

PLANNING FRAMEWORK

This section of the report discusses land use and development context in downtown Salem, examining factors that could influence the need for streetcar in coming years.

Relationship to Other Studies

A number of relevant land use and transportation planning efforts contribute to our assessment of the market for streetcar service in Downtown Salem. These include:

- Salem Futures
- High Priority Transportation Corridor Study
- Salem Keizer Transit Short Range Business Plan
- West Salem Neighborhood Plan
- North Downtown Neighborhood Plan
- Transportation System Plan
- Integrated Land Use and Transportation Plan (SKATS)
- Salem Conference Center Studies

The Salem Futures study is particularly important in envisioning future land use patterns and their relationship to transportation projects. The study identified mixed-use centers that will be the focus of nodal, transit-oriented development and lays out a network of high priority corridors for future intensive transit service. The downtown area is identified as the City's primary transportation hub and a central nucleus for high-density mixed-use development. Salem Futures policy goals support mixed-use neighborhoods, increased density in the downtown and a strong link between housing and public transportation. Specific policy goals from the preferred transportation/land use scenario presented in Salem Futures, include directives to:

- Encourage redevelopment to provide more intense residential development, such as apartments, in and near corridors and centers where they are more consistent with the urban landscape.
- Strive to meet employment goals by locating jobs

near residents, transforming the major arterials into commercial corridors with better transit access, and redeveloping existing low density commercial and industrial lands for more efficient uses.

- Meet mixed-use goals by focusing on the downtown core, creating housing and employment diversity and independence through mixed-use centers and corridors, and promoting redevelopment in mixed-use centers and corridors.

The adoption of local policies, codes and standards that support these goals will set a regulatory framework for an active, mixed-use downtown. Zoning overlays encouraging main-street style mixed use development, such as those in the North Downtown, are a positive step in this direction. Ultimately, however, the City's ability to encourage private infill development will be crucial in creating an environment that is supportive of and symbiotic with streetcar service.

Downtown Development Context

The downtown area served by the proposed streetcar alignments covers approximately 1.5 square miles and includes a range of commercial, retail, educational, and government uses. Very limited housing exists in the downtown, although plans are underway to begin construction on both market rate condominiums and subsidized rental housing. This sections breaks down the downtown into subareas to provide a more refined evaluation of current and future land use patterns and their impact on the market for streetcar service.

Downtown Business District

Salem's Downtown Business District stretches from Trade north to Division and from Front east to Cottage. The majority of this area is zoned Central Business District, with the exception of the Courthouse blocks between Court and State. A nine-block area bounded by Front, Chemeketa, High and Ferry is subject to specific historical regulations imposed through a historic overlay zone. The overlay limits building height and puts other restrictions on redevelopment in this area. This has only minimal impact on redevelopment

potential as most structures in this area are well established and vacancy rates are lower than other areas of downtown.

Salem's business district includes a diverse mix of retail, restaurant and office space- a sign of an economically vibrant downtown. Local office workers in the downtown and the nearby Capitol Mall support a number of restaurants and niche retail shops. The Salem Center located on Liberty is home to range of clothing and merchandise retailers and includes an off-street food court. Along with the Lancaster Mall in east Salem, the Salem Center is one of two destinations shopping malls in the region. Other than the Nordstrom's located in Salem Center, there is no other anchor retailer in the downtown area. Most retail establishments are niche market shops that cater to a very specific demographic or market subset.

The most significant new development in the downtown area is the Salem Conference Center and Hotel. This full-block conference center and hotel property sits south of Ferry and East of Liberty on the south edge of the Downtown Business District. Due to open in 2005, the 29,000 square foot conference center and adjacent 193-room hotel are expected to create significant new visitor traffic to the downtown. Several commercial brokers, with whom we spoke, indicated that other downtown development projects are on hold pending the success of this venture. The Conference Center and Hotel is an important market for a downtown circulator, as it will attract visitors and business people who need to travel to the Capitol Mall, Willamette University and other downtown locations.

At least one major housing development is planned for the downtown. This project will be built on the vacant portion of the Courthouse Square block, just northeast of the Transit Center. A proposal for 73 units of subsidized workforce housing is competing with a market rate condominium project. The City has received one other housing development proposal to construct market rate condominiums on Court Street in the downtown area. Were any of these projects to be

built, they would represent the first new housing constructed in the downtown in many years.

