



Salem Housing Production Strategy

Joint City Council and
Planning Commission Work Session

June 17, 2024



- Provide an overview of Housing Production Strategy (HPS) project
- Discuss Salem's unmet housing needs
 - ◆ Data analysis and community input
- Discuss factors influencing the feasibility of housing development
- Ask for your input on confirmation about our understanding of housing needs and the potential actions under consideration for the HPS



Examples

- **Surplus land** for cottages serving low-income seniors
- **System development charge waivers** for affordable housing & accessory dwelling units (ADUs)
- **Our Salem project** rezoned land to allow more multifamily and mixed-use development
- **Safety and Livability Bond** provides funding for affordable housing
- **Tax exemptions** for multi-unit projects
- **Salem Housing Authority** projects
- And much more...



Housing Project Examples: Redwood Crossings, Salem Housing Authority; Cottage Clusters, United Way of Mid-Willamette Valley



What is a Housing Production Strategy?

8-Year Action Plan: How will the City promote housing development?

- What are Salem's unmet housing needs?
- What are the barriers to developing housing that is affordable to Salem's residents?
- What policies are needed to encourage housing that meets Salem's needs?
 - ◆ Financial incentives and funding strategies
 - ◆ Regulatory changes
 - ◆ Partnerships and land acquisitions/surplus
 - ◆ Other creative strategies

How is this different than a Housing Needs Analysis?

Housing Needs Analysis

- Buildable lands inventory
- Housing market
- Demographics & socioeconomic characteristics
- Housing affordability
- Forecast of new housing
- Assessment of land sufficiency

Salem's Housing Needs Analysis (HNA) Findings in 2014

- **Result:** Enough land for housing but need to allow more multifamily housing
- **Actions:** Allow more housing options, streamline approval process, eliminate parking requirements, rezone land, and more
- **Adoption:** Adopted with Our Salem project in 2022

How is this different than a Housing Needs Analysis?

Housing Needs Analysis

- Buildable lands inventory
 - Housing market
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 - Housing affordability
 - Forecast of new housing
 - Assessment of land sufficiency
- Salem will next complete an HNA in 2030

Housing Production Strategy

New State requirement: HB 2003 (2019)

- Refined understanding of housing need
- Evaluation of gaps in existing policies
- Identification of potential strategies
- Evaluation of new strategies
- Assessment of whether the strategies help achieve fair and equitable outcomes

