



Northwest

West Salem Industrial Redevelopment



Technical Assistance Panel Report, July 2022

Acknowledgments

ULI Northwest appreciates the opportunity to conduct this study for the city of Salem. In particular, ULI would like to thank Tory Banford, city of Salem Urban Development Department, for his leadership, assistance, and support of the information gathering critical to the success of this study. The panel would also like to thank the city's elected leadership, the Salem planning staff, and the property owners and community leaders who shared their perspectives, experiences, and insights with the panel.

Cover Photo:
West Salem with the study area at top center. Photo courtesy of the city of Salem.

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The Urban Land Institute

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Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific region, with members in 81 countries. ULI's extraordinary impact on land use decision-making is based on its members' sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

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More information is available at <https://uli.org>.

ULI Northwest

ULI's mission is to shape the future of the built environment for transformative impact in communities worldwide. ULI Northwest carries forth that mission by serving the Pacific Northwest region, in both public and private sectors, with pragmatic land use expertise and education.

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An additional national offering is the project analysis session (PAS) offered at ULI's Fall and Spring Meetings, through which specific land use challenges are evaluated by a panel of volunteer experts selected from ULI's membership. This is a conversational format that lends itself to an open exchange of ideas among diverse industry practitioners with distinct points of view. From the streamlined two-hour session to the "deeper dive" eight-hour session, this intimate conversational format encourages creative thinking and problem solving.

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ULI Advisory Services: District Council Programs

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In fulfillment of ULI's mission, this TAP report is intended to provide objective advice that will promote the responsible use of land.

Learn more at northwest.uli.org/get-involved/technical-assistance-panel/.



TAP panelists receive a briefing from Tory Banford, City of Salem, on June 30, 2022

West Salem Industrial Redevelopment - Executive Summary

The study area, enclosed by the yellow line in the map below, is a 40 acre industrial site. It is surrounded by commercial retail and service operations to the east and residential housing to the west. Historic downtown Salem sits across the Willamette River. The Salem TAP panel analyzed and made recommendations for phasing out industrial uses and redeveloping the study area as mixed-use.



EXECUTIVE SUMMARY

The study area has a rich history of agriculture and food processing and a distinctive topography. These features can be used to develop a neighborhood that is unique to Salem, one with shops and maker spaces that give recognition to its contribution to the area's rich legacy of hop and fruit growing, dairy, wool, and nearby abundance of wineries. Its proximity to the Willamette River is a rich asset that should be capitalized on. A neighborhood that highlights these distinctive aspects would attract investment and enhance the city.

Looking at the West Salem community as a whole clarifies where development should start in the study area and what it should look like. There are activity hubs at the Roth's Grocery Store to the northeast and the historical retail center of west Edgewater Street to the southwest. Centered between these are Patterson and 2nd Streets in the study area. Patterson Street is already seeing investment activity in new businesses. 2nd Street will be redeveloped within the next 2 years. This points to 2nd and Patterson as the focal point of the new mixed-use development and one of the primary corners for ground floor retail.

There is demand for multi-family housing in urban Salem and the study area is an opportunity to satisfy this need. But the potential for redevelopment into higher density mixed-use is currently limited by the lack of connecting streets that could take congestion off Wallace Road. Until then, lenders will have difficulty approving significant financing, and current residents are likely to oppose new dense housing because of traffic concerns.

View of the 1,200-acre Minto-Brown Island Park from the 26-acre Riverfront Park in downtown east Salem. This amenity is not as accessible to West Salem residents.

To solve this, the city must create additional north to south connections that run parallel to Wallace Road and ease traffic. Taggart Drive should continue south where it now curves east back to Wallace. Bartell Drive should also continue south to connect to the waterfront at Musgrave Street.

More east west connections will also ease traffic. Bassett Street should be continued across Wallace Road to run parallel to the Union Street Rail bike path and curve around the park to connect to Glen Creek Road. The Bassett and Wallace intersection would be where a new stop light would allow this crossing. Bassett Street should also connect going west to Patterson Street.

The ability to bicycle and walk safely both within West Salem and across the river to employment centers in downtown Salem is also limited. A bridge over Wallace Road that extends the Union Street Rail pedestrian and bike pathway into the newly rebuilt 2nd Street is the place to start. Find creative solutions to connect more pedestrian and bike paths up the hilly bluffs to the residential area, such as at the end of Patterson Street, Garth Avenue, and beside Rosemont Avenue. The more options there are for safe and convenient biking the more residents will be likely to move away from automobile dependency.



EXECUTIVE SUMMARY

In the long-term, a pedestrian and bike bridge across the Willamette River from the study area to Minto-Brown Island Park would complete the Union Street to Waterfront Park circle. This would give better access to this amenity from West Salem and be an impressive attraction for the city.

In the mid-term, plans should begin to slow down Highway 22 on the west side of the river as it now does in downtown Salem. Converting it to a boulevard that continues to the western edge of urban West Salem creates the potential for crossings to the undeveloped riverbank west of Wallace Marine Park. In the long term, regional thinking about the movement of goods through the Willamette Valley should include planning to remove Highway 22 altogether from passing through Salem. This would completely open up access to the river from the west bank.

The development planning process should include mapping out space for parks and plazas. As the focal point, the corners of 2nd and Patterson down to Edgewater and Patterson should have space for outdoor dining and community gathering. This open space will front the ground floor restaurants and retail and complete the important neighborhood activity hub. A plaza at the corner of Patterson and Edgewater creates a meeting point for a walking loop down Edgewater and across to Wallace Marine Park. A triangle park on 2nd Street between Wallace and Murlock becomes an amenity that makes housing along 2nd Street desirable for investors and residents. It is also the landing spot for the pedestrian bridge over Wallace to the existing pedestrian pathway.

These infrastructure and amenity improvements will set the stage for successful mixed-use development. Housing will be the priority but should start with low density townhouses, which will be easier for banks to finance and more palatable to residents wary of density. When the transit connections are underway, move on to 3-4 story housing. These can be along the new 2nd Street.