North Downtown

The City of Salem Urban Development Division has identified the North Downtown area as an opportunity site for a wide range of new housing and mixed-use projects, as well as the extension of core business district commercial uses. The North Downtown District covers an area bounded roughly by the Willamette River, Union, Cottage, and Hood. The North Downtown revitalization plan envisions five major redevelopment districts:

1. Broadway Main-Street District - focus of commercial activity in the area mixing with high-density residential uses.
2. Riverfront District – mix of high density residential, office, and retail oriented to the river.
3. North Core Area – commercial uses serving as an extension of the Central Business District.
4. Grant District – established single-family neighborhood east of Broadway.
5. Mill Creek Corridor – pedestrian and bike access via public paths.

Zoning overlays have been adopted to encourage the development of a mixed-use main street on Broadway between Belmont and Hood.

The City's Urban Development Division has already targeted three key properties in this neighborhood for purchase and redevelopment. The three sites front Broadway north of Belmont Street. The City has adopted zoning changes and design guidelines in this district to reinforce the storefront commercial character typical of main street development. Streetscape improvements are also planned for this area, improving its attractiveness for new development.

It remains to be seen whether City investment in this area will spur additional private development. If North Downtown Plan goals are realized, this district will develop as a vital

mixed-use neighborhood. The implementation of a streetcar line would provide a strong catalyst for the neighborhood development principles the City is attempting to achieve through its efforts in the North Downtown.

Civic Center

Salem's Civic Center district is home to City Hall, the City's main public library and a number of other City functions. The City's civic buildings are laid out in a linear, park-like setting between Commercial and Liberty south of Trade. This neighborhood is also home to a mix of established mid- and low-density residential, service commercial and some employment development.

Little additional development is planned for this area over the next five to ten years. However, there is limited potential for commercial redevelopment south of Leslie and both commercial and residential development to the west of Commercial. The proximity to the Willamette River also offers opportunity for future residential redevelopment to capitalize on riverfront views.

In the short-term, the primary market for streetcar south of Trade would be employees and visitors traveling to City Hall and the Library. While these are important civic destinations and would attract some ridership, the lack of other trip generators in this area suggests that ridership on a streetcar segment serving the Civic Center would be marginal.

Capitol Mall

Nelson\Nygaard interviewed State facilities managers at the Department of Administrative Services (DAS) Facilities Division. Very little new development is expected on the Capitol Mall over the next 10 years. While the overall number of State employees is expected to increase over this time period, many of those new positions will be at office sites outside downtown Salem.

The development of a Capitol Area Master Plan has been underway for a few years. Work on this plan is stalled and

is expected to resume later in 2005. DAS staff expects that the plan will include several new buildings in the central mall area, but that construction on these new facilities would not begin for 10 to 20 years. The existing Yellow and Green Parking Lots will be primary construction sites for these new facilities. The two adjacent lots lie between Winter, Union, Summer and Center Streets.

The Capitol Mall, stretching from State to Union, has its own city zoning classification. Developments on these lands are managed by the State of Oregon and are dedicated to government and supporting uses. The area to the east of Capitol between State and approximately Union, is zoned retail commercial. This is represented in the current mix of office and retail commercial establishments, such as Safeway.

The Capitol Mall area is a strong market for streetcar service with over 12,500 employees. Capitol Mall parking rates are relatively high compared to downtown and any future development will displace more parking – a positive trend for increased transit demand. However, a number of factors including a state budget crunch, limited developable land and state office development in suburban locations, all point to low growth in demand for trips to and from the Capitol Mall.

Willamette University

Willamette University's Facility Planning Department indicated that campus expansion plans are limited over the next 5 to 15 years. No growth in the student population is projected before 2015 and all University development plans are within existing campus boundaries.

The University is examining the potential to locate a new performing arts center on campus. One of the preferred locations for the new facility would be in the area of Ferry and Cottage. Initial planning work for this facility has included discussions about abandoning Ferry Street west of Cottage. This does not necessarily impact a streetcar alignment using this street traveling west from Winter. The alignment could

be designed to run through a pedestrian mall, much like the Portland Streetcar alignment through the PSU Urban Plaza. If constructed, a new Willamette University performing arts center would be a hub for community events and would have a symbiotic relation with a Salem streetcar.

