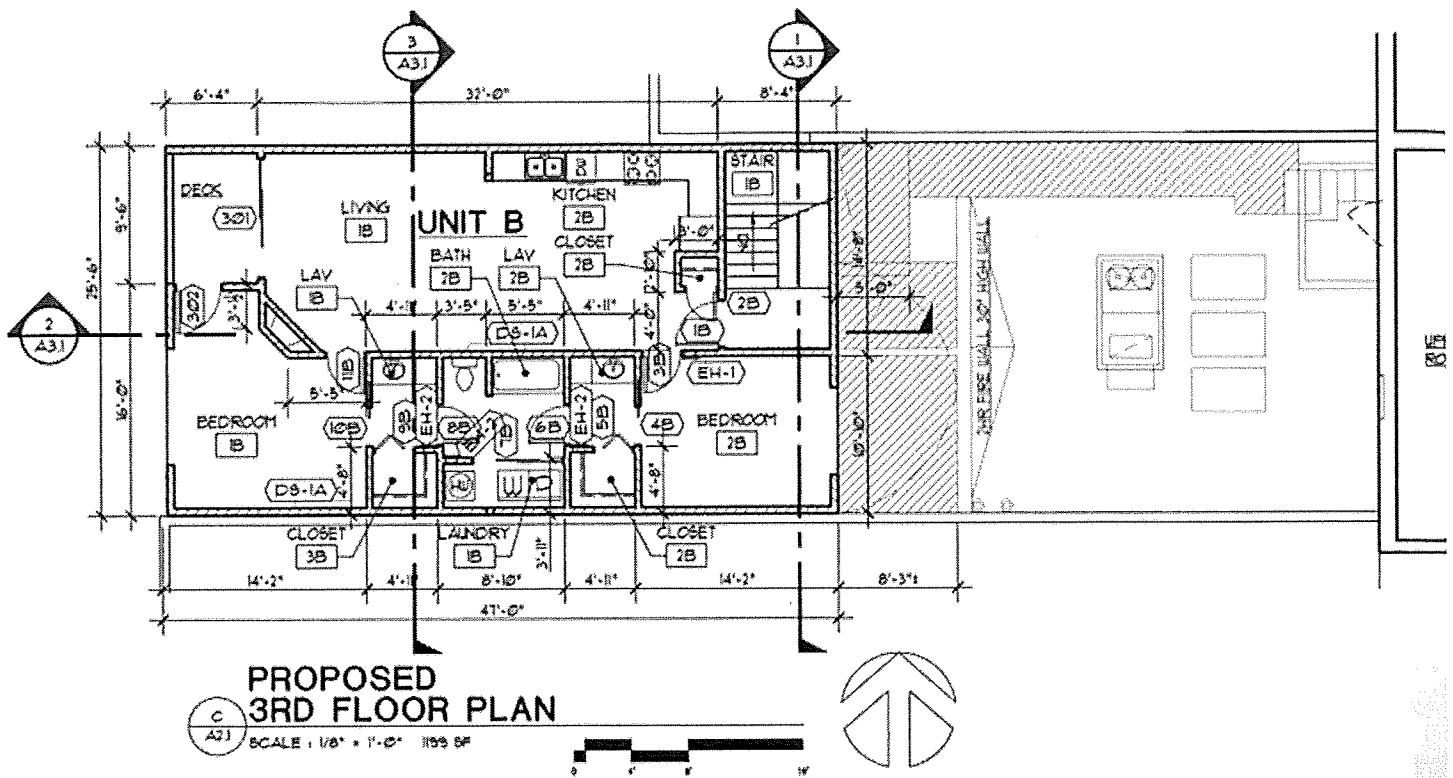
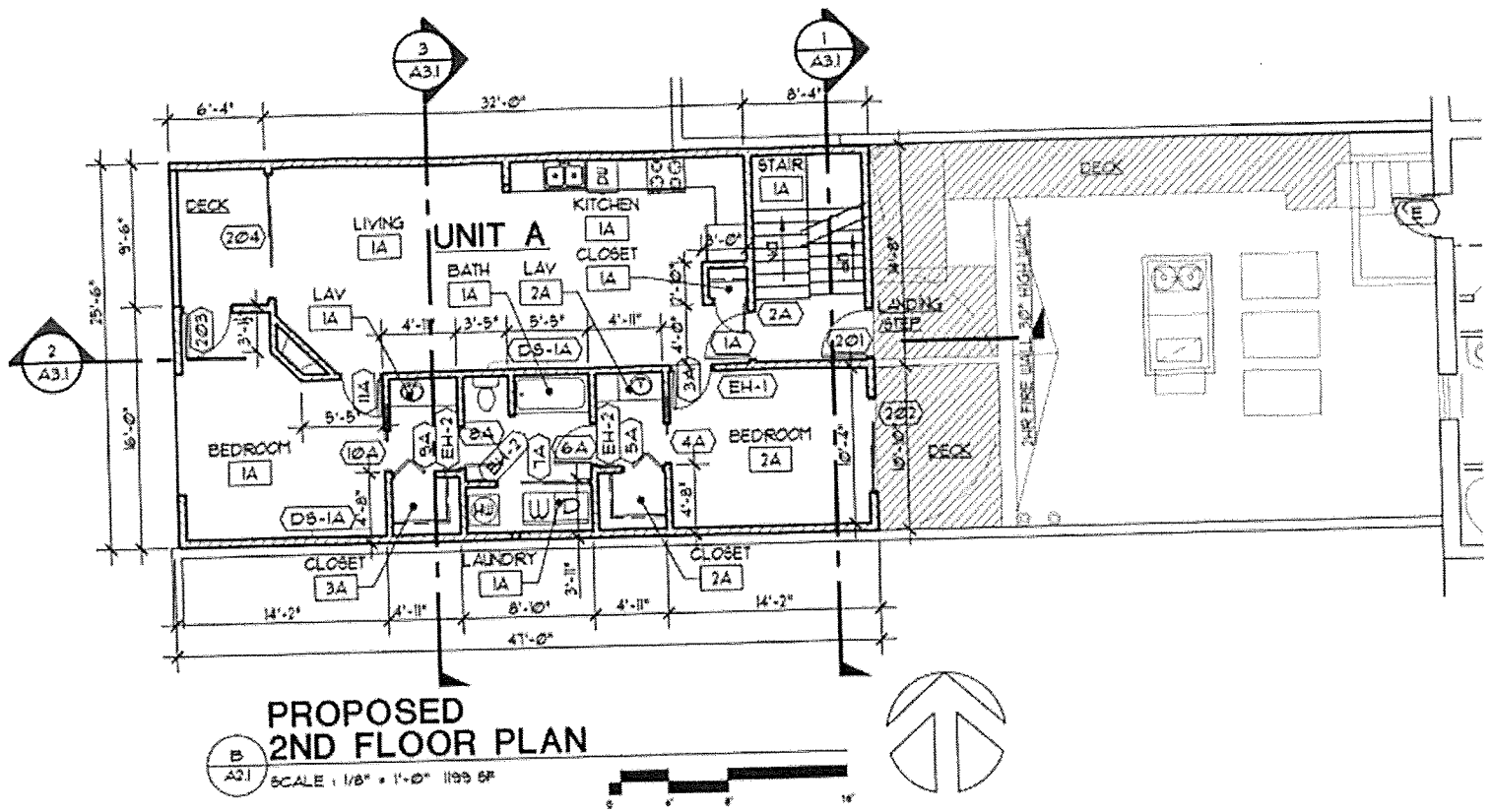
The third benefit to the public is there has been a tremendous amount of time and private money spent restoring, maintaining and renovating the oldest historical brick mortar and iron building in the City of Salem. The public can benefit from the beautiful façade of this historical building that comes at a tremendous expense and constant maintenance, as the building was built in 1867.

The fourth benefit to the public is that I did not take any public space away from the community. This project was built on the existing footprint leaving a light footprint and enhancement to the downtown core. The benefit of not sprawling and maintaining a higher concentration of public services in a specific area meets the Cities criteria for urban growth.

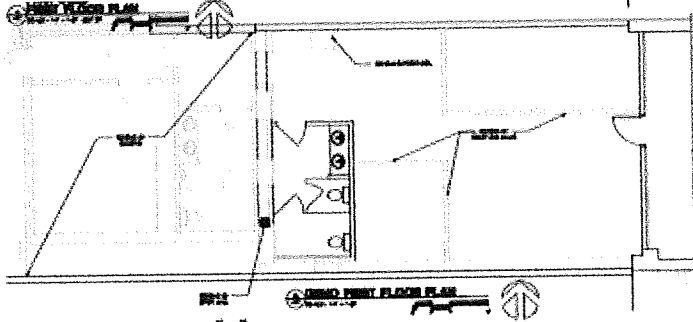
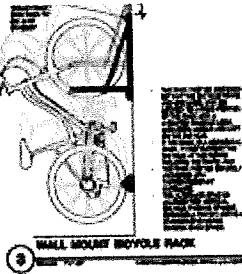
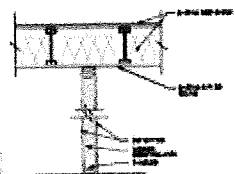
The fifth benefit is I am creating 3 to 4 full-time employment opportunities as part of the space that has been renovated was blighted and now will become a workspace/offices for a new tenant on the ground floor. This area that's been renovated and restored as part of the project has been blighted for over 10 years now and non-contributing. It now will become a contributor and provide additional employment opportunities in our city.

The six benefit to the public is that I've improved the alley between Chemeketa and Court Street. This project involved extensive alley improvements that were so very needed in this city block. Alley improvement is a platform of the city and this project meets that platform and is a great benefit to the public, enhancing attractiveness, accessibility and safety.

Cover page Exhibit D



1 DRAWING NOTES
 1. ALL DIMENSIONS ARE IN FEET AND INCHES.
 2. ALL MATERIALS ARE TO BE OF THE BEST QUALITY.
 3. ALL WORK IS TO BE DONE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND STANDARDS.
 4. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
 5. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AT ALL TIMES.
 6. THE CONTRACTOR SHALL BE RESPONSIBLE FOR PROTECTING ALL EXISTING UTILITIES AND STRUCTURES.
 7. THE CONTRACTOR SHALL MAINTAIN A NEAT AND ORDERLY WORK SITE AT ALL TIMES.
 8. THE CONTRACTOR SHALL BE RESPONSIBLE FOR REMOVING ALL DEBRIS AND WASTE FROM THE SITE.
 9. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE SAFETY OF ALL WORKERS AND THE PUBLIC.
 10. THE CONTRACTOR SHALL BE RESPONSIBLE FOR THE PROTECTION OF THE ENVIRONMENT.

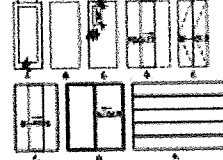


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DOOR SCHEDULE

DOOR TYPE	DOOR MATERIAL	DOOR WEIGHT	DOOR SIZE	DOOR LOCATION
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100	DOOR TYPE 100	DOOR WEIGHT 100	DOOR SIZE 100	DOOR LOCATION 100

HARDWARE SCHEDULE
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Proposed public benefits, including economic feasibility studies and market studies. [REDACTED]

IMPROVEMENTS DESCRIPTION

The subject property is an existing mixed use building containing 5,800 SF, with a proposed renovation and expansion that will add 2,296 SF, for a total of 8,096 SF of gross building area. The expansion will include 1,068 SF of common area, for a total of 7,028 SF of net rentable area. The existing improvements were built in 1867 and are situated on a 4,290 SF site (0.10 acres).

The proposed improvements include a ground floor commercial space that will be occupied by the owner and a third-party tenant currently occupies the majority of the ground floor. The 2nd floor currently contains an apartment unit and the proposed renovation includes adding a second apartment unit to the second floor and a third apartment unit on the third floor.

The following description is based on our inspection of the property and discussions with ownership, and a review of building plans dated March 12, 2019, prepared by Ronald James PED Architect.

GENERAL DESCRIPTION OVERVIEW

231- 233 Commercial Street Northeast Salem, Oregon 97301

7,028 square feet 8,096 square feet 1.89

0.53 : 1

4

4

The property is assumed to be fully ADA compliant.

CONSTRUCTION DETAIL

The subject is a two-story mixed use commercial building with ground floor commercial space and upper floor apartment.

Heavy timber

Masonry and wood frame

Wood frame

Painted brick and concrete block with some stucco Flat/sloped

Built-up roofing system

Single-pane, wood

Metel

CONSTRUCTION COST DETAIL

Expenditures for the proposed construction and various capital items considered to be necessary are identified in the following table. To estimate the amounts of these expenditures, we rely on the construction cost breakdown prepared by Andy Medcalf Company. The total budget for the project is \$1,663,800.

It is noted that the current owner extensively renovated the subject in 2014 and the proposed construction consists of both additional renovation and new construction, which consists of adding two new apartment units. While the subject is an older historic building, with the prior renovations and the current proposed renovations and new construction, the subject will have an effective age that is similar to recent and new construction.

HIGHEST AND BEST USE INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

HIGHEST AND BEST USE AS VACANT LEGALLY PERMISSIBLE

The site is zoned CB, Central Business District. Permitted uses include O. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only commercial development is given further consideration in determining highest and best use of the site, as though vacant.

PHYSICALLY POSSIBLE

The subject site contains 4,290 square feet or 0.10 acres of Central Business District zoned land. The subject is located along the west side of Commercial Street NE in downtown Salem. The site is rectangular in shape, level and has average access to local and regional thoroughfares. The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

FINANCIALLY FEASIBLE

During the last five years, development has been a fairly even mixture of commercial uses, including multifamily, industrial, office and retail uses.

MAXIMALLY PRODUCTIVE

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than commercial development. Accordingly, it is our opinion that commercial development, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

CONCLUSION

The ideal improvement is a new mixed-use development, with a combination of commercial space and residential units, that conforms to zoning and market standards.

HIGHEST AND BEST USE AS IMPROVED

The subject site is developed with a mixed-use building, which is generally consistent with the highest and best use of the site as if it were vacant. For the property as improved to be maximally productive, the improvement should closely match the ideal improvement, or alternatives should be considered, such as

Renovation: The subject will be in good condition upon completion of the proposed renovations/expansion and appears to have been well-maintained over the years. Further renovation beyond that which is already proposed is not warranted.