Salem's Housing Production Strategy Schedule

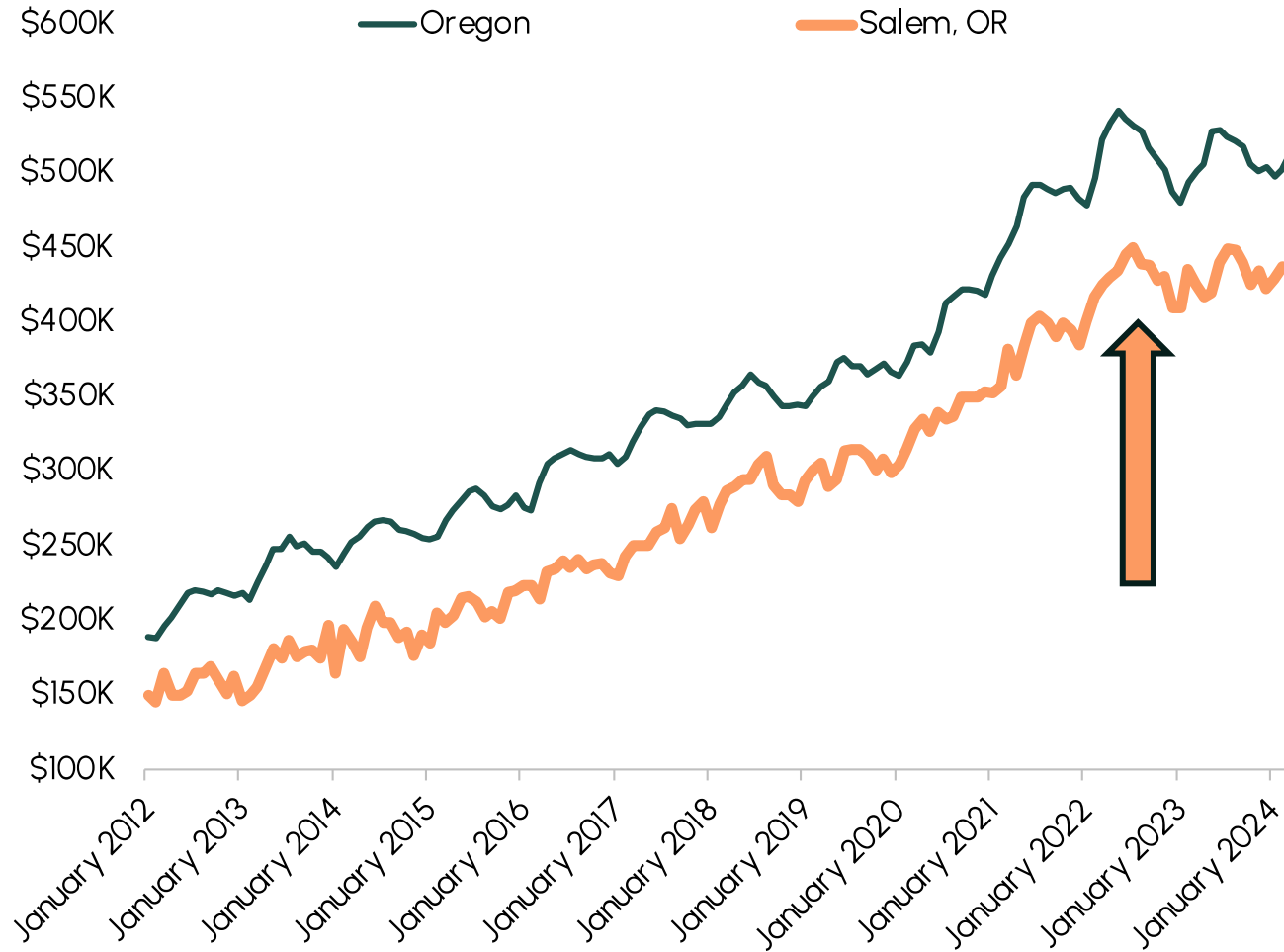




Salem's Unmet Housing Needs

Housing Prices are Increasing Faster than Incomes

Median Sale Price of Single-Family Homes



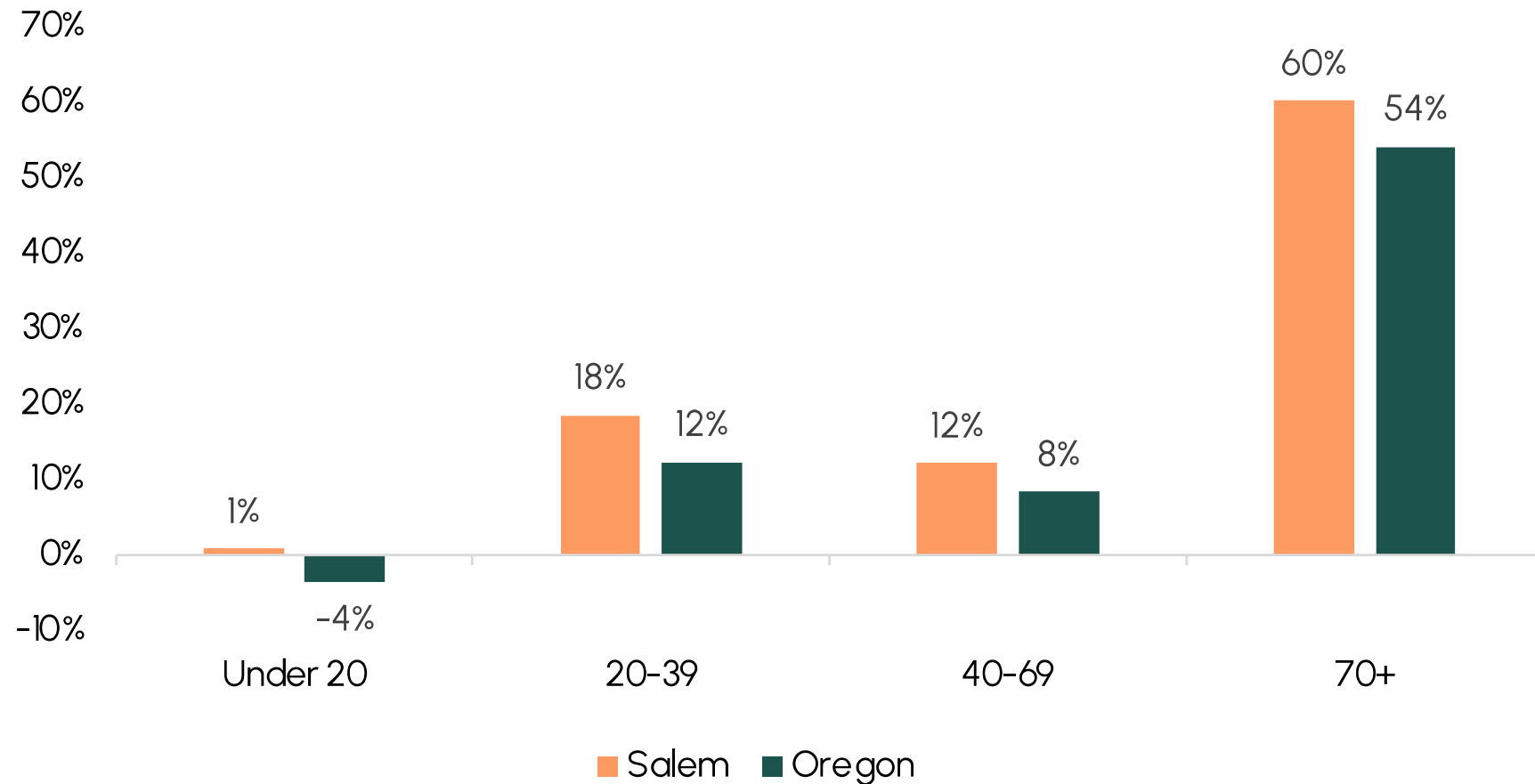
Between 2012 and 2022

- Household income increased by 51%
- Rent increased by 68%
- Home sales prices increased by 173%

Salem's Housing Needs are Changing

Salem's population is aging overall

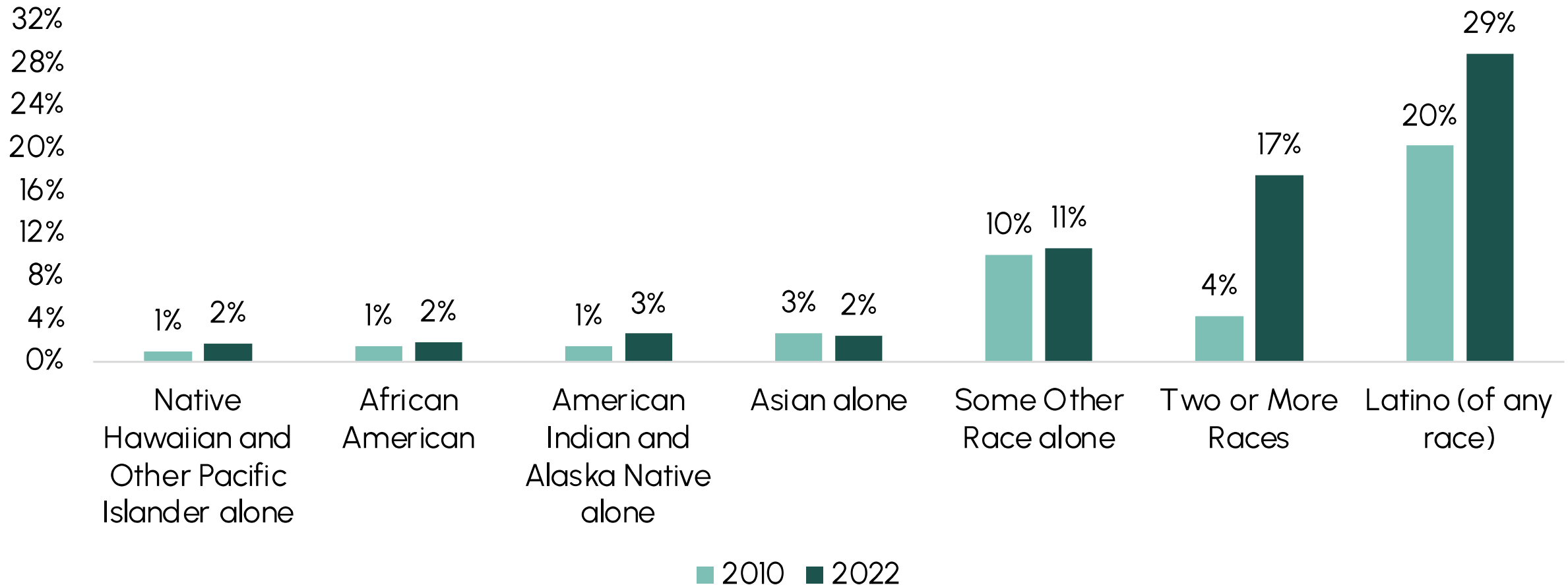
Age group change from 2010 to 2022



Salem's Housing Needs are Changing

Salem's is becoming more diverse

Share of population by race and ethnicity for People of Color











Financially Attainable Housing in Salem

If your household earns...