Daytime activity makes a thriving neighborhood, but until housing starts to build density, retail won't survive. So, housing should be built first.

Adaptive reuse of existing buildings is most likely to be successful on Edgewater Street, though many of the existing buildings will not be suitable for adaptive reuse and will need to be demolished. Until then they provide opportunities for maker spaces, art, and stage performances. Small office can do well. The best place for a new office building is on busy Wallace Road.

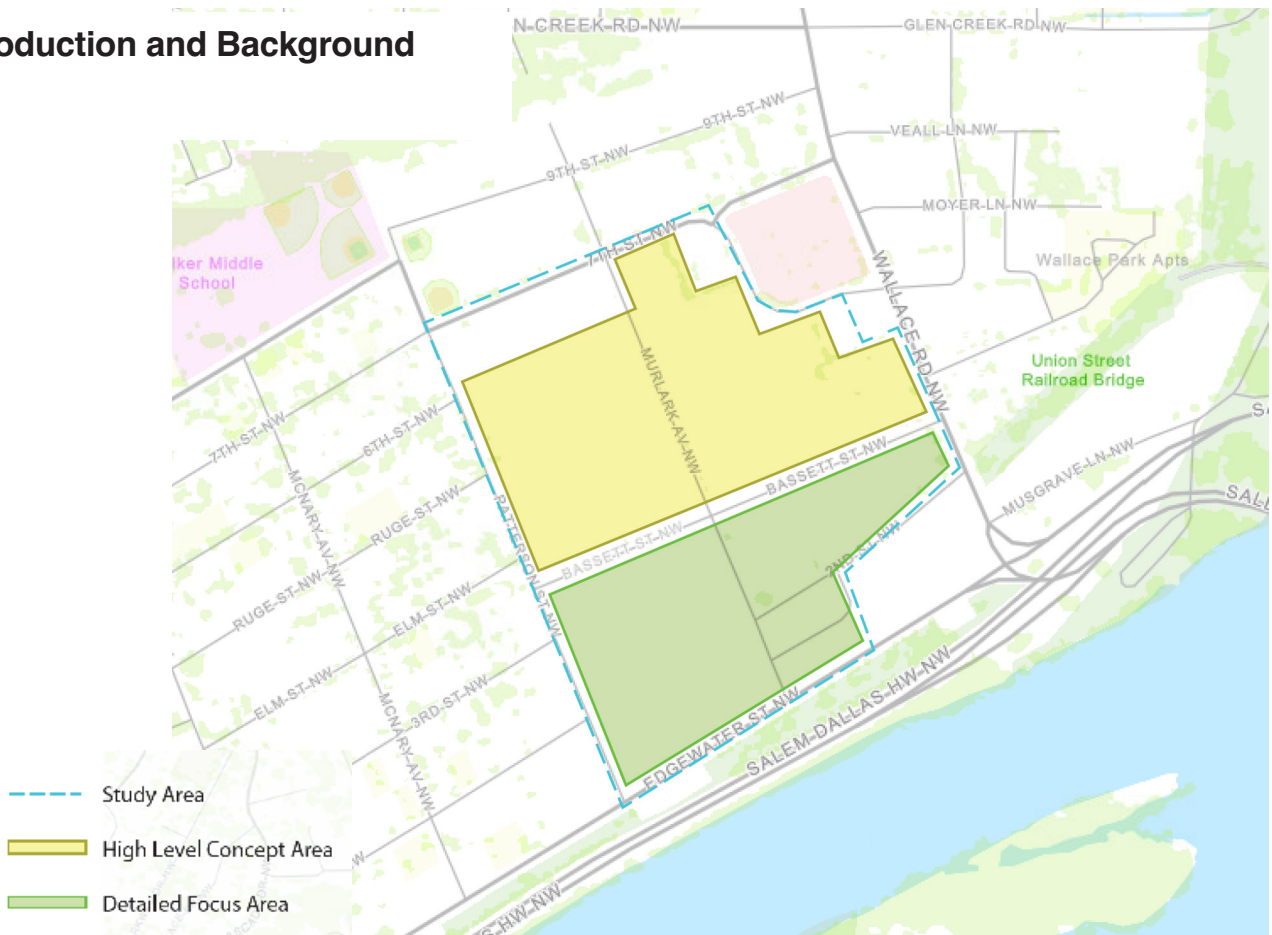
Incentives will be important for this industrial to urban conversion. The following would help defray costs and encourage the type of development the city wants to see:

- Vertical Housing Tax Zone incentives
- Systems Development Charge buydown arrangements
- Tenant Improvement grants
- Pre-development grants
- Expansion of the current Urban Renewal Area Redevelopment Grant Program
- Create a District Stormwater Plan
- Conduct a District Traffic, Circulation, and Parking Study
- A plan to mitigate displacement of nearby existing low-income market rate homes.

Next Steps

- Conduct a Traffic, Circulation, and Parking Study. This should be done as soon as possible as it is key to avoiding costly mistakes and will be important for developers and lenders to evaluate whether to develop or not.
- Foster political will with a Citizen Action Committee and Public Private Partnerships that engage landowners, ODOT, and environmental concerns.
- Consider an RFP / RFQ for a master developer for the site.
- Create certainty for developers by following up on the transit study with concrete plans and a timetable for delivery.
- Plan for parking

Introduction and Background



The study area is a transitioning industrial district in the neighborhood of West Salem. The city of Salem has worked for years to position the parcel to become a mixed-use, urban community in line with how the city has developed around it.

In July 2022, ULI Northwest convened a Technical Assistance Panel of volunteer real estate and land use experts to advise Salem on design and development strategies, and critical issues that need to be addressed to make it successful.

The city asked the panel to address two parts of the area separately. First is the detailed focus area shown in green on the map above. Most of the existing buildings here are empty and the landowners are strategizing redevelopment. The second part of the study is the yellow area, where there are ongoing industrial uses, active businesses and service providers.

Questions

Detailed focus area:

- What infrastructure is required for trolley transit or other connectivity over the Willamette River to Salem to improve the bike/pedestrian experience?
- What is the suggested layout and configuration and should it be a re-purpose of old buildings or new build?
- What development patterns, housing, and uses mix could work?