Willamette University property is largely zoned Public/Private Educational, although small areas on the southeast corner of the campus are zoned for Multifamily Residential 2.

Railway Depot Area

The Southern Pacific Railroad constructed Salem's Railway Depot in 1918, replacing a previous station that had burned down. The station was fully rehabilitated in 1999. Early development of the City was focused around this rail station site and Salem's early streetcar system provided a high level of connectivity with intercity rail at the depot. Today, Cherriots buses provide service to the station.

The Salem Rail Station area is confined by roadways to the west and south. Tokyo University lies to the east of the mainline tracks. This small university is connected to the downtown grid via a long pedestrian bridge that crosses the track and 12th Street. North of the station parking lot is the Mission Mill Museum, an important visitor destination in the downtown area. There is very limited opportunity for redevelopment in this area and future markets for streetcar would be driven largely on the expansion of rail service to the station and increases in matriculation at Tokyo University.

A large site just south of the station and the historic baggage shed provides an excellent opportunity to site a streetcar maintenance facility. Bounded by tracks, inaccessible roadway and an elevated ramp, this area is very unattractive for most other types of development.

Developer & Broker Interviews

During October 2004, Nelson\Nygaard interviewed developers and commercial real estate brokers familiar with the real estate and land development markets in Downtown

Salem. We were only able to locate a few active developers working on downtown projects; commercial realtors were more available.

Commercial realtors estimate that ground floor retail vacancy rates in downtown Salem have averaged 15 percent or higher in recent years. Vacancy rates for second and third story office and commercial space tend to be even higher. Per square foot, commercial lease rates in the downtown are lower than those in suburban strip commercial centers. This is an indication of a relatively weak downtown market. Realtors also indicate that there is an imbalance between land values and the rental market, which makes it difficult for an urban redevelopment project to pencil out. With depressed rental rates and land values over \$20 per square foot there is little incentive to knock down existing underutilized structures for redevelopment.

According to market research completed by Brian McCarl and Company, a Portland based developer working to develop a 73-unit housing project on the Courthouse Square site adjacent to the Transit Center, there is strong demand for low- to mid-income workforce housing in the downtown area. The proposed project would target workers making roughly \$8 to \$12 per hour. McCarl and Company suggests that their research shows this market to be heavily underserved with demand for this type of housing opportunity on the rise. The Salem Conference Center will bring over 200 new low-wage labor jobs into the downtown. Existing retail establishments, restaurant and the Salem Mall already employ many low-wage workers, few of whom live in close proximity to the downtown. The management company for the Salem Mall indicates that many of their employees commute from as far away as Stayton or Dallas, with commute costs making lower wage service jobs less attractive. Despite projected demand, McCarl's housing project has had difficulty getting off the ground due to a lack of subsidy. Once again, the high cost of land relative to subsidized rental rates makes this project impossible to build without significant subsidy.

Developers with whom we spoke indicated that improved transportation linkages between major downtown employment and activity sites go hand in hand with attracting new development. Their experience in comparable markets indicates that people are more likely to be attracted to housing opportunities that are within an easy walk of frequent, attractive transit service. In the Portland area, approximately 1/3 of transit riders make 70 percent of the median income or less. While we don't have data for the Salem area, these numbers are likely to be comparable if not higher. Portland developers working in the Old Town area have found that people in this income bracket desire housing opportunities with strong transit links to major worksites.

Developers viewed the lack of housing in the vicinity of Willamette University as a major market deficiency. University students, faculty and staff often prefer to live close to campus and are a strong market for urban living.

Mid-sized communities like Salem appear to be losing Baby Boomers to more vital urban centers where housing has developed in an enticing urban context. Developers see that as people are remaining active longer and retaining wealth, they are looking for exciting urban environments. A Portland based developer working in Salem said, "Downtowns that are willing to make the investment in the contextual framework of transportation, housing and retail are going to compete favorably in the economy moving forward. You are going to see more of a consumer-oriented economy where people can take advantage of the facilities and amenities that are not available in the suburbs."