\$30,000 30% of AMI	\$53,400 60% of AMI	\$66,950 80% of AMI	\$89,000 100% of AMI	\$106,800 120% of AMI
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Then you can afford...

\$750 monthly rent OR \$75,000– \$90,000 home sales price	\$1,340 monthly rent OR \$134,000– \$160,000 home sales price	\$1,670 monthly rent OR \$167,000– \$201,000 home sales price	\$2,230 monthly rent OR \$223,000– \$267,000 home sales price	\$2,670 monthly rent OR \$320,000– \$374,000 home sales price
 Truck and Tractor Drivers \$46,450	 Dental Assistant \$54,780	 Counselor \$68,530	 Elementary Teacher \$80,950	 Architect \$92,990
 Fast Food Worker \$32,620	 Registered Nurse \$107,100	 Lawyer \$145,370		

Median Home Sale Price:
\$429,000

Requires \$223,000 income or 160% of AMI

Increasing mortgage loan rates will require higher income levels

Average Monthly Rent:
\$1,680

(Rent & utilities)

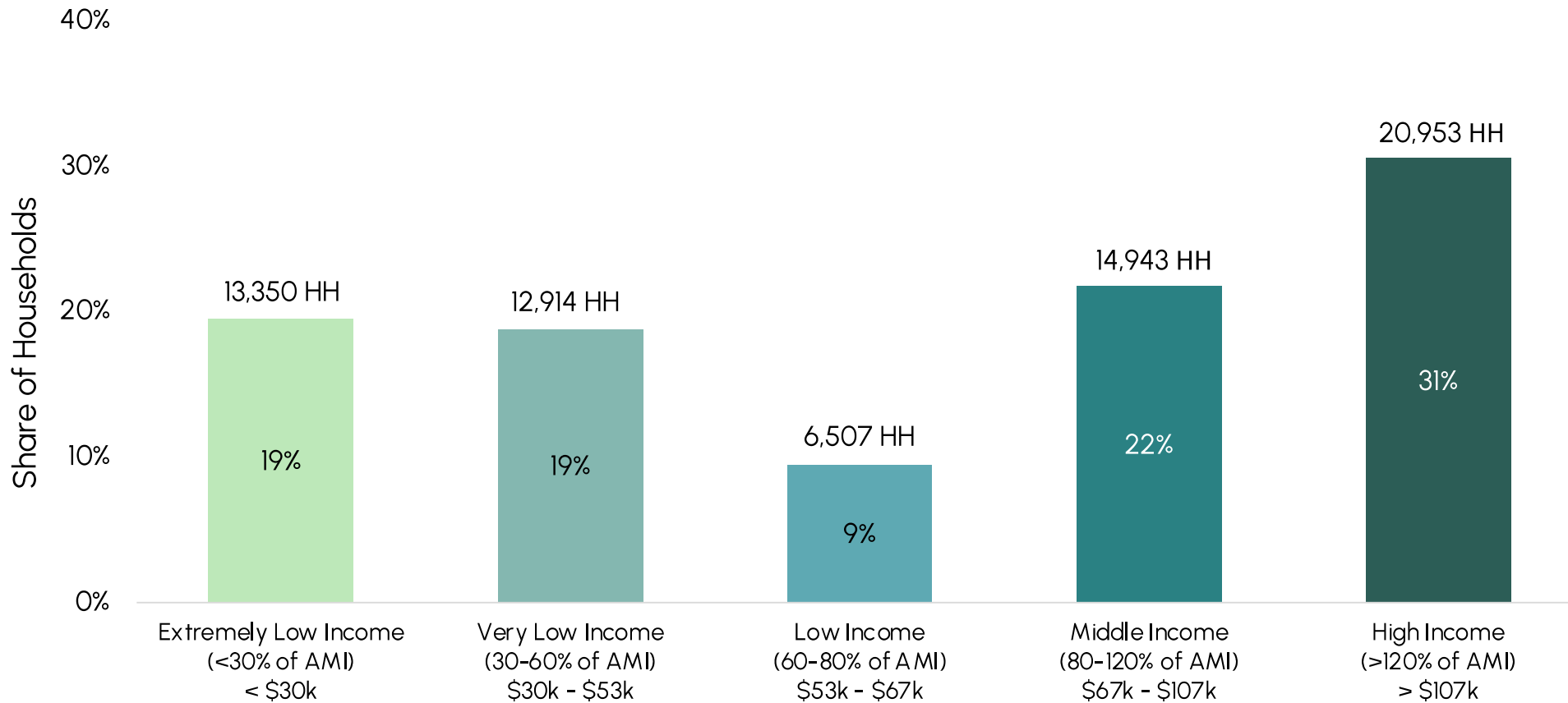
Average rental housing costs requires about 80% of AMI to afford