Conversion: Conversion to another use is not warranted as the subject is functional for similar mixed uses.

Expansion: The subject is proposed for expansion including a third level, as well as additional space on the main level. Further expansion is not likely as the improvements cover the entire site.

Demolition: Demolition is not warranted. The existing improvements are currently leased and produce a significant cash flow that we expect will continue. Therefore, a continuation of this use is concluded to be financially feasible.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the proposed use, and the value of the existing improved property exceeds that value of the site, as if vacant. For these reasons, continued and proposed mixed-use is concluded to be maximally productive and the highest and best use of the property as improved.

Feasibility

The subject's proposed costs, which consists of both renovation and new construction costs, are slightly higher than the prospective value upon completion and stabilization. Typically, construction costs are deducted from the stabilized value in order to arrive at an "as is" value. In this case, that method implies a negative value to the current site and improvements, when in actuality the improvements contribute significant value to the site. While the costs are higher than the upon completion and stabilized value, this suggests that the proposed renovation and new construction may not be feasible from an overall market standpoint. However, for this particular owner, who intends to partially owner-occupy some space, the feasibility may not apply as the profit incentive is different from a typical developer. Additionally, the owner is reportedly receiving some grant funds from the City of Salem.

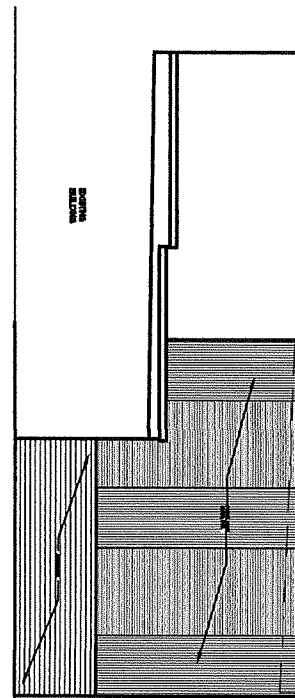
MOST PROBABLE BUYER

Taking into account the size and characteristics of the subject property and its partial-owner occupancy, the likely buyer is a partial owner user or an investor

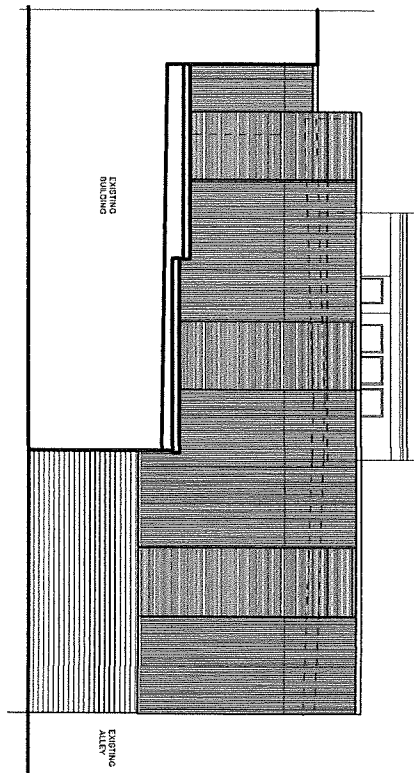
POPULATION

The Salem MSA is estimated to have a population of 438,980 in 2020. Between 2010 and 2020 its population increased by an average of 1.1% per year. Oregon grew at a rate of 1.2% per year during the same time period. The Salem MSA added an average of 4,661 residents per year. Looking forward, the Salem MSA's population is projected to increase by 5,133 people per year between 2020 and 2025, or 1.2%. Oregon's is projected to increase at a rate of 1.1% per year during this time period.

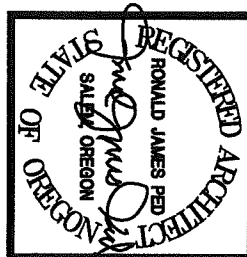




A
A3.3
NORTH ELEVATION - PED
SCALE : 1/16" = 1'-0"



B
A3.3
NORTH ELEVATION CASE NO. HIS17-38
SCALE : 1/16" = 1'-0"



A3.3

DATE: 10/3/2018
DRAWN:
JOB NO. 1914

BUILDING ADDITION FOR:
STARKEY-McCULLEY BUILDING
233 COMMERCIAL STREET NE SALEM OREGON 97301



Cover page Exhibit E



Ex. E

Public Works Department

555 Liberty Street SE / Room 325 • Salem OR 97301-3513 • Phone 503-588-6211 • Fax 503-588-6025

October 6, 2021

Angela Jones

Delivered via email: angelajjones62@comcast.net

**SUBJECT: Availability of Public Water and Sewer Services at:
227 and 229 Commercial St NE, Salem OR 97301**

Ms. Jones:

This letter is furnished in response to your request for a commitment from the City of Salem Public Works Department to provide water and sanitary sewer services to the existing residential development located at 227 and 229 Commercial Street NE, Salem, OR 97301.

As evidenced by the approved Public Works Permit No. 20-113132-SF, the City of Salem provided water and sewer services at the developer's cost to the proposed residential use on the subject property.

If there are any questions or additional information required, please contact me using the information provided above.

Sincerely,

Robin Dalke, CFM
Development Services Operations Manager

File Reference: Permit No. 20-113132-SF

cc: File

**Transportation and Utility
Operations**

1410 20th Street SE / Building 2
Salem OR 97302-1209
Phone 503-588-6063
Fax 503-588-6480

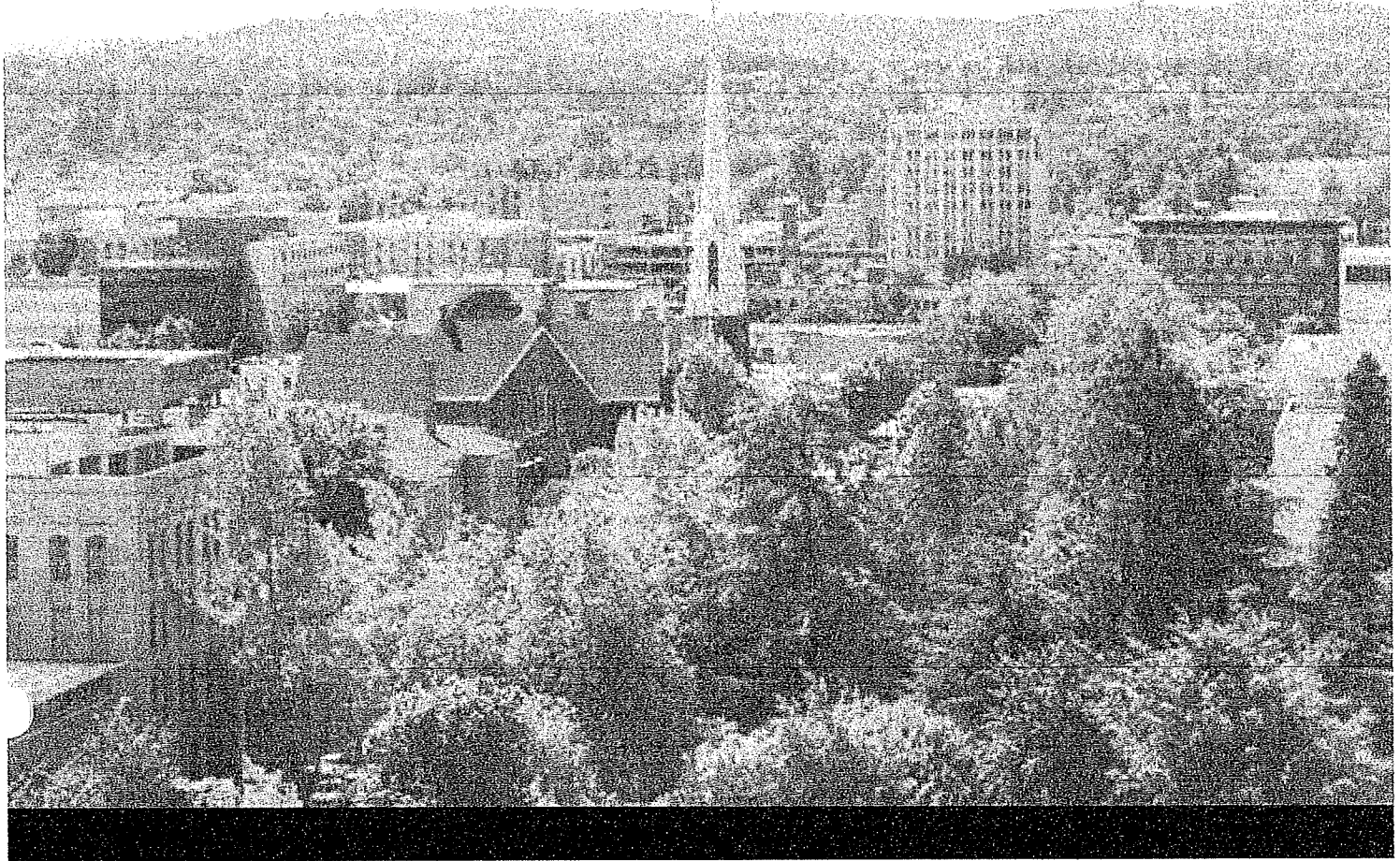
Parks Operations

1460 20th Street SE / Building 14
Salem OR 97302-1209
Phone 503-588-6336
Fax 503-588-6305

**Willow Lake Water Pollution
Control Facility**

5915 Windsor Island Road N
Keizer OR 97303-6179
Phone 503-588-6380
Fax 503-588-6387

Cover Page Exhibit F

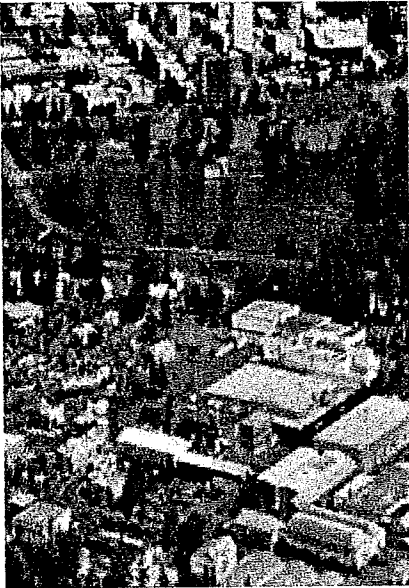


Salem Housing Needs Analysis and Economic Opportunities Analysis

Summary Report

Summary of Findings

Salem is Oregon's capital city and the regional economic center of the Mid-Willamette Valley. This report is a key part of the City's planning efforts to accommodate population and employment growth over the 2015 to 2035 period. Key findings about Salem's residential land needs are:



- **Salem provides opportunities for development of housing affordable to all income levels in Salem.** The range of housing types in Salem includes single-family detached, duplexes, townhouses, condominiums, manufactured housing, and apartments.
- **Salem has a surplus of land for single-family housing and a deficit of land for multifamily housing.** Salem's residential (about 1,975 acres) land base has capacity for about 9,000 more single-family houses than will be needed over the 20-year period and a deficit of land for about 2,900 multifamily units (about 207 acres).
- **Salem will need to address the deficit of multifamily land to comply with Statewide Planning Goal 10.** The City can meet the need for multifamily land in many different ways, such as: allowing a wider-range of housing in single-family zones (e.g., townhouses or tri-plexes), encouraging more mixed-use development, encouraging redevelopment of underutilized lands, and redesignating or rezoning land to allow multifamily housing. The City may choose to work with one or more advisory committees to develop and refine policies to address the deficit.

Key findings about Salem's land for employment uses are:

- **Salem's vision for economic development is growth of employment with higher-than-average wages.** Salem's broad economic development goal is to attract and retain jobs to increase the economic prosperity for Salem residents and businesses by helping to expand and grow existing businesses and by diversifying traded-sector businesses in Salem to support existing companies.
- **Salem has a deficit of 271 acres of land for commercial uses.** The City will can address this deficit through establishing neighborhood retail nodes in or near residential areas, encouraging redevelopment of underutilized commercial areas, and targeting conversion of other lands to commercial uses.
- **Salem's industrial land base is unique within the Willamette Valley.** Salem has about 900 acres of high value industrial land, in areas such as the Mill Creek Corporate Center. This study recommends that Salem manage its high value industrial land base to ensure future opportunities for high wage employment growth and to protect against conversion of high value industrial land to other uses.

The City is planning to meet the deficits of land for multi-family housing and commercial employment growth within the existing urban growth boundary (UGB).

Housing Needs Analysis: Introduction

The Housing Needs Analysis provides the City of Salem ("the City") with a factual basis to support future planning efforts related to housing and options for addressing unmet housing needs in Salem. It provides the City with information about the housing market in Salem and describes the factors that will affect housing demand in Salem in the future, such as changing demographic patterns.

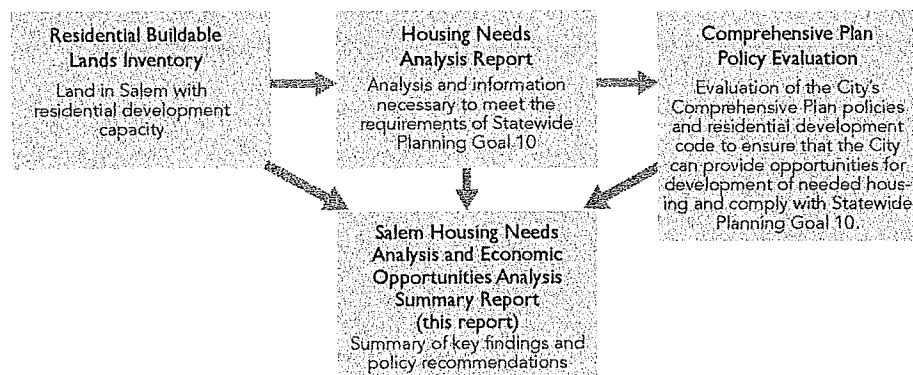
In addition, the Housing Needs Analysis is intended to comply with Statewide Planning Goal 10, which governs planning for housing and residential development. Goal 10 requires the City to plan for housing that meets identified needs for housing within an urban growth boundary, at particular price ranges and rent levels. In short, Salem must plan for a range of housing types at a range of price levels.