Developers see housing critical to the evolution of a vital mixed use downtown. Without new workforce housing and market rate condominiums, developers question whether Salem will be able to attract new businesses to the downtown. Such housing could complement strong employment anchors, such as the Capitol Mall, and begin to attract a range of residents to the downtown area. We learned of just two residential projects that are in planning phases: (1) a Courthouse

Square housing development (McCarl's workforce housing project is competing with a market rate condominium project) and (2) a condominium project on Court east of 12th.

Other than Courthouse Square and the current Conference Center project, there has been limited development in the downtown over the last several decades. While this stagnancy may be shifting, there is still little momentum and very little market research exists to encourage developers or lending institutions to invest. Members of the development community feel that one or two successful housing (subsidized or unsubsidized) projects in the downtown would open the market for new development, leading to three to four more housing projects in the next five years. However, developers reiterate that there is a significant onus on the City of Salem to "jump start" some key projects with local urban development funds.

Overall, there is limited downtown development expected in the next two to three years. Fifty to 100 new units of housing could be in place by that time and the Conference Center project will create 193 new hotel rooms in the downtown area. City pilot projects in the North Downtown could set a precedent for new mixed-use development there, but the market for multi-story mixed-use projects is not proven. Brokers and local developers see the success of the Conference Center as a trigger for new investment downtown, but recognize that its impact will not be fully measured for at least two years.

Tourism in Downtown Salem

The Salem Convention and Visitor Association (SCVA) estimates that tourist traffic to Downtown Salem will grow between two and four percent per year in upcoming years. This does not include visitors to events and activities at the new Salem Conference Center. While no visitor counts are available, SCVA reports indicate that tourism has been stable over the last two to three years. The overall number of room nights booked citywide was down in 2003 to 29,900 from the

previous year's 32,500. Tourism spending, however, was up over 10 percent during the same period.

Statewide tourism, the third largest industry in Oregon, has been slow to recover following post September 11th slow-downs, but is making gains once again. A statewide hotel room tax of one percent was approved by the Legislature in 2003 to support Oregon Tourism Commission marketing efforts. The positive impacts of increased statewide tourism marketing are expected to trickle down to Salem and its downtown.

Salem Conference Center and Hotel

The Salem Conference Center, currently under construction will soon open 29,000 square feet of exhibit, theater, banquet or classroom space. As part of the same development the Phoenix Grand Hotel will provide 193 full service rooms and open as the only major downtown hotel property. The combined facility is expected to be a centerpiece for downtown Salem and is projected to attract over \$4 million dollars in spending to the downtown area each year. The Salem Conference Center expects to attract business from statewide associations and local, state and federal government activities.

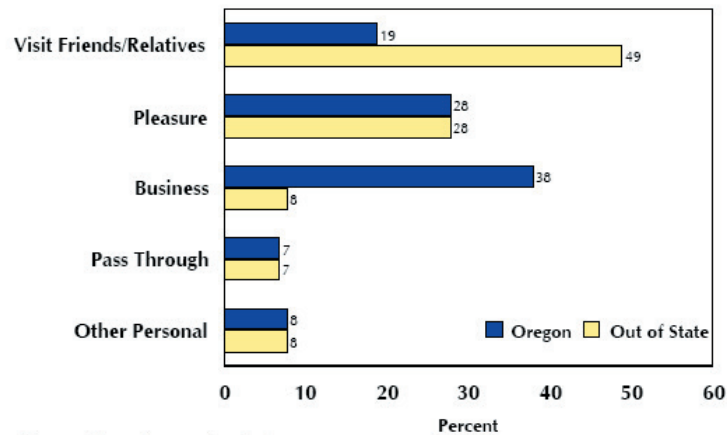
The Conference Center is projected to fill 25,000 room nights at its sister hotel through efforts from the SCVA; additionally, non-conference visitor traffic could host an additional 25,000 room nights at the hotel. The new downtown hotel is likely to be attractive to people doing business at or visiting the Capitol Mall, which is one of the top tourist destinations in the area. A streetcar connection between the two locations would likely be attractive to visitors.