Average monthly rent is for 2-bedroom units.
Data Sources: Redfin, CoStar

Wide Range of Incomes in Salem

Income Distribution

Income Level by Household in Salem

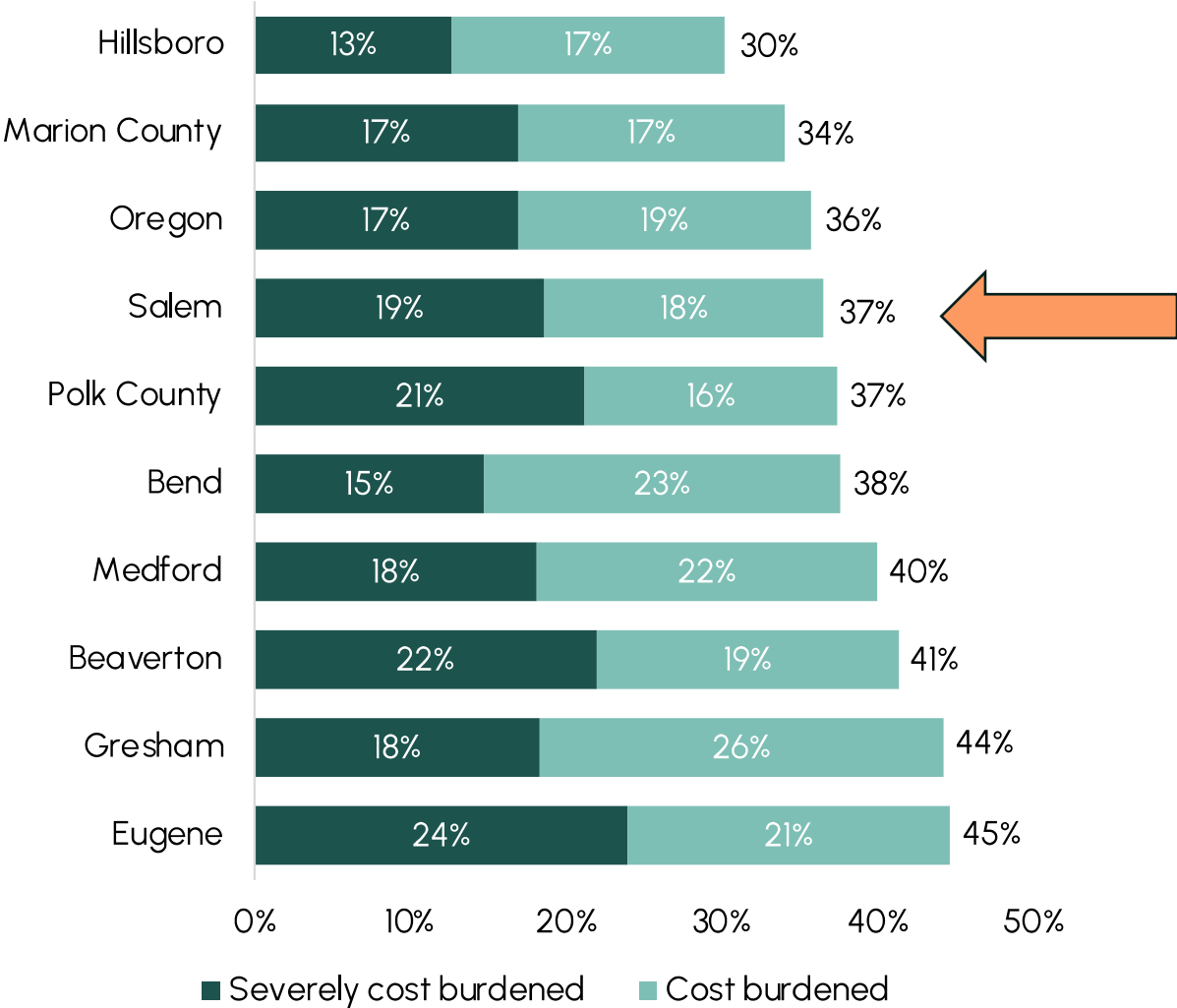


This chart is based on the HUD AMI for Salem and the ACS household income distribution for Salem.

Source: US Department of Housing and Urban Development, Marion County, 2024 and U.S. Census Bureau ACS 1-year estimate 2022, Table B19001

Many in Salem are Cost Burdened

Cost Burdened Households in Salem (for renters and owners)



Cost burdened: spending more than 30% of income on housing costs

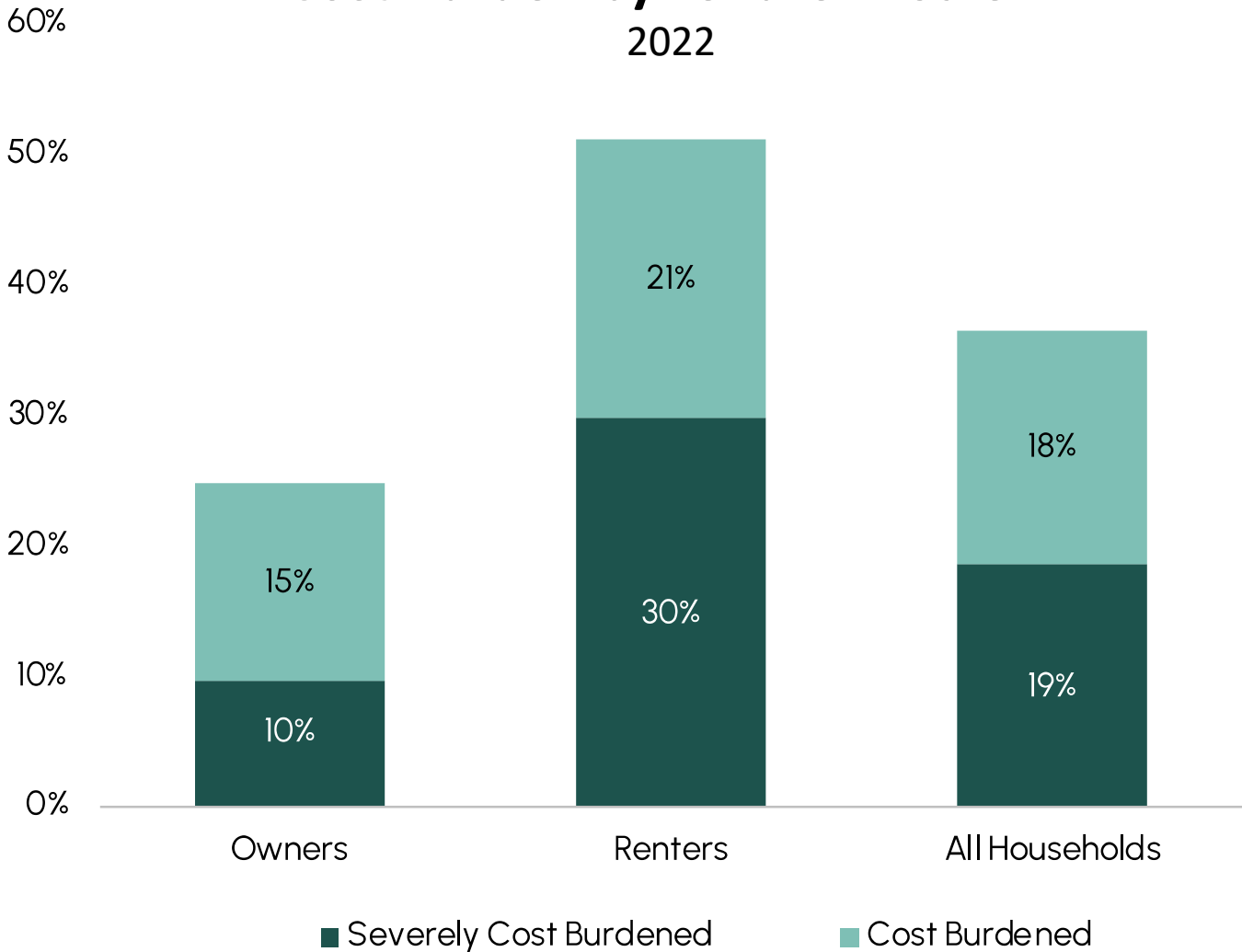
Severely cost burdened: spending more than 50% of income on housing costs

Source: US Census Bureau, 2022 ACS tables B25091 and B25070.