High level concept area:

- How can the continuation of industrial uses pair with new development or redevelopment of the study area?
- How may these sites transition over time?
- Are there suggestions for longer term redevelopment recommendations?

INTRODUCTION AND BACKGROUND

The 40-acre study area includes more than a dozen large buildings that have historically been used for food processing, such as canning and freezing. Knowing that the city was transitioning the area, businesses south of Bassett Street have been moving out for some time. These properties have been acquired by a small number of owners who are willing to begin mixed-use redevelopment if market conditions and financing availability are at hand.

Ongoing operations are concentrated north of Bassett Street and include a power plant, a machinery manufacturer, and a few remaining food processing operations. New businesses include a restaurant, a catering company, a gym, and a financial advisory firm. The study area is part of the West Salem Urban Renewal Area (URA).

In August 2022, the city finalized a zoning change from industrial to mixed-use 3. This will allow horizontal and vertical mixed-use with industrial provisions.

The area is two blocks from the Willamette River and abuts the 4-lane main road through West Salem, Wallace Road. West and south of the study area are primarily single-family residences. These include a large neighborhood of small homes that provide some of the area's only market-rate affordable housing stock.

Across the river is downtown Salem. Immediately to the east are restaurant chains, the large and popular Roth's Grocery, a variety of retail service stores, and a large gym. Beyond this commercial area and along the west bank of the Willamette River is 400 acres of playing fields and the city's only boat launch at Wallace Marine Park. Wallace Road divides most of West Salem from this park. With only one road into the park, it is cumbersome to reach, especially by walking or biking.

The 26-acre Riverfront Park across the river on the east bank is a well-used recreation area. It connects with the 1,200-acre Minto-Brown Island Park wildlife preserve. These amenities have made Salem's east bank riverfront a beautiful and natural outdoor area. Residents on the east side have many access points to these popular parks. But these amenities are challenging to access for West Salem residents.

Most of Salem's major employers, such as state offices and large hospitals, are on the east side of the river. This causes a traffic backup from West Salem across the one-way Center Street Bridge going east in the morning and on the one-way Marion Street Bridge going west in the evening.

Residents of West Salem have successfully opposed multi-family developments near the study area for fear of exacerbating the traffic issues.

Also, since there are currently so few avenues for safe and convenient biking or walking, a car-oriented mindset prevails and any suggestions for removing lanes for bikes or spending on bicycle infrastructure meet vocal opposition.



The 400-acre Wallace Marine Park is 1/3 mile from the study area. But the park has very few access points and is cut off from most of West Salem, including the study area, by 4-lane Wallace Road.

RECOMMENDATIONS

Start with a Vision - Look to the Past to Create a Unique Place for the Future

The study area sits on a large area of flatland close to the Willamette River. This flatland is surrounded by bluffs that separate it from most of the hilly West Salem suburbs. Across the river is the historic downtown Salem city center.

The area has a unique history of hop growing and food production. Old maps of Salem show a rail line across the Willamette River in the late 1800s. It connected the city's east and west sides and ran through 2nd Street within the study area. The railway bridge is now a popular pedestrian crossing but abruptly ends in Wallace Marine Park at Wallace Road. The rail line no longer exists.

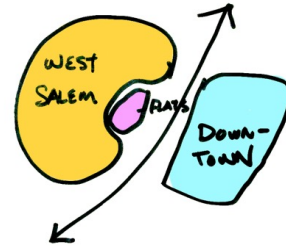
Starting 1/4 mile to the west of the study area, on Edgewater Street, are shops and restaurants on the site of the original community's retail district.

The task of redeveloping the area into a mixed-use neighborhood is an opportunity to celebrate its cultural heritage as an industrial site. This could take the shape of breweries that acknowledge the hop fields that formerly used the site and wine operations that pay tribute to Oregon's most prodigious wineries that start a mile north of West Salem.

Cheese makers, bakeries, and restaurants would all connect the neighborhood to its food producing past. Unused warehouses could host artists live/work spaces, maker incubators, stages, and seasonal festivals. A distinct identity is compelling to people who would want to live, work, and invest there.

The converted railway bridge still crosses the Willamette River, but the now bike and pedestrian path ends at the edge of the park at busy Wallace Road. Extending the path over Wallace Road and landing in the study area would create a safe pedestrian and bike access between the park, river, and downtown Salem.

The distinctiveness of the flatlands should be embraced as its own part of Salem



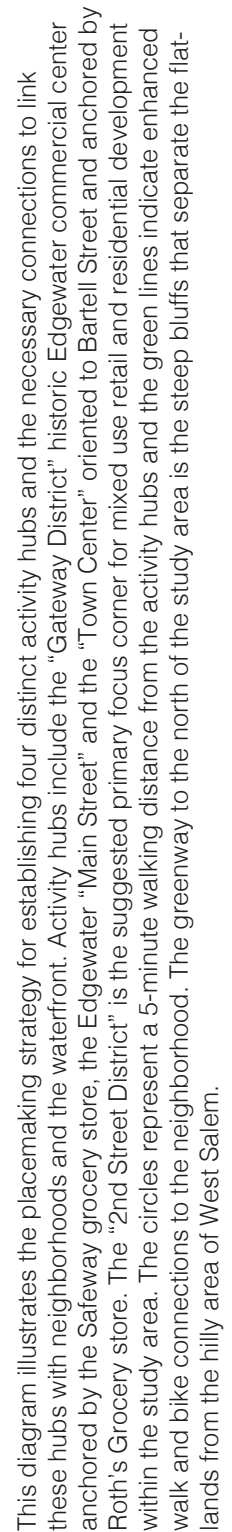
Martin Glastra van Loon,
Sera Design

The topography of the area and its proximity to the river presents opportunities. The river is the crown jewel of Salem and creating connections to it whenever possible should be a priority for the city. These connections include extending the existing bike and pedestrian path over Wallace Road and back down again to 2nd Street at its original site. By making the bike or walking trip to downtown Salem shorter and safer, getting out of the car and off Wallace Road becomes an easier choice.