Salem's Housing Needs Analysis focuses on planning for the housing needed to accommodate population growth between 2015 and 2035. The analysis considers a wide range of factors that will affect Salem's housing market over the 20-year period, including: historical residential development trends, demographic changes (both historical and forecasts of future changes), and changes in housing costs and affordability.

The results of the Housing Needs Analysis are an estimate of needed housing in Salem for the next 20 years, organized by type of housing and by Comprehensive Plan Designation. These results were the basis for reviewing Salem's housing policy, focusing on the City's Comprehensive Plan housing policies and zoning policies.

City staff and ECONorthwest staff worked with an Advisory Committee to review the results of the Housing Needs Analysis. The Advisory Committee provided ideas and input into changes in Salem's housing policies to address housing deficits, most notably in land needed for new single-family attached and multi-family housing.

PRODUCTS OF THE HOUSING NEEDS ANALYSIS



The primary purpose of the Housing Needs Analysis is to help decision makers develop policies to guide residential development over the next twenty years.

The project Advisory Committee was composed of a range of stakeholders in Salem, including neighborhood association representatives, developers, real estate agents, affordable housing providers, employers, Salem Planning Commissioners, and City Councilors.

Salem's Population and Households

Population and household characteristics help us understand Salem and the people who live here. Characteristics such as population growth, age of residents, and household size and composition provide useful information about how the characteristics of Salem's population and households compare to Marion County, Polk County, and Oregon.

Unless otherwise noted, all data in this document are from the 2010 Decennial Census or 2012 American Community Survey from the U.S. Census.

Salem's population is growing.

Between 2000 and 2013, Salem grew at about the same rate as Marion County and Oregon. Salem added more than 20,000 residents between 2000 and 2013.

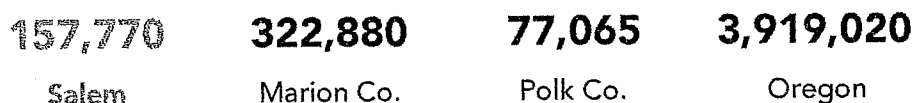
AVERAGE POPULATION GROWTH PER YEAR, 2000-2013

Source: Portland State University, Population Research Center



POPULATION, 2013

Source: Portland State University, Population Research Center



Salem's population is young.

Salem has a relatively young population and a large share (29%) of young, working-age residents.

MEDIAN AGE, 2010

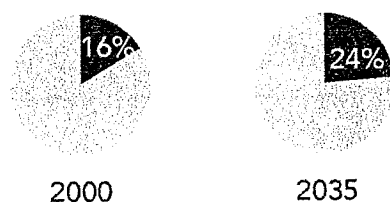


Salem's population is growing older.

By 2035, nearly a quarter of residents of Marion and Polk counties will be 60 or older.

PERCENT OF POPULATION AGED 60 AND OLDER, MARION AND POLK COUNTIES, 2000 & 2035

Source for 2035 projections: Oregon Office of Economic Analysis



SALEM'S POPULATION AND HOUSEHOLDS

AVERAGE NUMBER OF PEOPLE PER HOUSEHOLD, 2010

2.6

Salem

2.7

Marion Co.

2.6

Polk Co.

2.5

Oregon

PERCENT OF HOUSEHOLDS THAT ARE SINGLE-PERSON, 2010



Salem



Marion Co.



Polk Co.



Oregon

Salem has a large share of single-person households.

HOUSEHOLD COMPOSITION, 2012

A family household is one in which the householder is related to at least one other person in the household by birth, marriage, or adoption. Non-family households include people living alone, unmarried couples, and unrelated housemates.

Salem has more families with children and more non-family households than Marion or Polk Counties.



Salem



Marion Co.



Polk Co.



Oregon

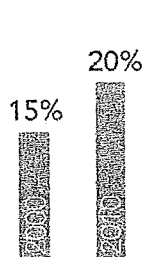
Families with children

Families without children

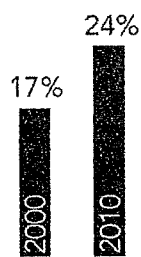
Non-family households

PERCENT OF POPULATION THAT IS HISPANIC OR LATINO, 2000 &

Salem's Hispanic or Latino population is growing.



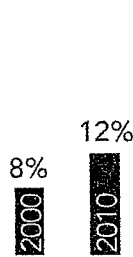
Salem



Marion Co.



Polk Co.



Oregon

Salem's Housing Market

Analysis of historical development trends in Salem provides insights into how the local housing market functions in the context of the Mid-Willamette Valley region. This report groups housing into the three types shown below.

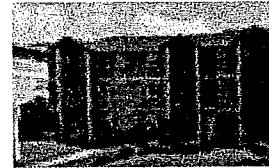
HOUSING TYPES USED IN THIS PROJECT



Single-family detached
(includes mobile and
manufactured homes)



Single-family attached
(townhouses)

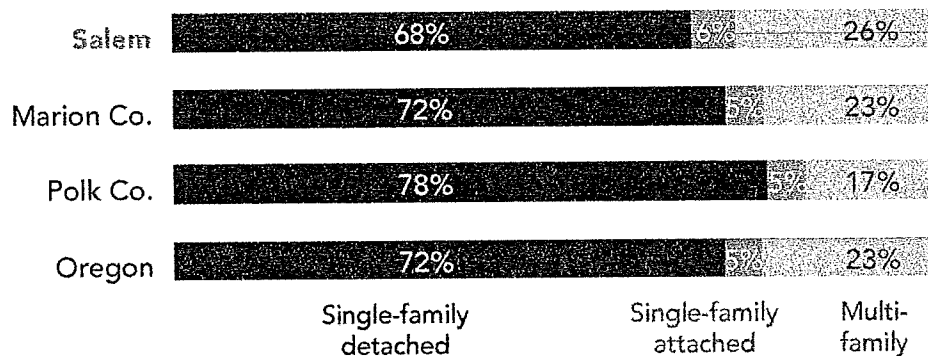


Multi-family
(condos, apartments,
duplexes)

Salem's housing market is primarily single-family detached housing.

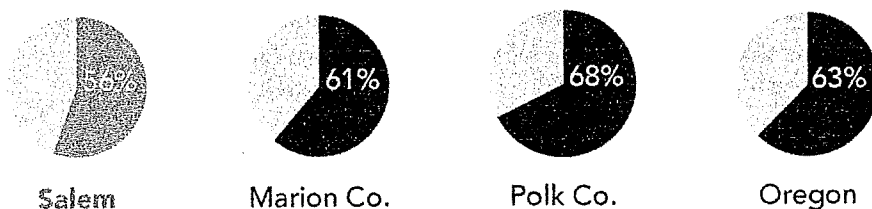
More than two-thirds of Salem's housing stock is single-family detached housing. Even so, Salem has a wider range of housing types than Marion or Polk counties.

MIX OF EXISTING HOUSING TYPES, 2012



Salem has a lower share of owners than Marion County, Polk County, or the state.

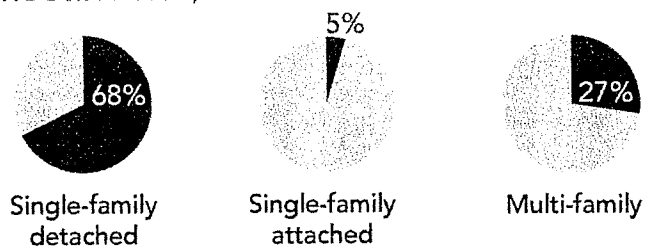
PERCENT OF HOUSING UNITS THAT ARE OWNER-OCCUPIED, 2012



Homeownership and housing type are related.

In Salem, most single-family detached housing is owner-occupied, and most multi-family is renter-occupied.

PERCENT OF SALEM'S HOUSING UNITS THAT ARE OWNER-OCCUPIED, BY HOUSING TYPE, 2012



SALEM'S HOUSING MARKET

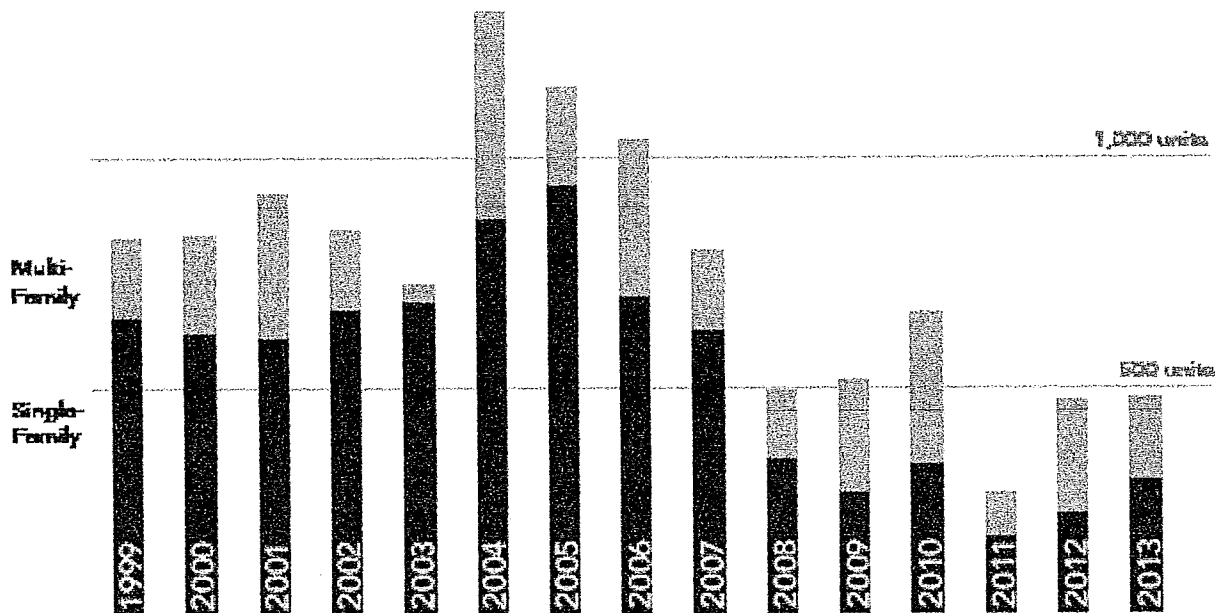
Salem added more than 11,000 dwelling units between 1999 and 2013, the majority of which were single-family (detached and attached combined). Salem added more than 3,500 multi-family units, including more than 200 units in commercial zones.

Salem's housing market is dominated by single-family housing types.

BUILDING PERMITS ISSUED, 1999-2013

Source: Salem Building Permit Database.

Single-family includes single-family detached, single-family attached and manufactured homes.



HOUSING DENSITY BY COMPREHENSIVE PLAN DESIGNATION (DWELLING UNITS PER NET ACRE), SALEM PORTION OF UGB, 1999-2013

Source: Salem Building Permit Database.

A net acre excludes area used for right-of-way.

CBD refers to Central Business District, COM; Commercial, and ROM; River-Oriented Mixed-Use.

Between 1999 and 2013, the average residential density in Salem was 8.0 dwelling units per net acre.

7.3
units/net acre
Single-Family
Residential

6.6
units/net acre
Developing
Residential

10.6
units/net acre
Multi-Family
Residential

16.8
units/net acre
Mixed
Use

25.9
units/net acre
Central Business District,
Commercial, River-
Oriented Mixed-Use

Affordability

The term *affordable housing* refers to a household's ability to find housing within its financial means. Housing affordability affects both higher- and lower-income households and is an important issue for Salem and the region. Low-income households have fewer resources available to pay for housing and have the most difficulty finding affordable housing. Key points about affordability include:

- Salem will have an ongoing need for housing affordable to lower-income households.
- The City is planning for needed housing types for households at all income levels and will work with non-profit and private housing providers to ensure availability of housing affordable to lower-income households.
- Future housing affordability will depend on the relationship between income and housing price. The key question, which is difficult to answer based on historical data, is whether housing prices will continue to outpace income growth.

MEDIAN HOUSEHOLD INCOME, 2012

\$46,479

Salem

\$45,422

Marion Co.

\$46,827

Polk Co.

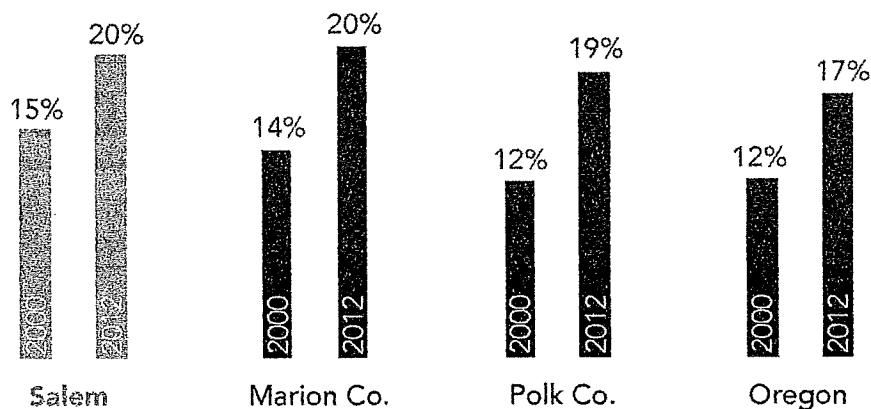
\$49,161

Oregon

Between 2000 and 2012, poverty increased in Salem, consistent with regional and statewide trends.

POVERTY RATE, 2000 & 2012

The US Census determines poverty using income, family size, and family composition. In 2012, a family with two adults and two children was considered "in poverty" if family income was less than about \$23,200. The Census's poverty thresholds are consistent across the country and do not account for regional differences in cost of living.



AFFORDABILITY

PERCENT OF HOUSEHOLDS THAT ARE COST BURDENED, 2012

Cost-burdened households spend more than 30% of their gross income on housing.

39%

Salem

40%

Marion Co.

39%

Polk Co.

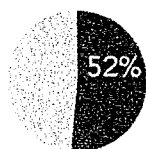
39%

Oregon

Cost burden is as common in Salem as it is in the region.

PERCENT OF SALEM'S HOUSEHOLDS THAT ARE COST BURDENED, BY OWNERSHIP STATUS, 2012

Cost-burdened households spend more than 30% of their gross income on housing.