More Renters are Cost Burdened

Cost Burden by Tenure in Salem

2022



About **51%** of Salem's renters were cost burdened or severely cost burdened (15,370 households), compared to 25% of homeowners (9,297 households)

Source: US Census Bureau, 2022 ACS tables B25091 and B25070.

Groups typically with Unmet Housing Needs

- People experiencing homelessness:
 - ◆ Temporarily or chronically
 - ◆ Alone or with children
- Racial or ethnic groups
- People over 65 years old
- People with disabilities



Micro shelter example, City of Salem



Public Engagement about Unmet Housing Needs

Prior Engagement

- Housing code amendments (multifamily design, accessory dwelling units, etc.)
- Our Salem project

Recent Engagement

- Focus groups with organizations
- Community group meetings/events
- Surveys
- Public webinar
- Market study developer interviews



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Recent Engagement

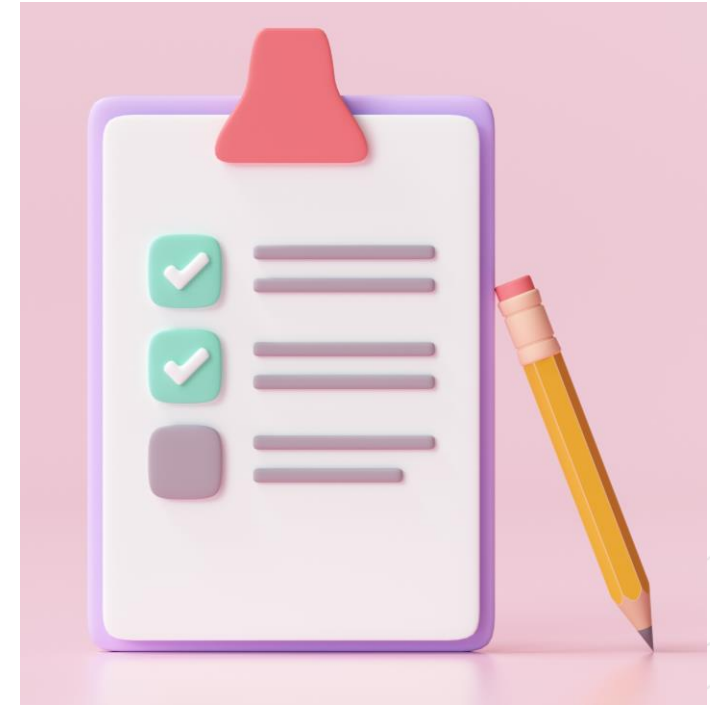
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Future Engagement

- Summer 2024: Meetings with community groups and Equity Roundtable
- Fall 2024: Focus groups with market-rate and affordable housing developers
- Fall 2024: Planning Commissioner and City Councilor meetings
- Spring 2025: Public Webinar

How we have engaged this spring

- **Community survey** in four languages (539 responses)
- **Virtual focus groups** with organizations serving traditionally underserved communities
- **In-person events** with traditionally underserved communities
 - ◆ Communities of color
 - ◆ Youth
- **Meetings** with neighborhood land use chairs, community groups, and others



What have we heard from engagement this spring?

Most important needs identified in the community

- Affordable options for all income levels
- Bridging gaps between landlords and tenants
- Ensure quality and support maintenance of existing housing
- Broader variety of housing types to meet diverse needs
 - ◆ Multigenerational housing
 - ◆ Single-level (and ground floor)
 - ◆ More accessible units (beyond ADA)



Top factors rated mostly “very important” when choosing housing (with more than two-thirds of the respondents):

1. Affordability – 78%
2. Physical condition of the building – 72%
3. Type of housing (single family home, apartment, etc.) – 66%

Challenges finding housing: There were four challenges that more than 20% of respondents had experienced.

1. Finding a home I can afford to buy – 46%
2. Finding a home I can afford to rent – 35%
3. Finding a home in good condition – 33%
4. Staying in my home when rents are increasing – 22%

- Presentation and question and answer about the HPS, with some of the same information as presented today
 - ◆ Held on June 11, 2024
 - ◆ About 30 Attendees
- The webinar asked participants some of the questions as in the public survey
 - ◆ Responses from participants were largely consistent with the public survey results
- Answered participants' questions

Link to the webinar recording:

<https://www.youtube.com/watch?v=UIMQO6Y9ZbI>



Identifying Actions for the Housing Production Strategy

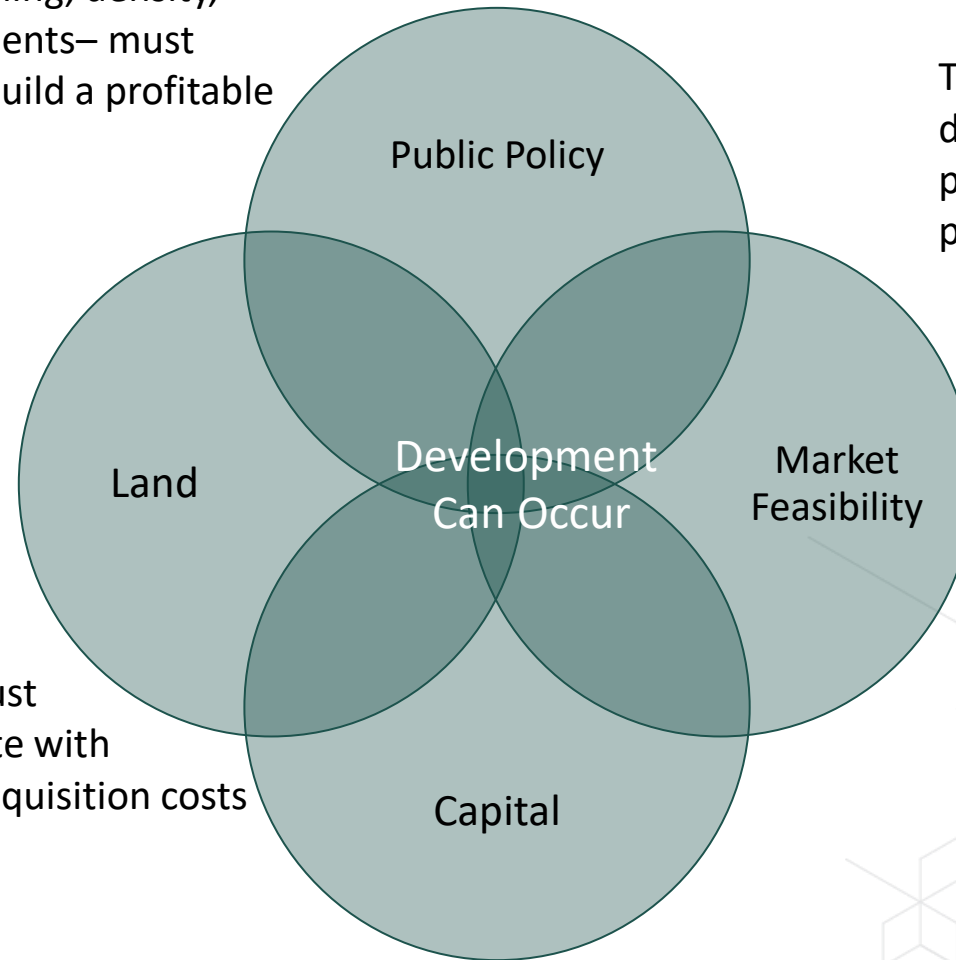
What is a City's Role Housing Development?