In the long term, build a bridge that extends the pedestrian path back over the river from the study area to Minto-Brown Island Park on the east bank, giving better access to the park by West Salem residents and creating a spectacular pedestrian circle through all of the riverside parks.

Devise creative bike and pedestrian connections to other parts of West Salem. These include steps or hairpin paths up the steep slopes between the flats and the hilly residential areas, providing more opportunities for residents of West Salem to leave the car home.





Activity Hubs as a Strategy for Success

In determining how to develop the detailed focus area, the panel looked at activity throughout West Salem, where residents are gathering, and how they are moving through the area. West Salem's current activity hubs are at Roth's Grocery and the west end of Edgewater Street. There is increasing development in between these two at Patterson Street. This points to the two corners of 2nd and Patterson streets and 2nd and Edgewater streets as the focal point of the redevelopment.

Patterson Street is starting to see successful development. It is one of the few alternate routes to bypass some of the most congested traffic on Wallace Road and developers are already taking advantage of that. 2nd Street is currently closed and used only for access to industrial buildings. But Salem has just completed an engineering study to reopen it and will begin construction shortly. The new and redesigned 2nd Street is expected to be completed in late 2024.

Edgewater is a natural main street that connects to the activity hub of the historic retail center for West Salem, or the Gateway District. But the corner of Edgewater and Patterson fall in the middle of what is currently a long stretch of uninviting blank walls between Wallace Road on the way to Gateway District.

Right across Edgewater Street from Patterson Street is the narrow Edgewater Park. Edgewater Park is activated by regular farmers markets and art showings. It has a bike path that connects across the river. By developing these 2 corners as activity hubs, they can be populated by restaurants, maker spaces, shops, and art happenings that would augment and take advantage of what is already happening across the street. Activating the dead area between Wallace and Gateway

begins to form a network of activity centers that will transform West Salem into a sought out destination.

The activity hub at Roth's Grocery should also be developed. It is at the intersection of Wallace Road and Glen Creek Road, which is currently the only entry to Wallace Marine Park. It is within walking distance of multifamily developments and is flanked by a variety of chain as well as independent restaurants.

Despite that, Bartell Drive running south from Roth's Grocery has a combination of old single-family homes, and a variety of low-density business operations such as auto repair shops and undeveloped lots. Redevelopment of these underutilized areas is an opportunity to create a future dining and retail destination connected to the park and waterfront.

Public investment in a walkable and bikeable Bartell Drive should be a prioritized city project that will foster a unique destination, connect the waterfront, and extend the time people spend out of their cars and enjoying West Salem.

RECOMMENDATIONS

Integrate Land Use with Multi-Modal Connections

To achieve its desired level of investment in the study area, the city needs to fund public infrastructure that improves access to activity hubs and supports walking and biking.

2nd street was previously considered as a Wallace Road crossing with an underpass. But at \$30 million, the city deemed the underpass too expensive. A stoplight for an at grade intersection there is problematic with the Oregon Dept. of Transportation (ODOT), which controls Wallace Road, because it is too close to the bridge.

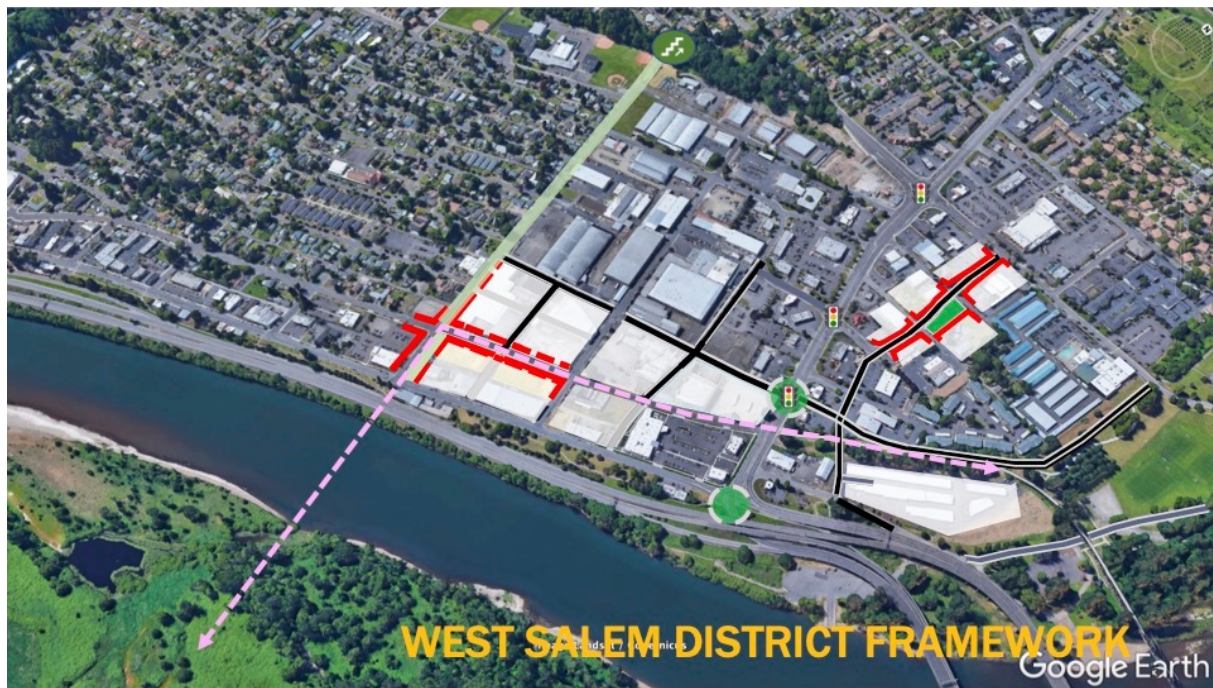
The solution across Wallace is an at grade signalized crossing at Bassett Street, which is further from the bridge. Bassett should then be extended east to connect with Glen Creek Road, the road to

Wallace Marine Park, and west to Patterson Street thereby providing a full east/west access across Wallace Road and taking traffic off of Wallace.