Salem and Marion County Visitor Survey

Dean Runyan Associates conducted a survey of visitors to Marion County and Salem during 2001. This in-depth survey examines visitation, spending and activities. The figure below illustrates the percentage of visitors to the area by reason

of visit. Visits to friends and relatives is the top reason to visit for people traveling from out of state, while in-state visitors typically come for business. The survey indicates that Salem is not a top destination for in-state residents traveling for pleasure. However, it does attract a strong pleasure travel market, with 28 percent of all visitors coming to Salem for activities that fall under the broad category of "Pleasure."²

Figure 4 Salem Area Visitors



Source: Dean Runyan Associates

The Dean Runyan survey did provide indications that downtown Salem is an important destination for Marion County visitors.

- The Capitol Mall in downtown Salem is the second most visited site in Marion County behind Silver Falls State Park.
- Urban activities were among the top reasons why people visited the county – 68% of all visitors to the region went to a restaurant or club and 48% visited the downtown.

It is notable, however, that of the top 25 tourist destinations in Marion County only the Capitol Mall and the Mission Mill Museum were located within the downtown study area. The development of Riverfront Park, including the new Carousel, and the Salem Conference Center should help to draw more people to the downtown area in the future. While a

² Salem Convention and Visitor Association. 2002. Salem and Marion County Visitor Profile. Dean Runyan Associates

streetcar could be a minor tourist attraction itself, it should not be expected to create significant visitor activity without supporting destinations and vibrant street life.

Other Tourism Development

No other major tourism related capital projects are currently planned for the downtown Salem Area. The recent development of the Carousel Building in Riverfront Park is an added amenity in the downtown and is expected to attract recreational visitors.

A new dock is currently under construction at Riverfront Park along the Willamette River; this dock will be part of a planned river trail linking Corvallis, Salem and other river-side communities.

Intercity Rail Transportation

Vacant land south of the Amtrak Station is identified as the preferred site for a streetcar maintenance facility. This and the opportunity to provide a connection to intercity rail service makes the station area a logical southern terminus for proposed streetcar alignments. Currently the Coast Starlight service between Seattle and Los Angeles makes one daily stop in each direction at the station. The Cascades line between Eugene and Seattle makes two round trips each day, stopping in Salem primarily during daytime hours. Additional Amtrak Thruway Bus service is provided each day northbound to Portland and southbound to Eugene. All daily train services, in both directions, arrive and depart Salem between 7:00 AM and 6:15 PM, making connections with the streetcar feasible.

Salem is an important stop for Amtrak services in Oregon – Salem to Seattle and Salem to Portland travel are two of the top 10 origin–destination pairs for train travel in the northwest. A study completed by the Volpe Center estimated that patronage demand could support up to five daily round trips between Eugene and Portland by 2003.³

³ Oregon Department of Transportation. 2001. *Oregon Rail Plan*. Chapter 3: Passenger Element.

While no new funding has been made available to support the capital improvements or operating costs necessary to add this service, the Oregon Rail Plan (2001) recommendations do call for increased levels of service. Proposals to restore train service between Portland and Boise and to continue more northbound service through to Vancouver, BC could also increase activity at the Salem station. Plans for a commuter rail connection to Wilsonville/Portland have been under discussion for several years. Commuter rail service to Salem would most likely utilize the existing passenger depot and would dramatically increase the amount of daily rail patronage passing through the station.

Bus Transit

Salem Keizer Transit (SKT) provides local bus service on 28 routes in Salem, West Salem and Keizer. The Courthouse Square Transit Center located at High and Chemeketa is the primary transfer point for the system. Most bus services operating east of the Willamette River meet in a timed transfer at the Courthouse Square Transit Center in downtown. Routes serving neighborhoods west of the river meet at the West Salem Transit Center, where passengers can transfer to the Route 25 shuttle to the Courthouse Square TC.

SKT does not operate any services designed solely to provide circulation within downtown. Bus passengers traveling from point-to-point within the downtown would need to board a bus in- or outbound from another neighborhood. There would be little competition between proposed streetcar alignments and existing bus services. Current SKT passengers traveling within the downtown would likely migrate to streetcar, as it would provide a more legible, comfortable and customer friendly product. However, we would also expect some increase in bus patronage by people connecting to the streetcar to reach their final destination. This has been a prominent trend in other cities, such as Tacoma, where new downtown streetcars have recently begun service.