Cities can directly influence public policy, land, and infrastructure

Cities may have limited influence on market feasibility

Policy—including zoning, density, and design requirements— must allow developer to build a profitable project.

There must be sufficient demand (rents, sales prices) to support a profitable project



Developer must control the site with reasonable acquisition costs

Developer must be able to access resources for investment (e.g., equity investment, bank loans)

What Goes into Making Rental Housing Development “Pencil”?



Development Costs



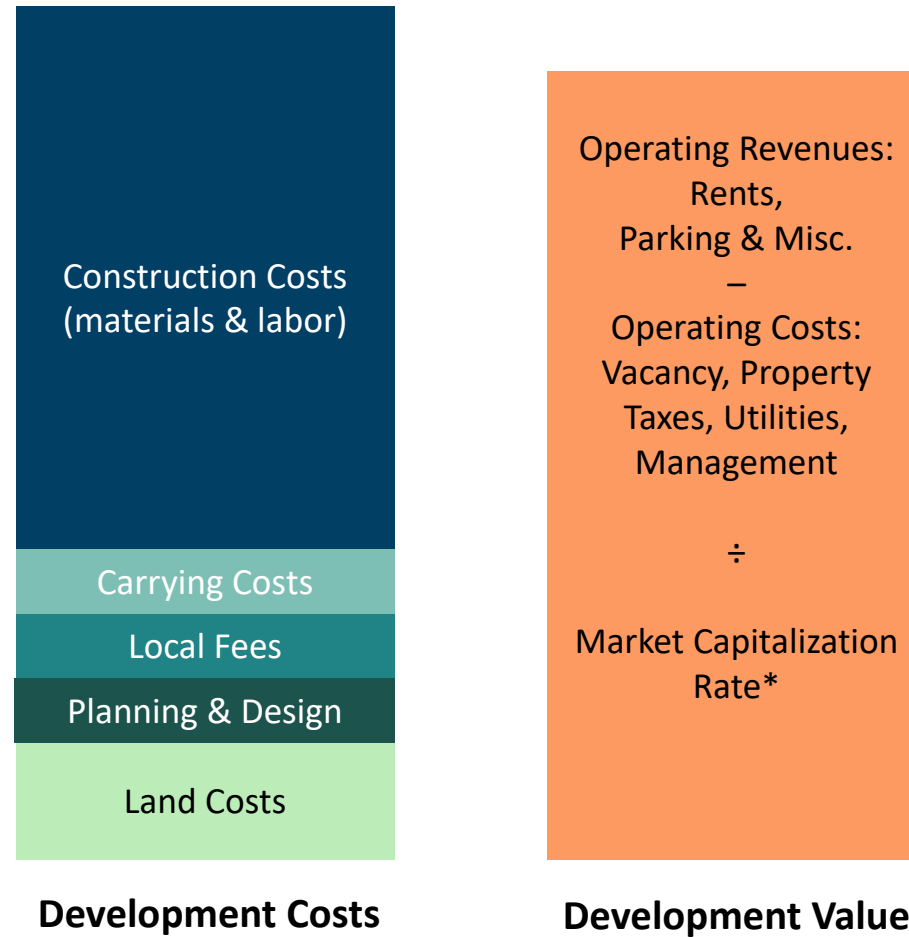
Development Value

Expected value
must exceed
expected costs

Note: Drawn for illustrative purposes only, not to scale.

**Capitalization rate = relationship between the revenue of an income-generating property and its sale price. Higher cap rates mean properties are worth less at the same revenues.*

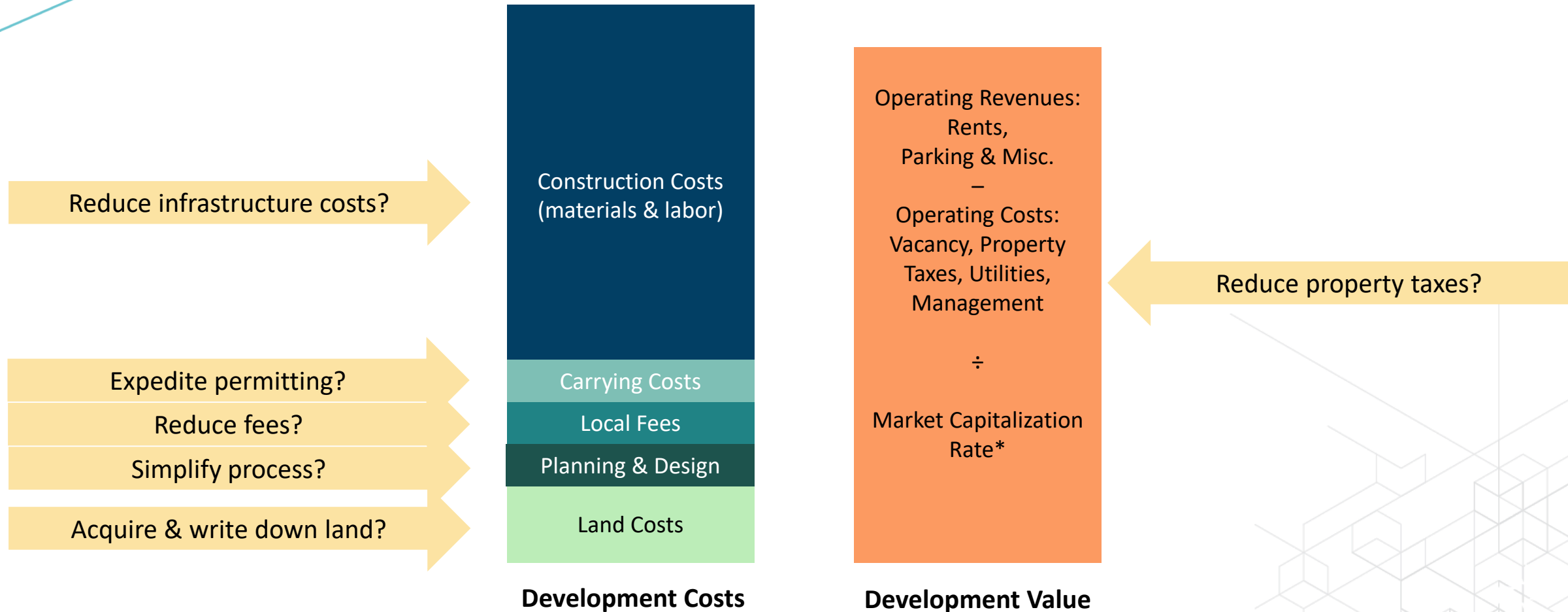
Example: Market Rents Too Low to Support New Construction



Note: Drawn for illustrative purposes only, not to scale.