North to south improvements would also alleviate Wallace traffic. Taggart Drive should continue straight south instead of just curving back to Wallace. Bartell Drive should continue south through the new Bassett Street and extend to the waterfront at Musgrave Street. The connection to the park would thereby be vastly improved.

These are the shorter-term solutions that would provide the infrastructure for high quality, vibrant neighborhoods to flourish in West Salem.

Jason N Graf, Principal, Center-Based Planning + Urban Design



In this diagram, a district framework defines “activity hubs” (red lines indicating edge-to-edge retail and commercial uses) that serve the project “focus” area and the City’s desire for a “town center”. Activity hubs are strategically located with direct access and visibility from drive-by traffic, sidewalks, and bike facilities within the existing urban street grid. Enhanced existing and new streets (black lines) extend the street grid to create “development” blocks and reconnect the study area with the neighborhood, Wallace Road commercial areas and the waterfront. New and enhanced Wallace Road intersections (green circle) ensures safe and direct walk, bike and auto access across Wallace Road—a critical infrastructure improvement for redevelopment success.

RECOMMENDATIONS



Jason N Graf, Principal, Center-Based Planning + Urban Design

Black lines represent a suggested extension of Bassett Street at grade across Wallace Road to Glen Creek Road and Bartlett Street extending south to Musgrave Street. The pink dots represent the suggested pedestrian overpass connecting 2nd Street to the existing pedestrian pathway on the other side. Red is suggested ground floor retail.

Panelists were concerned that mid- and long-term connection goals also be kept in mind.

Highway 22 remains a major problem as motorists cross the bridge to the west side of the river and accelerate. The highway is noisy and polluting but necessary as a major transport road for goods and people to the coast. At the mid-term, however, it could be downgraded to more of a boulevard, like it is on the east side of the river where Highway 22 moves slowly through the grid layout and stop lights of downtown Salem.

On the west side, the highway should continue to have lower speeds and more frequent intersections until it reaches the west end of urban West Salem. This would benefit West Salem considerably and allow for opportunities to think about connections to the river west of Wallace Marine Park.

For the long term, the community should be rethinking the need for Highway 22 alongside the river altogether. Applying regional thinking about

the movement of goods throughout the Willamette Valley would benefit West Salem immeasurably. This includes planning for additional bridges in the region that can address traffic that is using Wallace to cross the river to get to Interstate 5.

Another opportunity is at the geographic delineation of the steep slope that lies between the flatlands and the hills. This is a potential place for a tree lined boulevard to circumnavigate around the neighborhood. In the long term there may be opportunities to connect it to Highway 22, which would take some through traffic off of Edgewater Street and allow it to become a slower destination street.

A trolley line has been discussed in Salem for some time. This would be another transit scheme to analyze for funding sources and viability.

Open Spaces Make a Development Work

Making room for open space drives placemaking success. The panel recommends several open spaces in the detailed focus area below Bassett Street.

The first is along 2nd Street. As shown in the diagram on the next page, there is a triangle park that receives the pedestrian overpass connecting the rail bridge to the 2nd Street district at the corner of Murlark and 2nd Streets.

The city could also use this 2nd Street triangle park as an opportunity to address area stormwater needs. This takes the pressure off developers of having to spend the time and money studying this on their own, becoming another incentive for private investment.

Likewise, open space along Patterson Street between 2nd and Edgewater streets becomes an amenity for street dining, ground floor retail, and creative displays.

A plaza on the corner of Patterson and Edgewater streets that faced all sides would create an arrival and departure point for a walking loop to the triangle park and over the bike and pedestrian bridge into Wallace Marine Park.

The corners of Patterson, and 2nd and Patterson and Edgewater Streets now have ground floor retail as well as open space, which completes their transformation into activity hubs that anchor the new neighborhood.

Open spaces also allow for public art and branding opportunities to reinforce the identity of the neighborhood. Such spaces enhance the ability to provide character with programs that reflect neighborhood culture and history.



The well-used pedestrian Union Street Rail Bridge over the Willamette River is supported by old style trestles that the public wanted to retain even when the bridge reconnected with land. The trestle style could be re-employed for a dramatic architectural statement as a pedestrian bridge that goes over Wallace Road and lands at the proposed triangle park on 2nd Street.

Jason N Graf, Principal, Center-Based Planning + Urban Design



The District Framework land uses are assembled within the “development blocks” providing for complementary mixed and single use residential buildings (yellow), employment (flex office/makerspace) and park block or plaza spaces (green areas) serving as amenities that attract multi-story quality development. Pink dash lines represent a “grand gesture” which would extend the existing train bridge as a signature feature creating an “elevated loop trail” that extends over Wallace and back across the river to downtown.

RECOMMENDATIONS

What to Develop

The panel devised a building plan for 400 multi-family housing units along with retail and services on the ground floors at Patterson and 2nd Streets and Patterson and Edgewater Streets.

While the size of the property would allow quite a bit more density, this is not recommended given the potential for opposition from the community as well as short-term transit capacity issues.

Development should start with lowest density townhouses, which are lower cost and therefore more likely to be financed. Then if successful, banks will be more likely to fund higher density and the developers could move on to 3-4 story housing.

Residential development needs to be first but ultimately, residential alone is not enough to support a vibrant neighborhood. There needs to be day-time activity which includes retail and office on the ground floor. It is important to keep the activity hub corners as priorities for these uses.

The best place for a small office building is on Wallace Road. It is a use that would be complementary with that road's heavy traffic.

The panel suggests adaptive reuse office / commercial space for the 1/2 acre on Edgewater Street just west of the Goodwill Store. Many developers have had success transforming existing industrial buildings by cutting big openings in them to make space for either a professional or creative office, or small-scale retail such as florists.



Blocks of mixed use, housing and commercial, need to be small enough to be walkable. The asterisks (*) designate the 100% corners, or corners of maximum potential for dynamic mixed-use development. The diagram above breaks the property into block sizes that allow for parking and walking. In many towns in Oregon, including places such as the Pearl District in Portland and Vancouver, Washington, blocks are 200' by 200'. This is a good starting point to design block sizes in the study area as shown.