Renter-occupied households



Owner-occupied households

Salem households that rent are more likely to be cost burdened than households that own.

AFFORDABLE HOUSING WAGE FOR A 2-BEDROOM APARTMENT, 2012

The affordable housing wage is based on the Fair Market Rent for a 2-bedroom apartment provided by U.S. Department of Housing and Urban Development (HUD). HUD calculates the Fair Market Rent for each metropolitan statistical area (MSA) as the amount below which 40% of standard-quality apartments are rented. A household making the affordable housing wage will be able to afford Fair Market Rent without spending more than 30% of household income on housing costs.

\$12.84/hr

Salem MSA

\$13.40/hr

Corvallis MSA

\$13.95/hr

Eugene MSA

\$15.42/hr

Portland MSA

AVERAGE HOME SALES PRICES, 2013

Source: Zillow, December 2013

\$169,000

Salem MSA

\$259,300

Corvallis MSA

\$196,200

Eugene MSA

\$256,000

Portland MSA

Home sales prices in Salem increased by 14% between 2000 and 2013.

RATIO OF MEDIAN OWNER-OCCUPIED HOUSING VALUE TO MEDIAN HOUSEHOLD INCOME, 2012

Lower ratios indicate that housing is more affordable. HUD's standard is 3.0.

3.9

Salem

4.1

Marion Co.

4.5

Polk Co.

4.6

Oregon

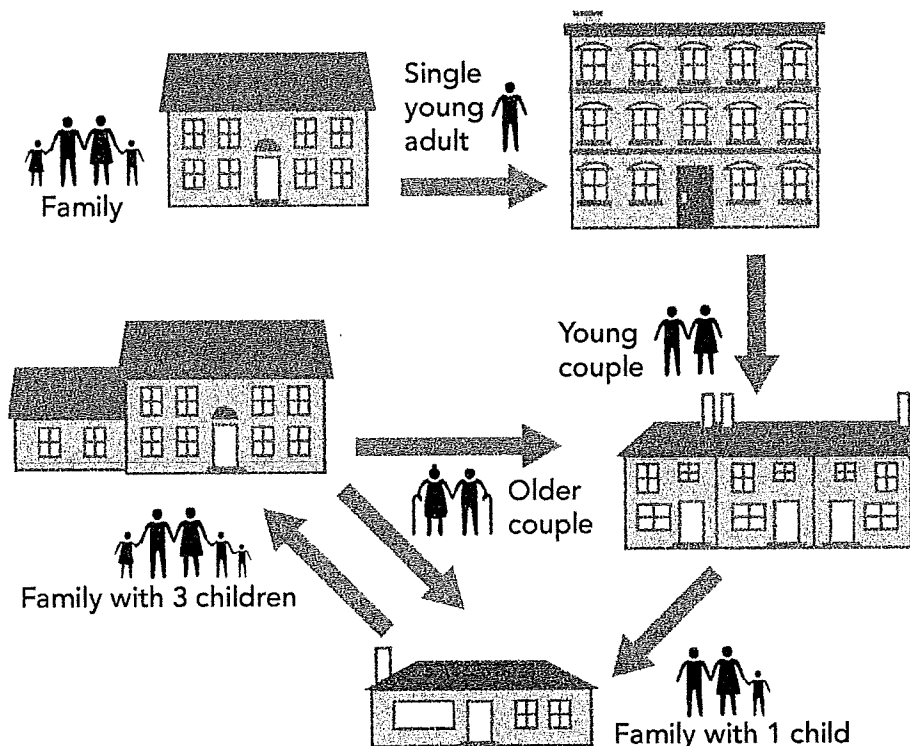
Salem's owner-occupied housing is more affordable than regional averages. The ratio of median owner value to median household income is calculated by dividing the median value of owner-occupied housing by the median household income.

Factors Affecting Housing Need

Studies and data analysis have shown a clear linkage between demographic characteristics and housing choice, as shown in the figure below. Key relationships include:

- Homeownership rates increase as income increases.
- Homeownership rates increase as age increases.
- Choice of single-family detached housing increases as income increases.
- Renters are much more likely to choose multi-family housing than single-family housing.
- Income is a strong determinant of tenure and housing-type choice for all age categories.

HOUSING LIFE CYCLE



FACTORS AFFECTING HOUSING NEED

The linkages between demographics and housing need can be used to predict future housing need in Salem. Three demographic trends are particularly important for Salem:

- Aging of the Baby Boomer Generation (born 1946 to 1964)
- Aging of the Millennial Generation (born early 1980s to early 2000s)
- Continued growth of the Hispanic/Latino population

Aging of the Baby Boomers

Consistent with state and national trends, Salem's population is growing older. By 2035, 24% of the population of Marion and Polk Counties is forecasted to be 60 and over, up from 16% in 2000.

LIKELY TRENDS AMONG BABY BOOMER HOUSEHOLDS:



Implications for Salem's Housing:

Need for smaller, lower-cost housing near transit and urban amenities such as shopping and health care services.

Aging of the Millennials

Salem is successful at attracting young, working-age people. If Salem continues to attract young people, then the City will continue to have demand for housing for families, especially housing affordable to younger families with moderate incomes.

LIKELY TRENDS AMONG MILLENNIAL HOUSEHOLDS:



Implications for Salem's Housing:

Need for low-cost ownership opportunities with high quality of life.

Millennials' incomes will increase as they age, but the impact of the Great Recession is unclear. Millennials' ability to afford housing will impact the type of housing they can afford. In the next 3 to 7 years, most Millennials may need rental housing. Over the longer term, some Millennials will purchase homes, possibly smaller homes on smaller lots than their parents.

Continued growth of the Hispanic/Latino population

Salem's Hispanic/Latino population grew by more than 11,000 people (57%) between 2000 and 2010. Nationwide, the Hispanic/Latino population is predicted to be the fastest growing racial/ethnic group over the next few decades.

Characteristics of Hispanic households compared to Non-Hispanic households

The following factors are predicted to drive demand for larger, lower-cost renting and ownership opportunities for larger households with more children and multiple generations:

Household sizes Larger than average household sizes.	Homeownership rates Lower than average home ownership rates.	Income Lower than average income.
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Development Capacity

Definitions

Buildable residential land:

Unconstrained suitable vacant and partially-vacant land designated for residential development.

Vacant land: Unconstrained suitable land designated for residential development.

Partially vacant land:

Unconstrained suitable land with existing residential development that could support additional residential development.

Constrained land: Land that is not available for development based upon one or more factors such as environmental protections or lands committed for public use.

Dwelling unit: Any type of residential structure. Salem has an average of 2.6 persons per dwelling unit.

Capacity: Number of dwelling units that can be accommodated on buildable land at planned densities.

Housing density: Number of dwelling units in an acre of land, with 43,560 square feet to 1 acre. Housing density can be expressed as the number of dwelling units per net or gross acre.

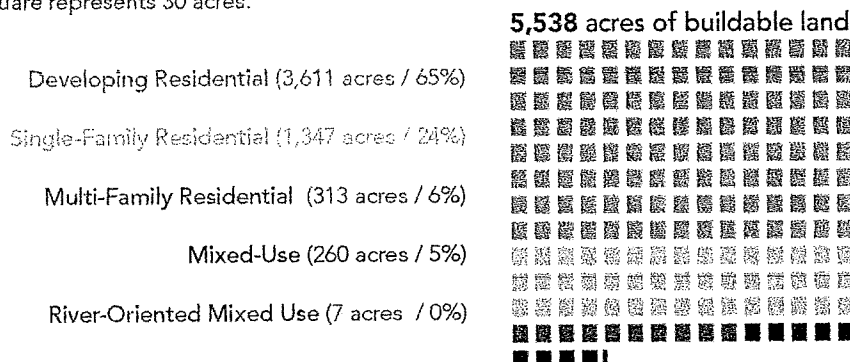
Gross acre: Includes rights-of-way (land used for roads and streets). Land used for rights-of-way is not buildable.

Net acre: Does not include rights-of-way.

Salem added more than 11,000 dwelling units between 1999 and 2013, the majority of which were single-family (detached and attached combined). Salem needs more than 3,500 multi-family units, of which more than 200 units could be located in commercial zones.

SALEM'S BUILDABLE VACANT AND PARTIALLY VACANT RESIDENTIAL LAND, BY COMPREHENSIVE PLAN DESIGNATION, 2014

1 square represents 30 acres.



The capacity analysis estimates the number of new dwelling units that can be accommodated on Salem's buildable vacant and partially vacant residential land. The capacity analysis provides an estimate of how much housing can be accommodated on Salem's buildable residential land based on historical densities, with deductions for land on slopes and areas for future rights-of-way.

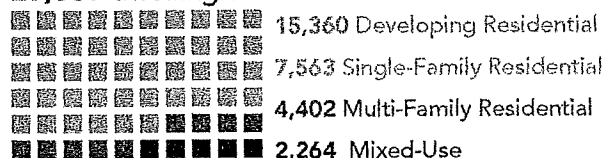
The capacity analysis shows that Salem's vacant and partially vacant land has capacity for more than 29,500 new dwelling units, about 75% of which are in Single-Family and Developing Residential Comprehensive Plan Designations. The majority of housing in these designations is single-family detached housing, with some lower-density attached housing allowed, such as duplexes and townhouses.

Capacity on Buildable Residential Land

CAPACITY ON RESIDENTIAL LAND, BY PLAN DESIGNATION

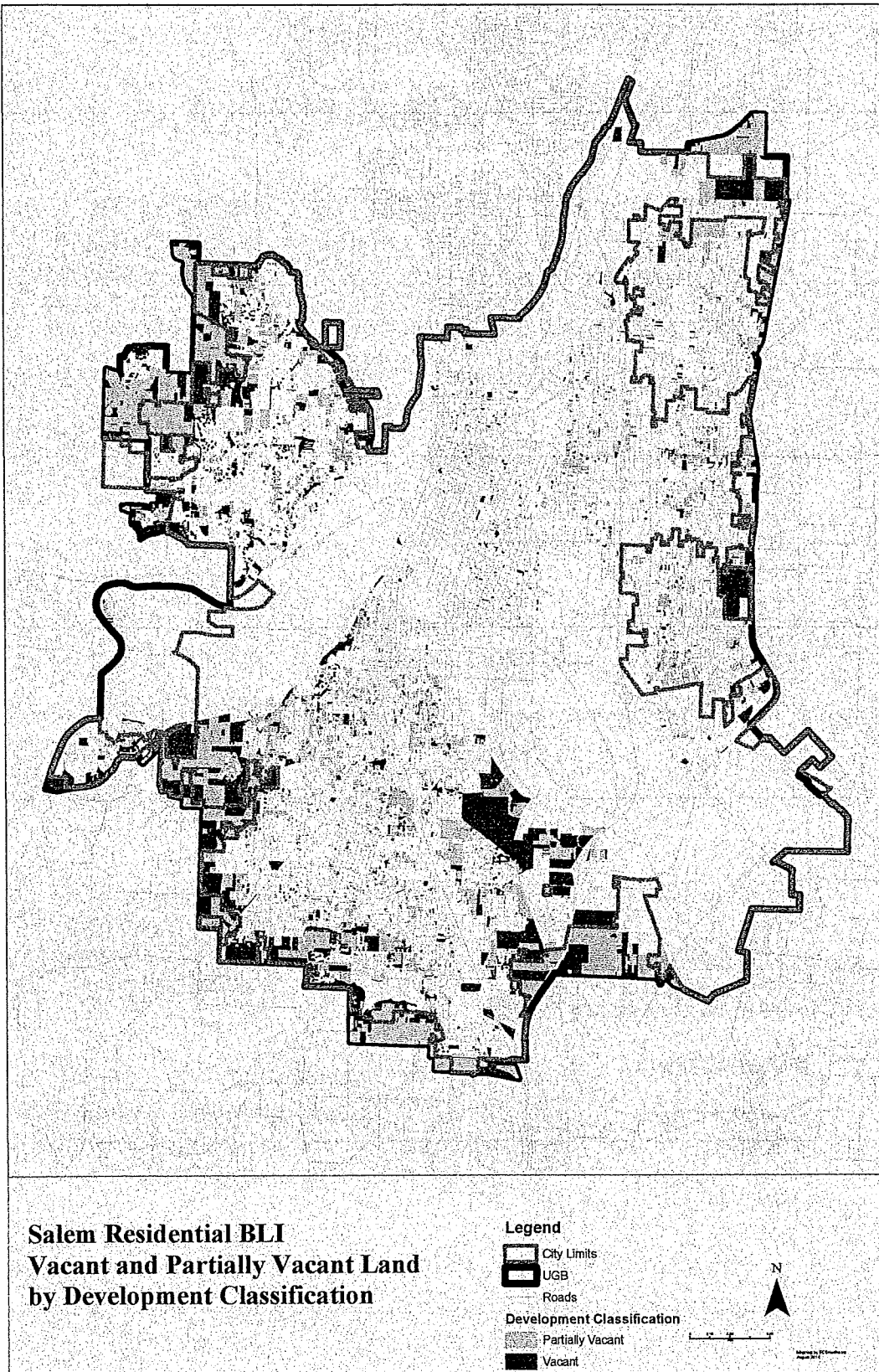
1 square represents 500 dwelling units.

29,589 dwelling units



DENSITY ON SALEM'S RESIDENTIAL LAND BASED ON HISTORICAL DENSITIES, DWELLING UNITS PER GROSS ACRE

5.6	4.3	14.0	4.3
Single-Family Residential	Developing Residential	Multi-Family Residential	Average of Housing in all Designations



Accommodating Needed Housing

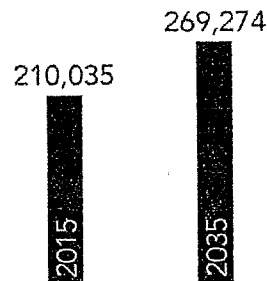
Demand for Residential Land, by Housing Type

Salem's population growth over the next 20 years will affect the number of new households created and the demand for residential land. Salem's forecast for new housing is based on the forecast for population growth. Using Marion County's adopted population forecast as the basis, Salem's population will grow at a rate of 1.25% per year, adding 59,239 new people between 2015 and 2035.