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How to “Move the Needle”?



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What Goes into Operating Revenues and Costs?

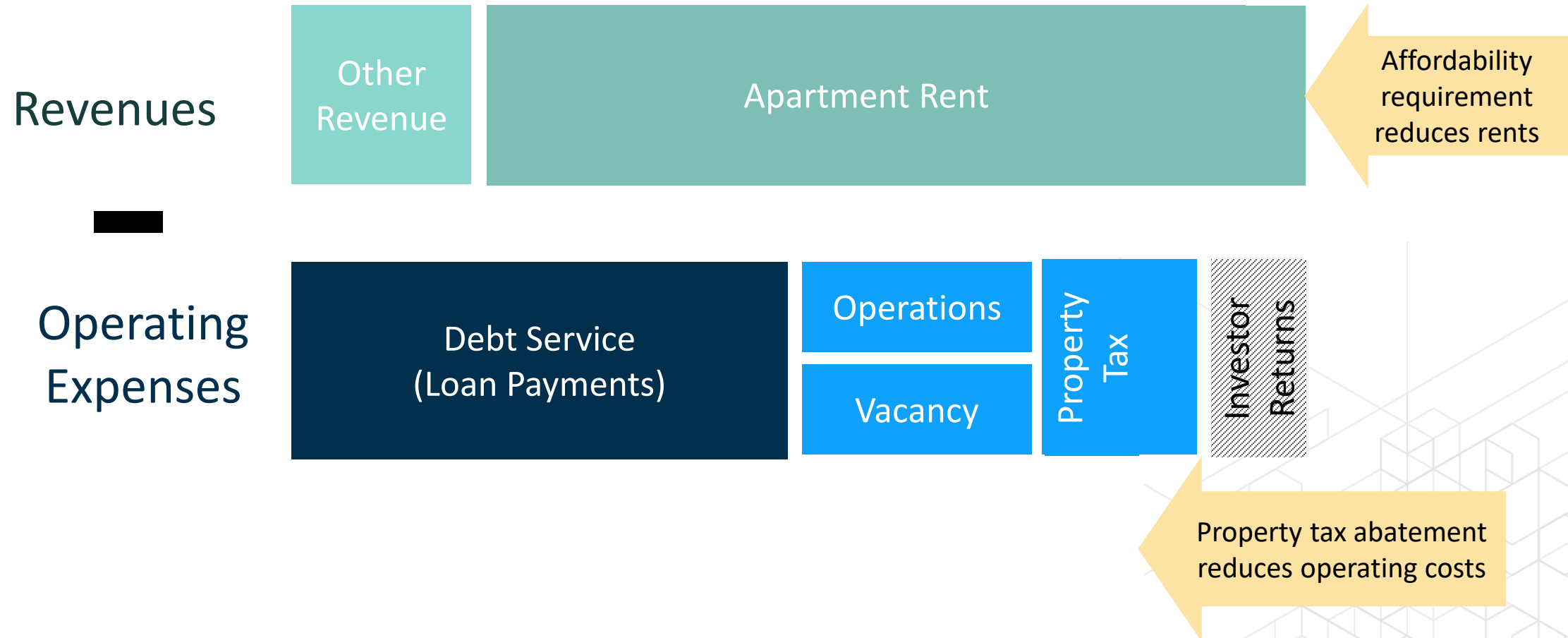
Revenues



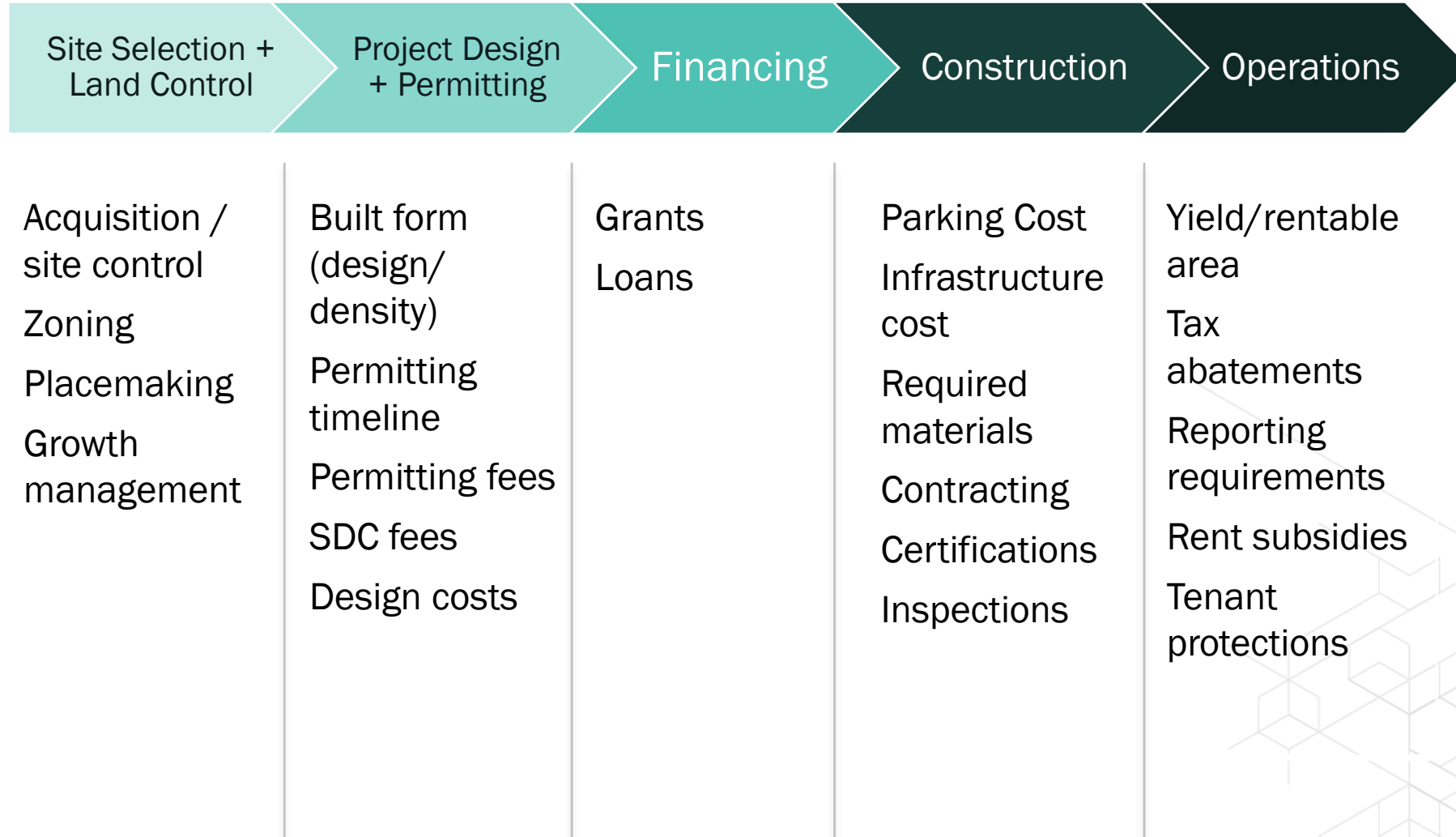
Operating Expenses



Balancing Affordability Requirements and Tax Abatements



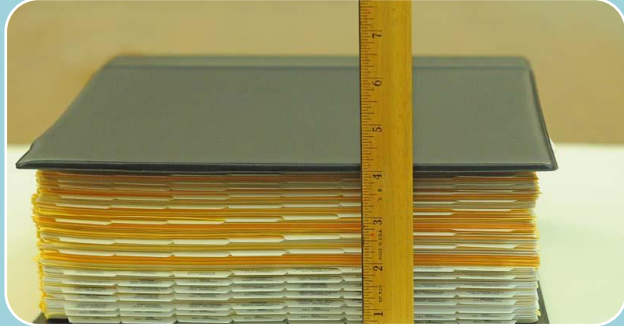
Local Policy Levers by Stage of Development



State Requirements for Strategies

- For strategies identified in the final HPS, the City of Salem will:
 - ◆ Commit to implementation
 - ◆ Be required to report to DLCDC on implementation progress, and be required to comment on its effectiveness in the future
- Strategies not identified in the HPS may still be implemented by the City, but the City will not be held to specific action by the State.
- State is in the process of establishing the Housing Accountability and Production Office
 - ◆ Ensure implementation of Goal 10 and coordination with state agencies
 - ◆ Provide assistance to cities to support housing development, such as model codes or ready-build plans

Strategies: Different Types of Policy Levers



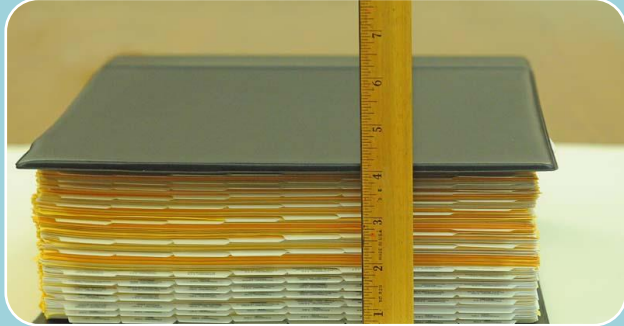
Regulatory



Financial

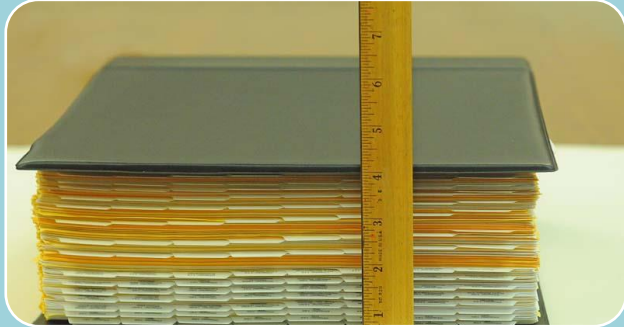


Land



Regulatory

- Create new zoning incentives or reduce permitting barriers to developing housing
- **Existing examples**
 - Allow multifamily housing in more areas
 - Reduce design requirements for multifamily housing



Regulatory

- Create new zoning incentives or reduce permitting barriers to developing housing
- **New ideas**
 - Expand ready-build program to include middle housing and more ADU designs
 - Incentivize housing to include accessible units
 - Revise regulations to promote middle housing



Financial

- Create financial incentives or program to support development
- **Existing examples**
 - Provide tax abatements for housing (*Multi-Unit Housing Tax Incentive Program and Nonprofit-owned Affordable Housing Properties*)