RECOMMENDATIONS



Rahim Abbasi, Abbasi Design

Recommended Development south of Bassett Street

- Mix of Townhomes, 3-story residential and 4-story mixed-use development
- Office: Owner-Occupied Development, 20k SF
- Ground Floor Activation – Repurpose existing Industrial along Edgewater
- Ground Floor Activities in Mixed-Use Blocks

The last issue is how to accommodate parking demands for office and mixed-use. Based on the design there would be the need for around 300 parking stalls. This could be done with city or private funds. Current landowners may want to run a parking lot business, which is low maintenance and could be a lucrative interim or even permanent use.

Surface parking is a more viable option at this location since structured parking is not financially feasible.

There is industry-wide hesitancy to invest in expensive parking structures now because they may be phased out in the future. Many new parking structures are designed to be converted to other uses but are more expensive than traditional ones. Parking will be a significant contributor to the success of the new neighborhood.

What to Develop - Residential

Market Rents / Typical Project Mix					
Type	SF	Rent	Rent/SF	Mix	Units
Studio	550	\$1,500	\$2.73	10%	39
One Bedroom	700	\$1,750	\$2.50	40%	156
Two Bedroom	1,050	\$2,250	\$2.14	35%	137
Three Bedroom	1,250	\$2,650	\$2.12	10%	39
Townhomes	1,800	\$3,200	\$1.78	5%	20

The residential market spreadsheet shown above is based on current costs and represents a typical mix of residential products. This is a substantial investment in residential value at 400 units. Without knowing the financial capacity of the current owners to develop, panelists used a product mix they believed would be generally fundable. With greater financing capacity, a developer may be able to build higher density.

This scheme shows a return-on-cost of about 7%, which is in line with current suburban development. While not an ideal return, it is just enough that private developers may be interested.

Given today's market and the lack of transit options around the study area, it will be difficult to obtain financing for a ratio of parking to housing units of less than 1.2 – 1.5. The city should plan on this ratio in the area until sufficient alternate transit methods are established.

Residential Development Financials	
Potential Gross Income (PGI)	\$ 9,652,500.00
Expense	\$ 2,895,750.00
Net Operating Income (NOI)	\$ 6,756,750.00
Value @ Stabilization	\$ 135,135,000.00
Total Cost incl. Land	\$ 126,750,000.00
Return-on-Cost	7 %

RECOMMENDATIONS

What to Develop - Office & Retail

Despite a slow recovery in the post-pandemic office market, small office developments in secondary markets are doing relatively well. The panel believes a 40,000 square foot office building should be considered. The spec office building shown in the spreadsheet requires an unrealistic rent rate of \$42 per square foot. So, it would not be viable unless it was supported by another type of operation.

The ground floor elements in mixed-use development and the adaptive reuse commercial should be successful. The rents are fair and within the market.

This development would create an estimated total of \$160 million value with the financial assumptions shown.

Market Rents / Typical Project Mix						
Type	SF	Rent	Rent/SF NNN	Mix	# Tenants	GSF
Adaptive Reuse	1500	\$ 2,500	\$20.00	20%	15	21,780
Ground Floor Retail	2,000	\$ 3,000	\$18.00	28%	15	30,492
Ground Floor Office	2,000	\$ 5,000	\$30.00	12%	7	13,068
Spec Office	10,000	\$35,000	\$42.00	40%	4	43,560
Total						108,900

Office Development Financials	
Potential Gross Income (PGI)	\$ 1,829,520.00
Expense	\$ 182,952.00
Net Operating Income (NOI)	\$ 1,646,568.00
Cap Rate	8%
Value @ Stabilization	\$ 20,582,100.00
Total Cost incl. Land	\$ 19,602,000.00
Return-on-Cost	5 %

Adaptive Reuse Development Financials	
Potential Gross Income (PGI)	\$ 435,600.00
Expense	\$ 43,560.00
Net Operating Income (NOI)	\$ 392,040.00
Cap Rate	8%
Value @ Stabilization	\$ 4,900,500.00
Total Cost incl. Land	\$ 4,573,800.00
Return-on-Cost	7 %

RECOMMENDATIONS

High Level Concept Area

The city of Salem also requested an analysis of the industrial operations to the north of Bassett Street. The panel considered each type of operation and determined that the area could be left alone and continue as is for some time.

The current uses produce minimal noise and operate only during the day. There are no pollutants nor chemicals to cause odors. There is ample parking for employees on the sites. Current adjacent businesses, such as a gym and restaurants are successful. Employment opportunities in West Salem are valuable to the community and there is no need to dismiss these operations.

Although residential development will be breaking ground several blocks away, the developments are likely to take many years to be realized. Therefore, panelists believe existing operators can continue to invest as planned without concern.

Eventually, development will move closer to Bassett Street and industrial businesses. By that time, these businesses will be able evaluate whether the area still works for them, or if they should relocate to Salem's newer industrial areas near the transport corridor of Interstate 5.



West Salem Machinery Co. is located at the north corner of the study area next to a power plant and other industrial operations. It manufactures heavy machinery used in recycling and has been in business for 75 years.

RECOMMENDATIONS

Incentives

Industrial to urban conversion is challenging and costs are relatively high. The city has a role to play in encouraging private property owners and developers to develop the neighborhood it would like to see. The following are proven methods to help developers make the decision to tackle projects that are riskier and less profitable than they could find elsewhere.

The Vertical Housing Tax Zone incentivizes the building of more expensive upper floors of multi-family housing. It allows for higher density when it would otherwise not be feasible.

Systems Development Charge (SDC) Buydown Program

The biggest challenge for developers is systems development charges. In Portland, for example, SDC are \$25,000 per multifamily unit, which can be more than the entire per unit cost of architecture and engineering. SDC buydowns can be treated as property tax loans over time that would help development happen now rather than later.