FORECASTED
AVERAGE ANNUAL
GROWTH RATE,
2015-2035



FORECASTED
TOTAL NEW
POPULATION,
2015-2035



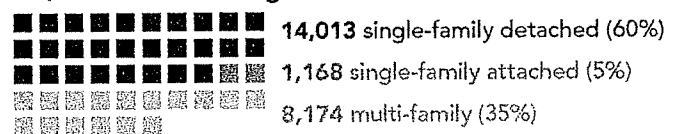
Population increase:
59,239

New population in Salem will require 23,355 new dwelling units over the 20-year period. The analysis of the factors affecting housing need and demographic changes suggests that Salem need more diverse housing types, including more townhouses and single-family attached housing and more multi-family housing.

FORECASTED
TOTAL NEW
DWELLING UNITS,
2015-2035

1 square represents
500 dwelling units.

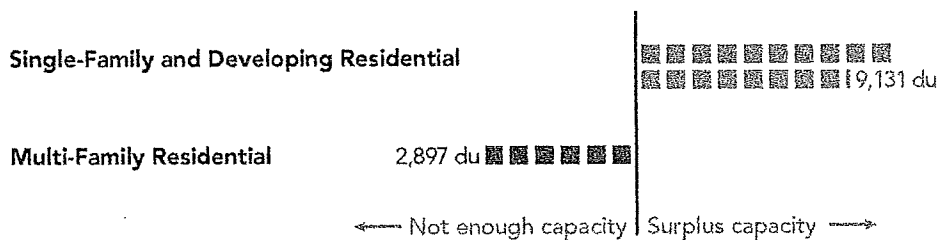
23,355 new dwelling units



Comparison of Housing Capacity to Housing Demand

The last step in the Housing Needs Analysis is to compare the capacity of Salem's vacant and partially-vacant residential land with demand for housing by Comprehensive Plan designation.

Salem has enough land to accommodate growth of housing in Single-Family and Developing Residential, with a surplus of capacity for 9,131 additional dwelling units. Salem has a deficit of land in the Multi-Family Residential designation. It needs land for 2,897 dwelling units, which will require about 207 acres of land.



The key finding of the housing needs analysis is that Salem has a surplus of land for single-family detached housing types and a deficit of about 207 acres of land in the Multi-Family Residential plan designation. Salem's options for addressing this deficit include:

- **Redesignate or rezone land to MF.** Salem's biggest opportunity to address the deficit of Multi-Family land will be through redesignating land from SF (or possibly DR) to MF. Evaluate tools to increase redevelopment activity and mixed-use development. Salem's primary redevelopment opportunities are in commercial areas or redeveloping industrial areas, with opportunities for mixed-use development that includes multi-family development.
- **Increase opportunities for development of multi-family housing types.** Salem can allow a wider range of lower-density multi-family housing types (such as duplexes or townhouses) in single-family zones. Salem may be able to increase multi-family housing development by making it easier to build multi-family housing, through simplifying the planned unit development process or creating alternative ways to comply with the City's design standards.
- **Monitor and report on multi-family development activity and land sufficiency.** The City should monitor and report on the deficit of multi-family land, track land redesignations and rezonings, and monitor multi-family development. Monitoring can help the City understand the market demand for multi-family and other housing types, allowing the City to better respond to the market.

Comprehensive Plan Designations with residential capacity

Developing Residential (DR)
Single-Family Residential (SF)
Multi-Family Residential (MF)
Mixed-Use (MU)
River-Oriented Mixed-Use (ROM)

Residential zoning districts

Residential Agriculture (RA)
Single Family Residential (RS)
Duplex Residential (RD)
Multiple Family Residential (RM)
High Rise Multiple Family Residential (RH)

HOUSING POLICY CHANGES AND IMPLEMENTATION STRATEGIES



The Housing Needs Analysis concluded that Salem has a surplus of land for single-family detached housing and a deficit of land for single-family attached and multi-family housing. The recommendations for housing policy changes and implementation strategies focus on increasing capacity for attached and multi-family housing to address the identified land deficiency. While the full Implementation Strategy documents present recommendations both for revisions to Salem's Comprehensive Plan policies and Implementation Strategies to address the multi-family land deficit, this section focuses on the Implementation Strategies.

Implementation Strategies

Addressing Salem's deficit of approximately 207 acres of land for multi-family housing and demonstrating compliance with Goal 10 will require increasing the amount of land available for multi-family development. The Advisory Committee recommends that decision makers consider a range of ways to address the deficit of multi-family land.

Strategies to allow attached housing in single-family zones:

Implementing Measure 1.1: Explore allowing duplexes outright in single-family zones (SF and RA zones) on any lot of 7,000 square feet or more.

Implementing Measure 1.2: Explore allowing townhouses as permitted uses in single-family zones (SF, RA, and RD zones) or explore revising special use standards and minimum lot sizes to make it easier to develop townhouses.

Implementing Measure 1.3: Explore allowing tri- and four-plexes outright in single-family zones (SF, RA, and RD zones) on corner lots of 7,000 square feet or more.

Redesignate or Rezone Land for Multi-family Development

Implementing Measure 1.4: Identify opportunities to redesignate or rezone land from single-family uses to multi-family uses. The process should result in city-initiated plan amendments and zone changes to address the multi-family land deficit.

Lowering Barriers to Multi-family Housing Development

Implementing Measure 2.1: Develop a menu of options of pre-approved design standards for multi-family housing that allow developers to select preferred design elements. The design standards should be flexible, ensure quality design that fits with community standards, and present clear and objective standards. If the developer selects at least the minimum number of design elements from the menu, the proposal would not need to go through the public hearing process.

This measure includes developing menus of pre-approved design standards for tri-plex and four-plex units and for smaller multi-family buildings with five to ten units that allow developers to select preferred design elements.

HOUSING POLICY CHANGES AND IMPLEMENTATION STRATEGIES

Implementing Measure 2.2: Revise the Planned Unit Development regulations to permit more flexibility about development standards (such as setbacks), allowing for development of more affordable housing. The revisions should allow more flexibility in the process, decrease the complexity of the process, and increase the speed of the process.

Implementing Measure 2.3: Evaluate opportunities to decrease parking requirements for tri-plex and four-plex units and for small multi-family structures with five to ten units.

Identify opportunities to Increase Redevelopment Activity

Implementing Measure 3.1: Identify and evaluate tools to increase redevelopment activity by using tools such as reduced systems development charges for redevelopment projects or the vertical housing tax credit for mixed-use development.

Increase Opportunities for Development of New Affordable Housing

Implementation Measure 4.1: Develop, adopt, and implement affordable housing policies based on an affordable housing strategy that articulates the City's vision and goals for affordable housing. The affordable housing strategy should be implemented through policies, strategies, and specific actions.

Implementing Measure 4.2: Develop an Accessory Dwelling Unit (ADU) Ordinance that allows ADUs in appropriate zoning designations.

Implementing Measure 4.3: Develop different development standards for existing homes in older, established neighborhoods in order to decrease the need for adjustments and variances.

Process Steps

The policies and implementation strategies proposed in this project will require additional work. The Advisory Committee recommends that the City Council direct staff to develop a work program to implement these strategies.



Economic Opportunities Analysis: Introduction

The Economic Opportunities Analysis provides necessary information for managing Salem's commercial and industrial land base to support the City's vision for economic development.

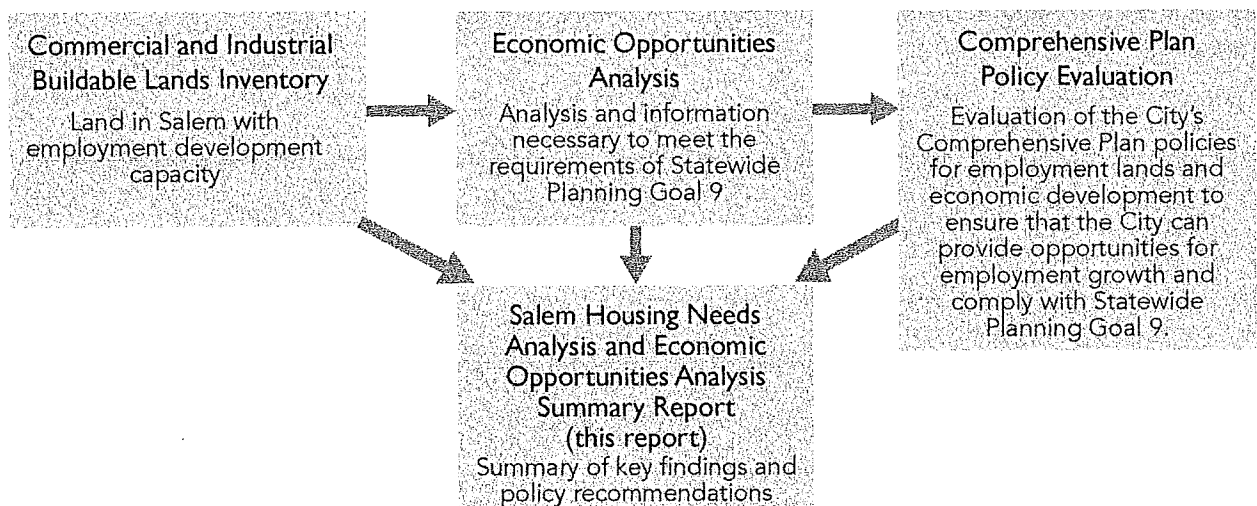
Salem's Economic Opportunities Analysis provides information to support economic development planning and management of Salem's commercial and industrial land. It provides the City with information about Salem's economy and the city's role as the primary employment center in the Mid-Willamette Valley and the southern outpost of the Portland regional economy.

The Economic Opportunities Analysis is intended to comply with Statewide Planning Goal 9, which directs cities to plan for economic growth. Within the context of Goal 9, the Economic Opportunities Analysis is an analysis of the community's economic patterns, potentialities, strengths, and deficiencies as they relate to state and national trends. It focuses on the comparative advantage of the city when planning for major commercial and industrial development. The Analysis includes extensive analysis of Salem's commercial and industrial land base to determine how much land is vacant or partially vacant.

The result of the Economic Opportunities Analysis is an estimate of land needed to accommodate the forecast of commercial and industrial employment growth for the 2015-2035 period.

City staff and ECONorthwest staff worked with an Advisory Committee to review these results and to provide input for policy changes to address land deficits, most notably in land needed for commercial uses, and to manage high value industrial lands.

PRODUCTS OF THE ECONOMIC OPPORTUNITIES ANALYSIS



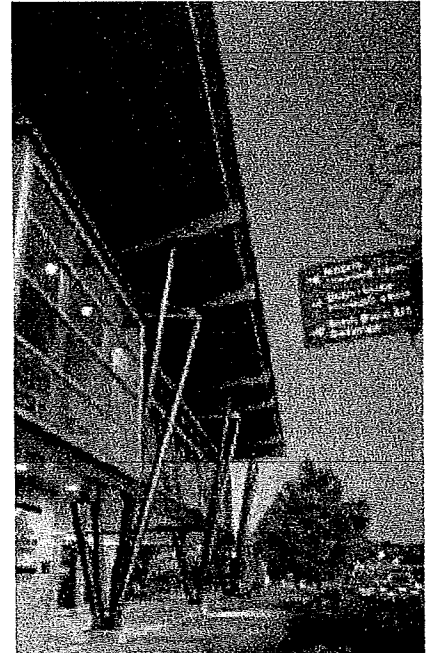
Salem's Vision for Economic Development

The City's broad economic development goal is to attract and retain jobs to increase the economic prosperity for Salem residents and businesses.¹ The City's approach to accomplishing this goal is to:

- Implement an economic development strategic plan that focuses on the role of the City and other partners to create jobs and encourage economic growth.
- Attract higher density employment to downtown.
- Attract companies to the Mill Creek Corporate Center and Salem Renewable Energy and Technology Center by marketing both sites.

The City's strategies for accomplishing this goal are:

- **Stay and Grow in Salem.** This strategy protects Salem's existing economic base by helping to expand and grow existing businesses and by diversifying the traded-sector businesses in Salem to support existing companies. This strategy will require Salem (and regional partners) to invest in infrastructure improvements, ensure that Salem has the right mix of land for development, provide incentives and a range of financial resources for economic development, and to support and invest in economic development partners.
- **Rely on Strengths of Regional Partnerships.** The City will continue to emphasize regional partnerships to provide a full range of economic development services. The City will continue to work with local partners to retain and recruit businesses, provide utilities, prepare the workforce, and develop property. In addition, the City will collaborate with its partners on the availability of land and infrastructure development to support job creation.
- **Grow Small Businesses.** The City will support growth of small businesses through programs such as the Fairview Loan Program or by helping businesses make connections to other partners. The City will continue to diversify Salem's economy and increase local prosperity through growth of businesses in new and existing clusters and by focusing on growth of businesses in key target industries.
- **Attract New Businesses.** Available development-ready and other buildable land at the Mill Creek Corporate Center and Salem Renewable Energy and Technology Center will attract businesses that are considering locating in Salem or the Willamette Valley.



¹ The information in this section is summarized from the memorandum "Citywide Economic Development Strategy Development" dated December 7, 2012 from John Wales (Director of Urban Development) to the City Council.

Factors Affecting Economic Growth in Salem

Employment in Salem grew faster than the national average.

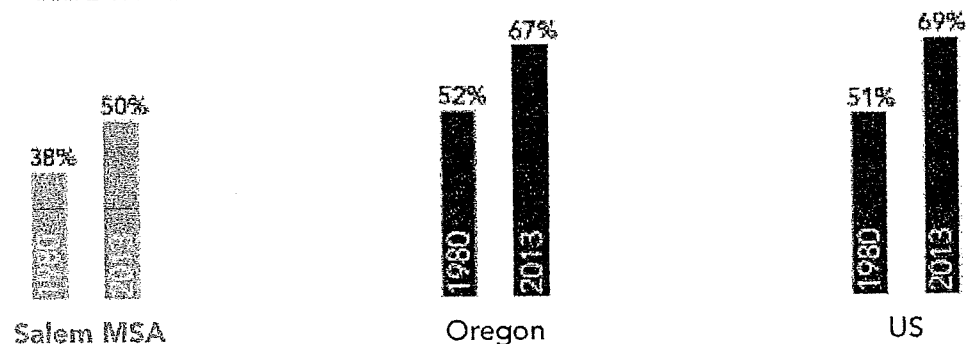
Growth in service-oriented sectors outpaced other employment, especially manufacturing.