 - Exempt affordable housing and ADUs from system development charges
 - Provide federal funding for affordable housing



Financial

- Create financial incentives or program to support development
- **New ideas**
 - Create new urban renewal areas (*North Waterfront and middle housing-focused URAs*)
 - Explore vertical housing tax abatement or construction excise tax
 - Revise system development charges to promote middle housing or other housing types



Land

- Secure land for the development of housing
- **Existing examples**
 - Purchase vacant or underutilized land and facilitate redevelopment into housing
 - Provide surplus land for affordable housing development



Land

- Secure land for the development of housing
- **New ideas**
 - Support community land trusts (*also financial strategy*)

- **Education and advocacy**
 - Raise awareness of existing housing incentives and regulatory options
 - Advocate for manufactured home park preservation
 - Advocate and plan for State infrastructure funding
- **Collaboration and partnerships**
 - Convene housing forums
- **What else?**

Questions for the Planning Commission and City Council

- Do you have input on the ideas for actions for consideration in the HPS?
- Are there actions we have not mentioned that you would like to ensure are considered?
- Are there actions that we mentioned that you think should not be under consideration?

- Continue analysis of potential development and redevelopment in mixed use areas
- Develop list of actions for inclusion in the Housing Production Strategy
 - ◆ Develop and evaluate actions for potential inclusion in the HPS
 - ◆ Work with stakeholders to vet and refine potential actions
 - ◆ Engage with Planning Commission and City Council to provide feedback on actions (Fall 2024 and Winter 2025)
 - ◆ Evaluate potential strategies to see if they achieve fair and equitable housing outcomes
 - ◆ Adopt Housing Production Strategy (June 2025)





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