Tenant Improvement Grant is tenant-based and is in addition to Redevelopment Grants. It is effective on a tenant-by-tenant basis

Pre-development grant gives design and feasibility support. Given the ownership concentration, this may help with upfront costs that owners may be reluctant to finance with so much uncertainty in this new concept area.

Expand the Urban Renewal Area (URA) Redevelopment Grant Program Salem's current grant matching percentage is 20%, and the maximum grant is \$300,000. This is not high enough for the amount of development that the city wants here. The city should especially consider raising this for catalytic sites, the 100% corners, and initial development sites. This could force key development to happen sooner rather than later, as getting the right development with the right timing can make a difference.

District Stormwater Plan (and implementation funding)

The city can work with developers to come up with a district stormwater plan and provide infrastructure funding.

District Traffic, Circulation, and Parking Study (and implementation funding)

A study would determine how much demand is needed and what can be done to achieve it.

Advocate / apply for Infrastructure Investment and Jobs Act funding to solve for Wallace Road bottleneck issues.

Mitigate displacement

As redevelopment occurs, indirect involuntary displacement of existing residents is likely. The neighborhood contains significant low-cost market housing and provides a livable place for people who earn less than median income. To avoid displacement, the city should consider neighborhood stabilization efforts such as:

- Home repair loans for owner occupied housing
- Housing preservation programs for rental housing
- Collaboration with land trusts to increase affordable home ownership

Next Steps

The study area and its location next to transit bottlenecks poses a challenge that will take considerable work and political will to solve. It is also a problem that will deter financiers and developers from seriously considering the kind of development that would be transformative for the city. The panel therefore suggests:

Conduct a transit study The fastest way to kick-start successful multifamily housing and mixed-use development will be a transportation study. It will save the city money in the long run by showing where the wisest investment should be made to spur development that won't happen otherwise. Then create a plan that starts working on the public infrastructure that will do the most to fix the biggest bottleneck problems.

Foster political will Start raising awareness of the idea of making this a great place and what it would take to do it. Make sure the discussion looks at the larger area before pulling back to the study area. Include the study area as a priority within the planning jobs the city currently has. The city staff can pursue planning grants.

Form a Citizen Action Committee. Engage stakeholders and active participants. Create a public private connection that includes ODOT and environmental concerns.

Consider putting out a Request for Proposal (RFP) or a Request for Qualifications (RFQ) for a master developer. A master developer works for the city and would help put together the pieces such as infrastructure. It would align and prioritize development steps and hire qualified developers. It would coordinate the city's use of incentives. It would put together the vision and provide the cohesiveness that drives the project home. Many cities have had great success with this strategy.

Start Simple Don't be averse to building a simpler project just to get started. The perfect development opportunity may not come along right away. The activity hub corners should be saved to get the desired vibrancy. Get started by working up the ladder with lower density development on 2nd Street. Then move to higher density quality product to set a new bar. This establishes the market and proves to the bankers that each successive development is viable. Start working on the adaptive reuse developments along Edgewater Street.

Create certainty for developers Developers, banks, and investors are risk averse. Developers are nervous if they don't know when public infrastructure is going to arrive, so they will wait for certainty, or development in another district, town, or county that is likely to be more successful. The current challenges of traffic, parking, and neighborhood opposition make development here unattractive.

However, if the city creates plans that show how the issues will be mitigated with new infrastructure, along with a firm timeline for launch and completion, this can be enough to get momentum going. It is important that the city provides more than just the vision by setting a clear timeline for when each infrastructure segment will arrive.

Don't forget parking Since there is so little public transit or alternative transportation opportunities, projects will have to go with the market requirements for parking. Right now, this is 1.2 – 1.5 parking spots per unit. Until there are better connections, such as recommended in this report, lenders and tenants will require parking. Underground parking is too expensive, so parking needs to be surface. Don't assume that walkability will solve everything for ground floor retail, even many years down the road. A fair amount of street parking will be necessary for the foreseeable future. The transit study will help with parking analysis.

Conclusion

The study area and its surrounding features are unique and will be more valuable if the differences in its character are embraced and enhanced with development that recognizes its history and topography. The neighborhood's greatest asset is its proximity to the river.

Industrial conversion is a challenging endeavor that will require public investment and strong public private partnerships to achieve. The city should be mindful of creating vehicle and pedestrian / bike connections in the short, medium, and long term. Better connections to Wallace Marine Park as well as completing connections north to south and east to west will attract investment, mitigate traffic, and create a livable neighborhood. This will be the key to success.

Development will be slower than stakeholders want, but it can start on different fronts. It should start with the recommended steps and studies. At the same time, lower-density housing developments between Edgewater to 2nd Streets can begin. There will be ample time for industrial owners and operators north of Bassett Street to decide when and if they want to relocate.

With such a large area next to the river and downtown, Salem has the opportunity to start creating a neighborhood that transforms the city.

PANELIST BIOGRAPHIES

Katie Anderson, TAP Chair **Pacifica Creative, LLC**



Currently based in Salem, Oregon, Katie conducts land use education workshops around the country and writes land use case studies for the Urban Land Institute. She previously ran ULI Hawaii and was Executive Director of the Hawaii Captive Insurance Council. Katie's background is in finance, and she was formerly a commercial lending and relationship officer in Hawaii for First Hawaiian Bank's major Hawaii and international corporations, most of which were land and development related organizations.

John Wix **Gensler, Managing Director, Principal**



With more than 22 years in the industry, John's diversity of experience across disciplines and industries has made him an expert and trustworthy partner to his clients, who range from Marriott Portland and the San Francisco International Airport to global organizations like Accenture and Salesforce. With several years of experience serving the hospitality industry, John understands the importance of bringing small, intimate touches to every project, and to making personal and lasting connections with every client. As the Managing Director for the Portland office, he is dedicated to developing the individuals on his team and, with them, delivering value to the end users of every project.