Salem's economy and employment will grow as a result of growth in the national and regional economy, as well as factors in Salem's local area. The following are key trends that have implications for economic growth in Salem.

Employment in Marion and Polk counties grew at 1.3% between 1990 and 2013, adding more than 40,000 jobs. In comparison, employment grew at 0.9% annually in the U.S. and 1.3% in Oregon over the 23-year period.

CHANGE IN PERCENTAGE OF EMPLOYMENT IN SERVICE ORIENTED SECTORS, 1980 AND 2013

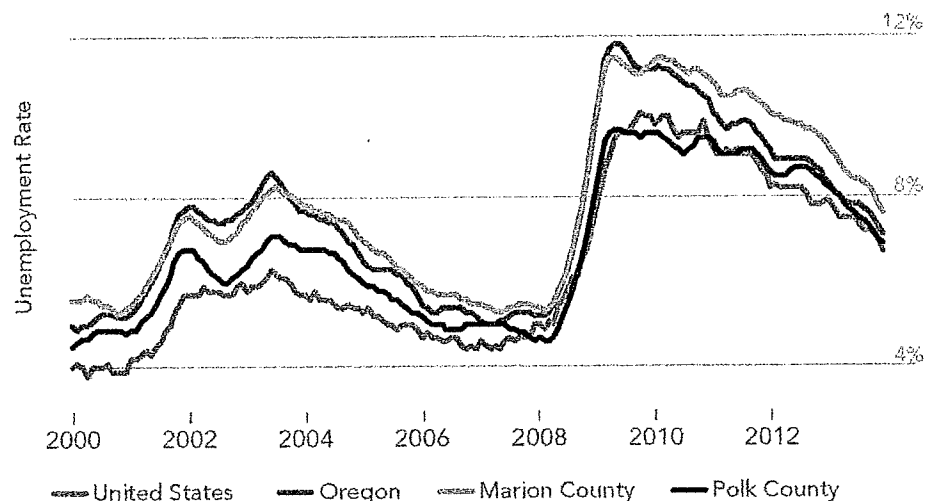
Source: US Bureau of Labor Statistics



Unemployment rates in Marion and Polk counties are generally higher than the national average.

UNEMPLOYMENT RATE, 2000 - 2013

Source: US Bureau of Labor Statistics



FACTORS AFFECTING ECONOMIC GROWTH IN SALEM

AVERAGE ANNUAL PAY, 2012

Source: Oregon Employment Department: Oregon Labor Market Information System

\$42,298
Salem

\$38,060
Marion Co.

\$31,298
Polk Co.

\$44,229
Oregon

\$49,289
US

AVERAGE NUMBER OF EMPLOYEES IN PRIVATE BUSINESSES, 2011

10.7
Salem

11.0
Oregon

PERCENTAGE OF PRIVATE BUSINESSES WITH 100 OR FEWER EMPLOYEES, 2011

71%
Salem

41%
Oregon

The majority of businesses in Salem have 100 or fewer employees.

COMMUTING PATTERNS IN SALEM, 2012

53,000

People commute into Salem to work

29,800

People live and work in Salem

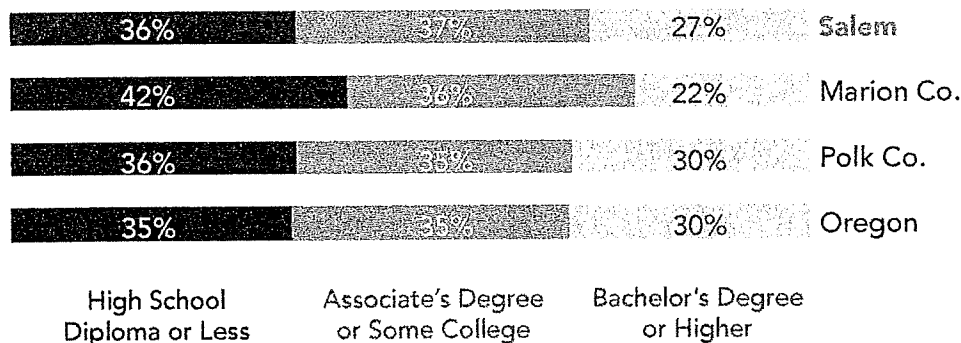
24,700

People live in Salem and work elsewhere

Salem is a regional economic center.

Sixty-four percent of Salem's workers commute into Salem. This is similar to other large cities in the Willamette Valley.

EDUCATIONAL ATTAINMENT, PERCENT OF THE POPULATION AGE 25 AND OVER, 2012



Employment in Salem

In 2012, Salem had more than 92,000 covered employees² at nearly 6,500 businesses and other employers. Salem's average employer size was 14 employees per employer. The majority of employees in Salem were in the following sectors: Government (30%), Health Care and Social Assistance (15%), Retail (11%), Accommodation and Food Service (8%), and Manufacturing (6%).

Government is the largest employer in Salem.

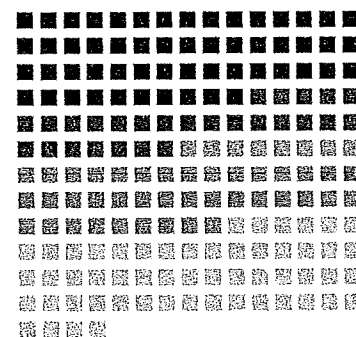
Thirty-percent of Salem's workforce is in Government, with 19% of the workforce in State Government.

JOBS BY SECTOR OF FIRM, SALEM, 2012

1 square represents 500 jobs.

Source: Oregon Employment Department, Quarterly Census of Employment and Wages

Government (27,700 jobs / 30%)
Health Care & Social Assist. (13,400 jobs / 15%)
Retail Trade (10,500 jobs / 11%)
Accom. & Food Services (7,300 jobs / 8%)
Manufacturing (5,500 jobs / 6%)
Other Sectors (27,500 jobs / 30%)

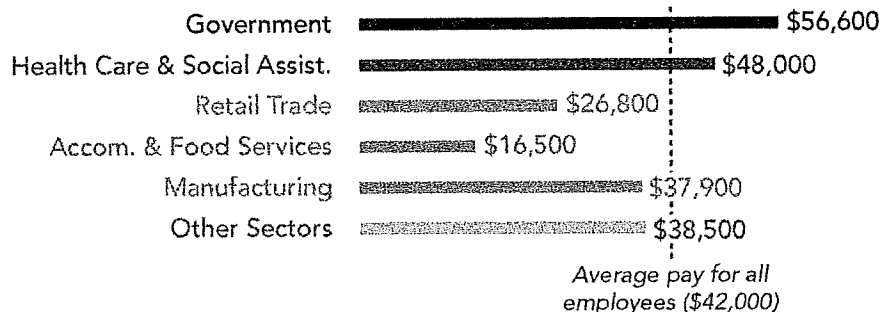


The average pay per employee in Salem was about \$42,000 in 2012. Government and Healthcare and Social Assistance had the highest average pay, and they also are the sectors that account for the most jobs in Salem. Accommodations and Food Services, Retail Trade, and Manufacturing had below-average pay.

Government and Healthcare have higher than average pay in Salem.

AVERAGE PAY BY SECTOR OF FIRM, SALEM, 2012

Source: Oregon Employment Department, Quarterly Census of Employment and Wages



²Covered employment is employment covered by unemployment insurance. Covered employment does not include all workers in an economy. Most notably, covered employment does not include sole proprietors. Analysis of data shows that covered employment reported by the Oregon Employment Department for Marion and Polk counties is only about 77% of total employment reported by the U.S. Department of Commerce. While this analysis includes only covered employment, the employment forecast is based on an estimate of total employment in Salem.

EMPLOYMENT IN SALEM

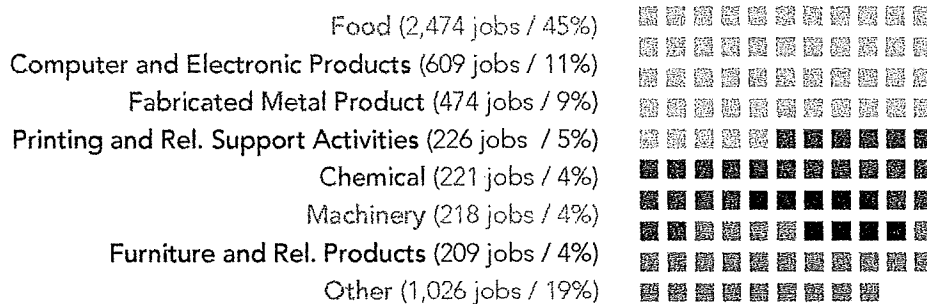
The majority of manufacturing employment in Salem is in Food Products manufacturing, with an average pay per employee of nearly \$32,000, which is below the city average pay per employee. The average pay in other manufacturing industries, such as Computer and Electronic Products or Fabricated Metal Products is higher than Salem's average pay.

The national average pay in other manufacturing sectors, such as Technology, Equipment, Chemical, or Specialty Metals, are above Salem's average pay per employee.

MANUFACTURING JOBS, SALEM, 2012

1 square represents 50 jobs.

Source: Oregon Employment Department, Quarterly Census of Employment and Wages



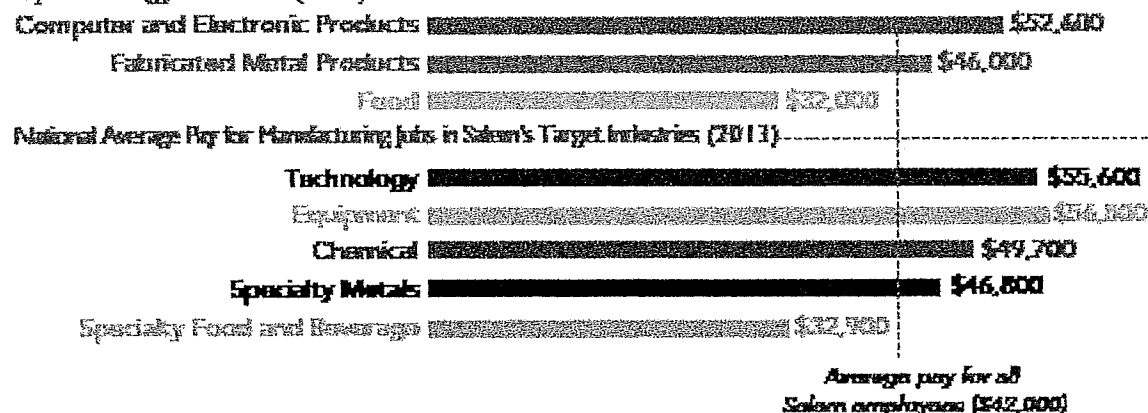
Nearly half of Salem's manufacturing jobs are in Food and Beverage Manufacturing, which has lower than average pay.

Salem's vision for economic development is growth of traded-sector industries, most with higher than average pay. Examples include technology manufacturing, computer and electronic product manufacturing, or equipment manufacturing. Salem's economic development vision focuses on growing existing and new traded-sector businesses in key industries, such as food and beverage processing, and other complementary industries.

PAY IN SELECTED EXISTING MANUFACTURING SECTORS IN SALEM, 2012 AND 2013

Source: Oregon Employment Department, Quarterly Census of Employment and Wages, and the US Bureau of Labor Statistics

Pay for Existing Jobs in Salem (2012)



Salem's Competitive Advantages

Economic development opportunities in Salem will be affected by national, state, and local economic conditions. Economic conditions in Salem relative to these conditions in other portions of the Willamette Valley form Salem's competitive advantages for economic development. Salem's competitive advantages have implications for the types of firms most likely to locate and expand in the area.

There is little that metropolitan area jurisdictions can do to influence the national and state conditions that affect economic development, though they can influence local factors that affect economic development. Salem's primary competitive advantages are:

- **Location.** Salem is located in Marion and Polk counties, on Interstate I-5, less than an hour south of Portland. Salem is one of Oregon's largest cities. Businesses in Salem have access to natural resources from surrounding rural areas, such as agricultural products, lumber, and other resources.
- **Transportation.** Businesses and residents in Salem have access to a variety of modes of transportation, but the most important is I-5. Businesses that need relatively easy automotive access to I-5 and other major roads in the region may be attracted to Salem.
- **Presence of State government.** Salem is the capital of Oregon, and about 27,700 State government jobs are located in Salem. State government offers a range of employment opportunities, from jobs requiring highly skilled employees to jobs requiring little formal education.
- **Quality of life.** Salem's quality of life attributes include: cultural amenities, shopping opportunities, and access to outdoor recreation. Salem's high quality of life is likely to attract businesses and entrepreneurs that want to locate in a high-amenity area.
- **Labor market.** Businesses in Salem have access to highly educated skilled workers, nearby college students, and unskilled workers. Commuting patterns show that businesses in Salem are able to attract skilled and unskilled workers living within Salem and from the Willamette Valley and Portland Metropolitan Region.
- **Public policy.** The City can impact economic growth through its policies about the provision of land and redevelopment. Businesses may choose to locate in Salem (rather than in a different part of the Willamette Valley) based on: development charges, availability of public infrastructure, and attitudes towards businesses.



Salem's Target Industries

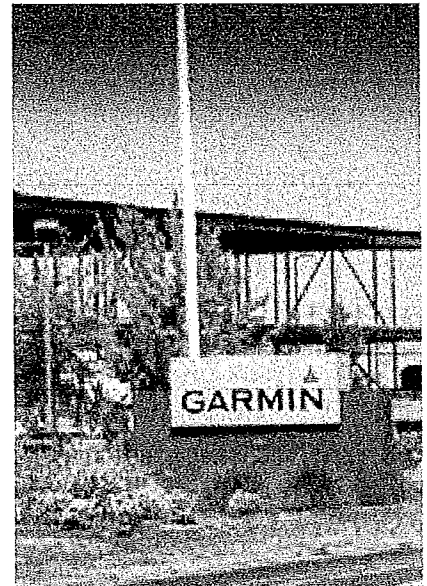
Salem's comparative advantages will affect the types of businesses most likely to locate in Salem. Target industries were identified based on research about a wide range of potential target industries that might be appropriate for Salem. The list was then narrowed down, based on in-depth research about the viability of target industry development in Salem and focusing on industries that meet the City's economic development goals and complement the City's competitive advantages.

Salem's economic development policy is to assist existing companies to grow and expand within Salem. The industries with existing concentrations of employment in either traded-sector or higher-than-average wages are:

- **Food and beverage manufacturers.** Food and beverage manufacturing is Salem's largest existing manufacturing industry.
- **Medical services.** Employment in medical services will grow with population growth to the extent that Salem continues to offer medical services not available in surrounding areas.
- **Government services.** Salem will continue to be a center for government jobs, especially for jobs in State Government.

Salem identified the following traded-sector industries as target industries. Growing and attracting businesses in these industries will strengthen Salem's manufacturing businesses, increasing the share of employment in manufacturing industries. Most of these industries have incomes above Salem's average, with national averages for employment in these sectors ranging from \$46,000 to \$57,000.

- **Technology manufacturing,** such as manufacturers of renewable energy equipment, avionics, and medical devices.
- **Equipment manufacturing,** such as manufacturing of equipment for: recycling machinery, construction machinery, farm equipment, semiconductor machinery, and other machinery used by businesses in Salem and the broader Willamette Valley.
- **Specialty metal manufacturing,** such as ornamental metal manufacturers, prefabricated metal structures, structural metal, bolt and washer manufacturing, and other specialty metal manufacturing.
- **Specialty food and beverage manufacturing.** Salem's existing concentration of food and beverage manufacturing make it attractive to other food and beverage manufacturers. Salem has opportunities to grow and attract food manufactures of all types and sizes.
- **Chemical manufacturing,** such as manufacturing of chemicals for coatings, glass, films, plastics, and concrete.



Commercial and Industrial Buildable Land in Salem

Definitions

Buildable employment land:

Unconstrained suitable vacant and partially-vacant land designated for employment development.

Vacant land: Unconstrained suitable land designated for employment development.

Partially vacant land:

Unconstrained suitable land with existing employment development that could support additional employment development.

Constrained land: Land that is not available for development based upon one or more factors such as environmental protections or lands committed for public use.

Suitable land: Vacant or partially vacant land without development constraints that could be developed during the 20-year planning period.

Plan Designations:

Employment Center (EC)

Industrial (IND)

Industrial Commercial (ID)

Commercial (COM)

CB is Central Business District

River-Oriented Mixed-Use (ROM)

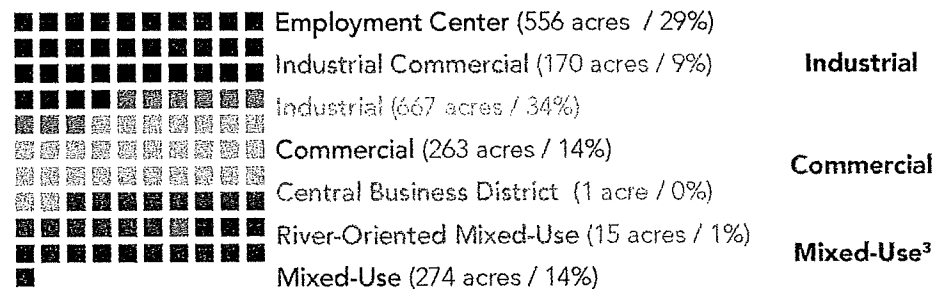
Mixed-Use (MU)

Salem has 1,945 acres of vacant and partially vacant land in Comprehensive Plan designations. Nearly 1,400 acres of Salem's vacant land is in industrial designations, with about 265 vacant acres in commercial designations and nearly 290 acres in mixed use designations.

SUITABLE ACRES IN VACANT AND PARTIALLY VACANT TAX LOTS BY PLAN DESIGNATION, SALEM UGB, 2014

1 square represents 1% or 19.5 acres of total vacant land

Source: ECONorthwest analysis of City of Salem GIS data



Nearly half of Salem's employment land is in sites larger than 20 acres. The majority of this land is in industrial areas. Salem's supply of large industrial sites is unique within the Willamette Valley, making Salem attractive to traded-sector employers who need large sites.

LOT SIZE BY PLAN DESIGNATION, SUITABLE ACRES, SALEM UGB, 2014

Source: ECONorthwest analysis of City of Salem GIS data

Smaller than 5 acres



5 to 20 acres



Industrial / Commercial

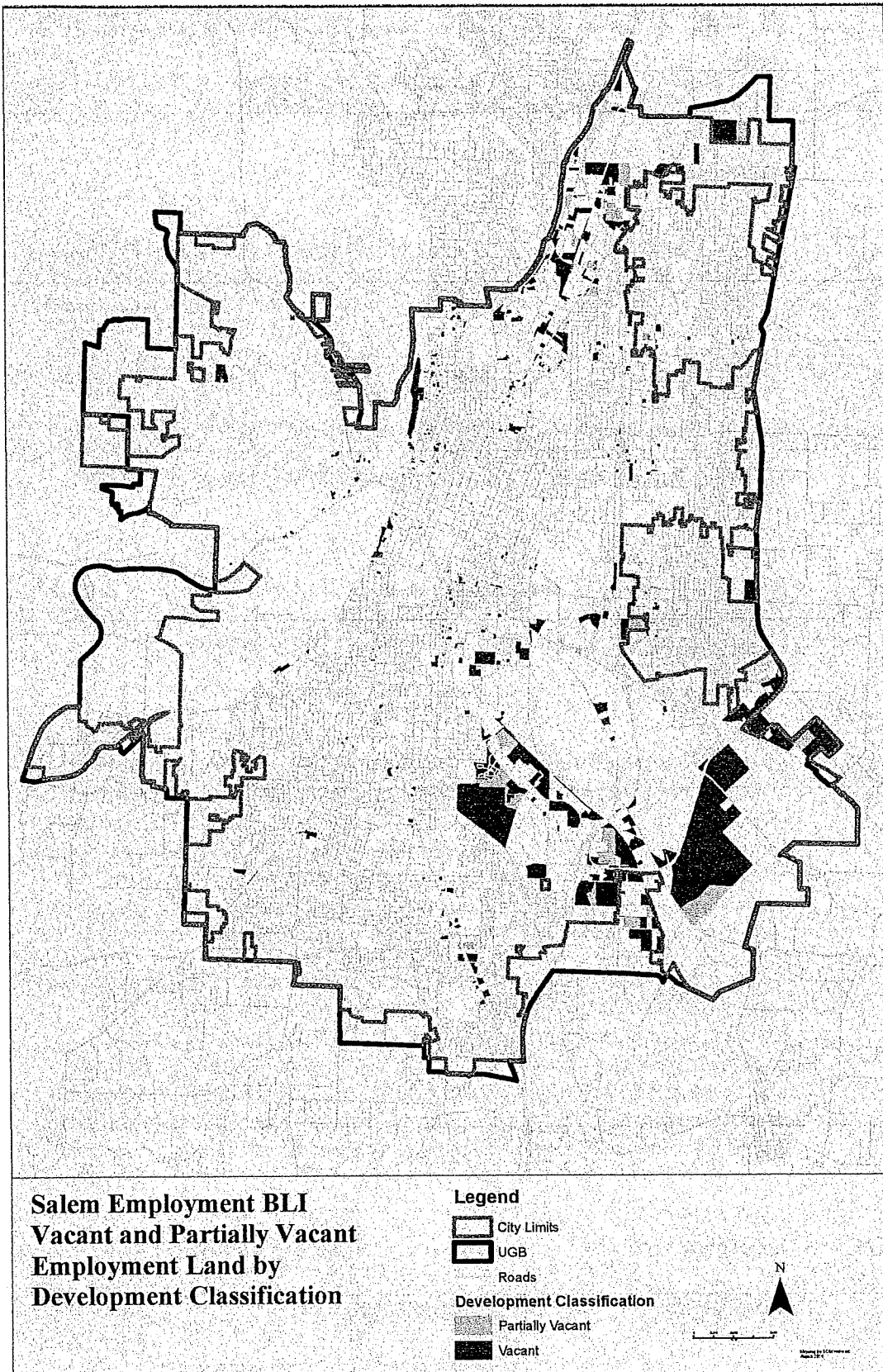
Larger than 20 acres



1 square represents
30 suitable acres

³The "Fairview Training Center Redevelopment Master Plan" shows 21 acres of capacity for office, retail, and commercial industrial development in MU, as documented in the EOA report.

BUILDABLE COMMERCIAL AND INDUSTRIAL LAND



Forecast of Employment Growth and Land Sufficiency

Salem's employment is forecast to grow at the same rate as its population, 1.25% per year.

The rate at which Salem's employment base grows over the next 20 years will affect development of new commercial and industrial buildings and demand for employment land. Salem's employment forecast assumes that employment will grow at the same rate as population growth, at 1.25% average annual per year. This assumption is appropriate, as Salem is the regional employment and commerce center.

Employment growth will result in demand for 1,114 acres of land.

FORECASTED DEMAND FOR LAND TO ACCOMMODATE EMPLOYMENT, 2015-2035



Salem has a 271-acre deficit of land for commercial uses.

Salem has enough land to accommodate industrial growth over the next 20 years, but there is a 271-acre deficit of land for expected commercial growth. The City can address the commercial land deficit by: zoning land for retail uses in or near neighborhoods, encouraging the redevelopment of existing commercial areas, encouraging higher density office or mixed-use development in downtown or other employment areas, or by redesignating some lands to commercial designations.

While Salem has more industrial land than it will need to accommodate expected industrial growth over the next 20 years, the employment forecast assumes that industrial employment will grow at the same pace as population. Salem's economic development strategy, however, envisions that Salem will grow or attract more traded-sector employees than have historically located in Salem. The majority of these employees would be in manufacturing and would require industrial land.

Industrial

Commercial

271 acres

1,907 acres

← Not enough capacity | Sufficient capacity →

Short Term Land Supply and Redevelopment

Short-term land supply

Goal 9 requires Salem to assess the short-term supply of land based on the criteria that land can be ready for construction within one year. Cities must provide at least 25 percent of the total land supply within the urban growth boundary designated for industrial and other employment uses as short-term supply.

About 510 acres (26%) of Salem's vacant and partially vacant employment land is either ready for development or could be serviced within one year. These lands include: about 176 acres of land on sites State Certified as development-ready (in the Mill Creek Corporate Center and the Salem Renewable Energy and Technology Center), about 160 additional acres in the Mill Creek Corporate Center, about 80 acres at the Salem Municipal Airport, and about 95 acres in the Fairview Urban Renewal Area.

Redevelopment

Salem is encouraging redevelopment of underutilized employment areas in a number of ways. Salem has seven urban renewal areas (URA), each of which has an urban renewal plan to facilitate redevelopment, including identifying financial tools to facilitate redevelopment. The majority of land in the urban renewal areas has existing development, with the exception of the Mill Creek Corporate Center. As a result, most new development in these areas will be redevelopment of underutilized areas.

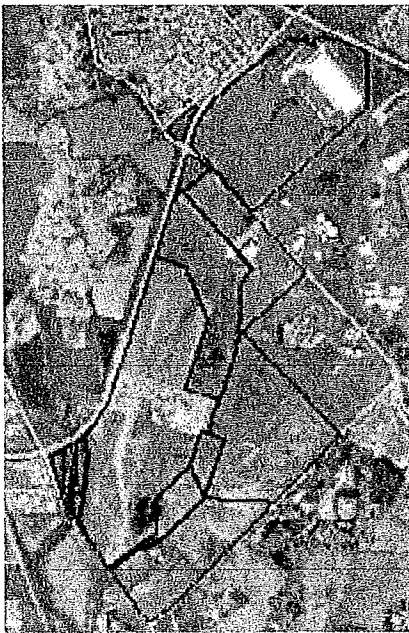
Outside of the urban renewal areas, Salem can expect modest redevelopment of industrial areas. The most likely types of redevelopment are reuse of existing buildings. Salem staff has seen increasing interest in reuse of existing industrial buildings, both for industrial uses and for commercial or other uses. Salem's limited supply of suitable vacant industrial buildings limit opportunities for re-use.

Redevelopment occurs when achievable rents exceed the current return on investment of the land and improvements. Salem's deficit of commercial land makes redevelopment of underutilized land or commercial buildings with relatively low improvement value more likely.

Analysis of building and land values of developed commercial and industrial areas suggests that Salem may have between 50 and 100 acres of employment land redevelop between 2015 to 2035. Land located in urban renewal areas is more likely to redevelop than land outside of urban renewal areas because of the infrastructure improvements and redevelopment tools available in the urban renewal districts. Redevelopment could help address the deficit of commercial land.

Salem's Site Needs for Target Industries

Salem's economic development vision and goals envision growth of traded-sector target industries, mostly in manufacturing industries. One of the key factors that businesses consider when making decisions about where to locate is the availability of sites that meet the needs of their business. The following is a summary of the characteristics of sites needed by Salem's target industries in manufacturing.



- **Site size.** Site size is important to general industrial users because the site needs to be large enough to accommodate the needed built space, storage space, parking, on-site circulation, transportation access and circulation, and must provide space for future expansion. Business Oregon finds that competitively sized general manufacturing firms have sites 10 acres in size (High-tech or campus industrial manufacturing have 25 acres.)
- **Land ownership.** Businesses in Salem's target industries need sites with two or fewer owners to reduce the cost and uncertainty of land assembly that can make developing an industrial site with multiple land owners financially infeasible.
- **Automotive access.** Manufacturing buildings are generally located on arterial or major collector streets. Business Oregon finds that manufacturing and industrial firms need to be located relatively close to an interstate highway or principle arterial road. Traffic from the industrial development should not be routed through residential neighborhoods.
- **Topography.** Industrial buildings require flat sites to reduce costs and offer maximum flexibility. Business Oregon finds that competitive sites for high tech manufacturing and campus industrial generally have a slope of 5% or less.
- **Access to services.** Industrial buildings require access to municipal water, municipal sanitary sewer, and electricity/gas. Developing a site with direct access to municipal services is substantially more cost-effective than extending municipal services to an unserved site. Business Oregon finds that competitive sites must have access to urban services, including water, wastewater, natural gas, electricity, and major telecommunications facilities.
- **Surrounding land uses.** Industrial uses are generally compatible with other industrial uses, commercial uses, agricultural uses, and some public uses. Noise or odor conflicts may make some industrial uses incompatible with nearby residential uses.