Jason Graf **Center Based Planning**



Jason is a former Principal at the award-winning national planning firm—Crandall Arambula. For twenty years, he has designed and implemented a full array of downtown, small area, district, corridor, and station area plans; plaza and complete streets design; enhanced transit station design; TOD standards and guidelines; and integrated land use, multi-modal circulation and transit-oriented development projects. He has managed over twenty projects including the bus rapid transit oriented (BRTOD) development plans for the Gold Line Bus Rapid Transit (BRT)—Saint Paul, MN—where he worked with and managed city staffs, city councils, commissions, committees, and stakeholders from five cities and two counties, as well as, coordinating a multidisciplinary team including, market/demographic analysis, transportation, and infrastructure plans, and community engagement. Jason recently authored the City of Spokane's "Transit Oriented Development Framework Study: A Station Area Planning and Regulatory Guidebook for Spokane's High Frequency Transit Corridors."

Deb Meihoff, FAICP **Principal and Owner of Communitas**



Deb Meihoff has been planning and building up communities for over 25 years. Deb manages planning projects and decision-making. She collaborates with communities on reinvestment action plans, effective public policy, and economic prosperity initiatives. Her breadth of experiences in redevelopment, land use, economic development, and construction gives her a unique perspective to drive implementation toward equitable growth and community priorities. Deb holds a master's degree of Urban and Regional Planning from the University of New Orleans, a Bachelor of Arts degree from the University of Colorado-Boulder and is a Fellow in the American Institute of Certified Planners.

PANELIST BIOGRAPHIES

James Brackenhoff **First Forty Feet**



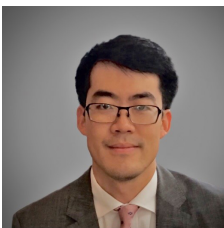
James is the founder and a partner at First Forty Feet, a creative multi-disciplinary firm that specializes in urban design and place strategies that maximize the value and potential in urban real estate. James was previously with the Architecture firms Patzschke Architecture and Urban Design in Berlin and Robert A.M. Stern Architects in New York City, as well as the Prince's Foundation in London, and Urban Design associates in Pittsburgh.

Mark Miksis **deChase Miksis Development**



Mark Miksis has more than 18 years of experience working in the urban planning, design, and real estate profession. A licensed architect and LEED-accredited professional, Mark has focused on delivering high-quality, high-efficiency developments that respond to both the needs of the users and their owners. He has extensive experience in all aspects of real estate development, including project sourcing, feasibility, financing, planning, construction, leasing, and property operations.

Brian Cho **Senior Development Manager for Holland Partner Group**



Holland is a multifamily and mixed-use development firm based in Vancouver, Washington. Brian is responsible for pursuing land acquisition opportunities and managing all phases of development from inception to disposition. Since joining Holland in late 2018, he has directly managed the completion or entitlement of over 1,200 units across the Portland and SW Washington region. He most recently delivered an NGBS Gold certified apartment community as the first phase of a multi-phase mixed-use project in South Hillsboro. Brian was previously with the Related Companies in New York and has completed development and redevelopment projects throughout the US. He is a graduate of Yale University and holds a master's degree in real estate from the City University of New York.

Cadence Petros **Project Director at ECONorthwest**



Cadence has 23 years of experience implementing urban renewal, housing, parking, and downtown revitalization goals to help build vibrant communities that foster a sense of belonging and meet the needs of all community members. Whether negotiating public private partnership agreements, developing civic projects, establishing affordable housing programs, or creating implementation strategies for urban renewal activities, Cadence uses problem solving skills, flexible thinking, team building, and clear communication to articulate and meet goals and objectives. Cadence graduated from Pomona College and holds a J.D. from the Northwestern School of Law at Lewis and Clark College. Before assuming her role as Development Division Manager at the City of Beaverton, Cadence served as Assistant City Attorney in Beaverton.

PANELIST BIOGRAPHIES

Mike Williams

Economic Development Manager for the City of Beaverton, Oregon



Mike directs Beaverton's well-rounded economic development program, with incentives and outreach to both traded and local sector businesses. Mike has over 25 years of experience in planning, economic development and real estate. He previously worked for Business Oregon as the Industrial Lands Specialist statewide and as a Business Development Officer for the Portland suburbs. Mike taught graduate courses in real estate market analysis and finance as an adjunct professor at Portland State's College of Urban and Public Affairs. Mike has authored white papers and articles on international trade, logistics, and affordable housing. Mike has a B.A in economics from Washington University in St. Louis and a Master of Regional Planning from the University of North Carolina at Chapel Hill.

Lee Novak

Managing Director, Pacific Northwest and Rocky Mountain Regions, Vista Residential Partners



Lee is responsible for overseeing all aspects of development in these regions including site acquisitions, financial analysis, development & construction oversight, lease up and dispositions. Lee has been active in development for 25 years and has worked on multiple products including affordable and market rate apartments, hospitality, and utility scale solar power plants.

Prior to joining Vista Residential Partners, Lee was a Vice President and Partner for Fore Property Company in the Pacific Northwest. While at Fore, he developed over 2,000 units with total sales of over \$540 million. Lee holds a Masters of Community and Regional Planning from the University of Oregon and a Bachelor of Arts from Drew University.

Martin Glastra van Loon

Senior Urban Designer, SERA Design



Martin has been practicing urban design and town planning nationally and internationally since 1992. Educated and trained in Dutch and European urbanism, he applies his expertise to a variety of projects encompassing the ranging scales of regions, cities, towns, and neighborhoods. Committed to community-based place-making, he has a strong theoretical interest and practical expertise in complex urban projects that integrate mixed-use, high-density, pedestrian-friendly, and transit-oriented design components with natural systems. A common foundation of his work is the pursuit of the "essence of place", through historic analysis of the relationship between geomorphology and human settlement patterns.

Bryce Payne

Banner Bank



Bryce is currently Senior Vice President and Oregon CRE Market Manager with Banner Bank. Bryce has over 20 years of experience in commercial real estate and finance and has previously held positions with HomeStreet, C.E. John Company, Inc., Wells Fargo, and Autodesk. An active member of the Urban Land Institute, Mr. Payne holds an MRED from Portland State University, an MBA from the University of Oregon, an HBA in Computer Science and HBS in Business Administration from Oregon State University and is a graduate of the Portland Business Alliance's Leadership Portland program.