High Value Industrial Land

High value industrial land has unique characteristics, making it highly desirable for manufacturing and other traded-sector employment. High value industrial land has the following characteristics: it is designated for industrial uses, it is in flat parcels (most frequently in large parcels at least 10 acres in size), is located within surrounding compatible industrial and other uses, has direct access to a state highway or I-5, and is serviced or planned to be serviced with water and wastewater infrastructure. Table 1 presents a list of high-value industrial sites in Salem, including their key characteristics and why it is important to preserve these sites for industrial uses.

Table 1. High value industrial land, Salem portion of the UGB, 2014

Site Name	Key Characteristics	Why it is Important to Preserve for Industrial Uses
Mill Creek Corporate Center	<p>Mill Creek has about 488 acres of relatively flat vacant land available for development. About 136 acres of this area is serviced and development ready.</p> <p>The City expects the majority of land in the Mill Creek Corporate Center to be development ready over the planning period as upgrades to public infrastructure is completed.</p> <p>The Mill Creek Corporate Center is within two miles of I-5 and adjacent to Highway 22, providing excellent transportation access.</p> <p>It is owned by the State of Oregon, who is interested in seeing development happen there.</p>	<p>The Mill Creek Corporate Center accounts for about one-third of vacant suitable industrial land in Salem.</p> <p>The City of Salem and the State of Oregon have invested millions in infrastructure and wetland mitigation, with the expectation that the area will develop for traded-sector uses.</p>
Salem Renewable Energy and Technology Center	<p>This property has about 48 total acres; 40 of which are certified development ready. It is adjacent to Highway 22 and near Interstate 5. The property is zoned Industrial Business Campus for manufacturing uses. It is owned by the City of Salem.</p>	<p>There are a broad range of sites available adjacent to Panasonic and a PGE substation, with easy access to critical transportation routes.</p>
North Gateway Urban Renewal Area and North Salem	<p>This area has about 140 acres of relatively flat vacant or partially-vacant land. There are a variety of zones and uses throughout the area. It is near a significant transportation route to Portland and features a long-term concentration of industrial and manufacturing businesses.</p>	<p>This area has transportation access and a significant cluster of manufacturing and industrial uses.</p>
McGilchrist Urban Renewal Area	<p>This area is comprised of about 40 acres of relatively flat vacant land. This area has a long term concentration of industrial and manufacturing uses.</p>	<p>This area is the site of future URA and transportation investments and has a concentration of industrial businesses.</p>
Fairview Urban Renewal Area	<p>The Fairview Urban Renewal Area consists of 390 acres of mixed industrial properties, with a range of vacant lots available. There is quick access to Highway 22 and the Salem Airport.</p>	<p>Millions were invested in public infrastructure and wetland mitigation in this area. There is a significant concentration of a broad range of industrial businesses.</p>
West Salem Urban Renewal Area	<p>This area has a variety of lot sizes, zones, and uses, access to Highway 22 and Wallace Road, and a concentration of long term industrial employers.</p>	<p>There is a concentration of long term industrial employers and accessibility in this area.</p>
North Downtown Area	<p>The North Downtown has a variety of lot sizes, zones, and uses, access to downtown Salem, and a concentration of long term industrial employers.</p>	<p>There is a concentration of long term industrial employers in this area.</p>
Salem Airport	<p>The Salem Airport has 80 acres of unconstrained vacant or partially vacant land. It is a cargo, business, aviation technology, and personal airplane node. There is quick transportation access to Interstate 5 and Highway 22 and a concentration of industrial employers.</p>	<p>The airport is a cargo, business, and personal airplane node that generates hundreds of millions in economic benefits for the region. Federal, State, and City investments in infrastructure will continue to support a range of transportation options in the area and support area businesses.</p>

Policy Changes and Implementations

The Economic Opportunities Analysis concluded that Salem has a deficit of 271 acres of land designated for commercial uses. Salem has more industrial land than is expected to develop over the 2015 to 2035 period. Much of that industrial land is high value industrial land where the City has made substantial investments in infrastructure. The following are recommendations from the Advisory Committee for revisions to Salem's Comprehensive Plan policies and Implementation Strategies to address these issues.

Salem's deficit of commercial land will require a variety of approaches to resolve.

Some commercial land need may be addressed through targeted conversion of industrial land that is not well-suited for future industrial uses. Commercial land need may also be addressed through rezoning land in residential areas to create appropriately scaled neighborhood shopping areas. Redevelopment will play an important role in addressing the commercial land deficit.

Salem's industrial land base is unique within the Willamette Valley.

Few cities in Oregon have an industrial land base with the employment potential of Salem's industrial land.

Commercial Implementation Strategies

Addressing Salem's deficit of land for commercial uses will require increasing land available for commercial development.

Implementation Measure 1.1: Identify targeted areas for potential conversion to commercial uses, such as office uses, businesses that need flex space, and other types of employment with wages near-to or higher than the State's average wage. The areas targeted for conversion should be ones where commercial uses are impinging on industrial activity and areas that are less well-suited for future industrial uses. These changes should be implemented to allow continuation of existing industrial uses.

Implementation Measure 1.2: Establish one or more neighborhood or convenience shopping and service centers in West Salem, to provide retail and other services to people living in West Salem.

Implementation Measure 1.3: Establish one or more neighborhood or convenience shopping and service centers in residential areas, especially in developing residential areas.

Implementation Measure 1.4: Make the mixed-use zone and overlays simpler and easier to use, possibly reducing the number of mixed-use zones or overlays and making the design standards simpler and more consistent across mixed-use areas.

Industrial Implementation Strategies and Revised Goals

These strategies and goals will help the City manage the base of high value industrial land. The Advisory Committee recommends that the City make changes to the City's existing Comprehensive Planning policies for management of the City's industrial land.

Revised Policy 1: Industrial Land Inventory. Maintain a long-term (20 year) industrial land inventory that provides a full range of small, medium, and large parcel sizes and locations to sustain a competitive market

EMPLOYMENT LAND POLICY CHANGES, IMPLEMENTATION STRATEGIES

for industrial sites. Maintaining a long-term supply of industrial land will require identifying and preserving key high value industrial land, especially areas where the City has made substantial investments in infrastructure. High value industrial land has the following characteristics: it is designated for industrial uses, is in flat parcels, is most frequently in large parcels at least 10 acres in size, is located within an industrial district, has direct access to a state highway or I-5, and is serviced or has plans to be serviced with water and wastewater infrastructure.

New Policy: Industrial Land Inventory. Identify areas that may be appropriate for converting from industrial to commercial or other non-industrial uses over the long-term. The characteristics of industrial land that may be appropriate for conversion to commercial or other non-industrial uses include some or all of the following: (1) located outside of industrial areas or isolated from other industrial uses; (2) surrounded by incompatible uses (such as housing); (3) located adjacent to properties that have converted to commercial uses; (4) have limited or no access to major roads (such as arterial streets, collector streets, or highways); or (5) lacks rail access.

New Policy: Short-term industrial land supply. Ensure a sufficient short-term supply of serviced industrial land that is suitable for construction within one year of application for a building permit or request for service extension.

New Policy: Industrial Land Inventory. Monitor and report on the supply of industrial land and conversions to commercial uses on an annual basis, to ensure a long-term and short-term supply of industrial land.

Several of the Implementation Strategies for managing industrial land in Salem echo the suggested changes to Salem's Industrial land policies (and are not presented in this document).

Implementation Measure 2.1: Identify industrial areas to preserve for large-scale industrial uses such as (but not exclusive to) the target industries. These areas may be in single large parcels or a collection of mid-sized adjacent parcels, preferably with two or fewer owners.

Economic Development Policies

The Advisory Committee recommends revisions to existing Economic Development Policy 3, which provides a list of actions that the City should take to promote economic development. City staff should incorporate these and other appropriate actions into a strategic plan for economic development.

Revised Policy 3: Economic Development Functions. The Community Development and Urban Development Departments should work together to develop an economic development strategic plan. The plan should list strategies and actions that the City will take over the next one to five years to implement the City's economic development vision. Each action will identify the lead entity responsible for the action, the resources necessary for the action, and a target timeline for the action.

Salem should identify key industrial areas for long-term preservation where public infrastructure investments have been made or are planned.

High value industrial land in Urban Renewal Areas, such as McGilchrist, Fairview, and North Gateway, are the types of areas that Salem should preserve for future industrial uses.

Salem should develop an economic development strategic plan that identifies specific actions, including resources and a schedule to implement the actions.

Acknowledgments

ECONorthwest and the City of Salem thank the many people who helped develop the Salem Housing Needs Analysis and Economic Opportunities Analysis.

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ECONorthwest gratefully acknowledges the substantial assistance provided by staff at the City of Salem. Many other agencies and staff contributed to other research that this report relied on. For more information about this report, please contact:

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Proposed public benefits, including economic feasibility studies and market studies. Exhibit F

IMPROVEMENTS DESCRIPTION

The subject property is an existing mixed use building containing 5,800 SF, with a proposed renovation and expansion that will add 2,296 SF, for a total of 8,096 SF of gross building area. The expansion will include 1,068 SF of common area, for a total of 7,028 SF of net rentable area. The existing improvements were built in 1867 and are situated on a 4,290 SF site (0.10 acres).

The proposed improvements include a ground floor commercial space that will be occupied by the owner and a third-party tenant currently occupies the majority of the ground floor. The 2nd floor currently contains an apartment unit and the proposed renovation includes adding a second apartment unit to the second floor and a third apartment unit on the third floor.

GENERAL DESCRIPTION OVERVIEW

231- 233 Commercial Street Northeast Salem, Oregon 97301

7,028 square feet 8,096 square feet 1.89

The property is assumed to be fully ADA compliant.

CONSTRUCTION DETAIL

The subject is a two-story mixed use commercial building with ground floor commercial space and upper floor apartment.

Heavy timber

Masonry and wood frame

Wood frame

Painted brick and concrete block with some stucco Flat/sloped

Built-up roofing system

Single-pane, wood

Metel

CONSTRUCTION COST DETAIL

Expenditures for the proposed construction and various capital items considered to be necessary are identified in the following table. To estimate the amounts of these expenditures, we rely on the construction cost breakdown prepared by Andy Medcalf Company. The total budget for the project is \$1,663,800.

It is noted that the current owner extensively renovated the subject in 2014 and the proposed construction consists of both additional renovation and new construction, which consists of adding two new apartment units. While the subject is an older historic building, with the prior renovations and the current proposed renovations and new construction, the subject will have an effective age that is similar to recent and new construction.

HIGHEST AND BEST USE INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

HIGHEST AND BEST USE AS VACANT LEGALLY PERMISSIBLE

The site is zoned CB, Central Business District. Permitted uses include 0. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. Given prevailing land use patterns in the area, only commercial development is given further consideration in determining highest and best use of the site, as though vacant.

PHYSICALLY POSSIBLE

The subject site contains 4,290 square feet or 0.10 acres of Central Business District zoned land. The subject is located along the west side of Commercial Street NE in downtown Salem. The site is rectangular in shape, level and has average access to local and regional thoroughfares. The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

FINANCIALLY FEASIBLE

During the last five years, development has been a fairly even mixture of commercial uses, including multifamily, industrial, office and retail uses.

MAXIMALLY PRODUCTIVE

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than commercial development. Accordingly, it is our opinion that commercial development, developed to the normal market density level permitted by zoning, is the maximally productive use of the property.

CONCLUSION

The ideal improvement is a new mixed-use development, with a combination of commercial space and residential units, that conforms to zoning and market standards.

HIGHEST AND BEST USE AS IMPROVED

The subject site is developed with a mixed-use building, which is generally consistent with the highest and best use of the site as if it were vacant. For the property as improved to be maximally productive, the improvement should closely match the ideal improvement, or alternatives should be considered, such as

Renovation: The subject will be in good condition upon completion of the proposed renovations/expansion and appears to have been well-maintained over the years. Further renovation beyond that which is already proposed is not warranted.

Conversion: Conversion to another use is not warranted as the subject is functional for similar mixed uses.

Expansion: The subject is proposed for expansion including a third level, as well as additional space on the main level. Further expansion is not likely as the improvements cover the entire site.

Demolition: Demolition is not warranted. The existing improvements are currently leased and produce a significant cash flow that we expect will continue. Therefore, a continuation of this use is concluded to be financially feasible.

Based on our analysis, there does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the proposed use, and the value of the existing improved property exceeds that value of the site, as if vacant. For these reasons, continued and proposed mixed-use is concluded to be maximally productive and the highest and best use of the property as improved.

Feasibility

The subject's proposed costs, which consists of both renovation and new construction costs, are slightly higher than the prospective value upon completion and stabilization. Typically, construction costs are deducted from the stabilized value in order to arrive at an "as is" value. In this case, that method implies a negative value to the current site and improvements, when in actuality the improvements contribute significant value to the site. While the costs are higher than the upon completion and stabilized value, this suggests that the proposed renovation and new construction may not be feasible from an overall market standpoint. However, for this particular owner, who intends to partially owner-occupy some space, the feasibility may not apply as the profit incentive is different from a typical developer. Additionally, the owner is reportedly receiving some grant funds from the City of Salem.

MOST PROBABLE BUYER

Taking into account the size and characteristics of the subject property and its partial-owner occupancy, the likely buyer is a partial owner user or an investor

POPULATION

The Salem MSA is estimated to have a population of 438,980 in 2020. Between 2010 and 2020 its population increased by an average of 1.1% per year. Oregon grew at a rate of 1.2% per year during the same time period. The Salem MSA added an average of 4,661 residents per year. Looking forward, the Salem MSA's population is projected to increase by 5,133 people per year between 2020 and 2025, or 1.2%. Oregon's is projected to increase at a rate of 1.1% per year during this time period. ar over the 2010-2020 period.