



City of Salem, Massachusetts
Mayor Kimberley Driscoll

Salem Mayor Kimberley Driscoll's 2019 State of the City Address

Welcome, all, and my thanks to the team at Workbar for graciously hosting us here today.

I want to take a moment to specifically recognize two individuals who will be concluding their service on the City Council at the end of this year:

Ward Six Councillor Beth Gerard has been a pro-active voice for her constituents in North Salem since 2013. In addition to being responsive and delivering for those she represents, Councillor Gerard has been a critical eye on our City budget and finances. When she chaired the Administration and Finance Committee, Beth threw herself into the work and, even when she wasn't the chair, she has been there, asking good questions and making recommendations and proposals that have strengthened our City and our financial position

Councillor-at-Large Tom Furey is an institution in his own right. For 34 years Councillor Furey has served our community as a City Councillor and, before that, a member of the School Committee. He has been forceful advocate for the betterment of Salem. Councillor Furey has demonstrated that one *can* be respectful of our traditions and our history and forward-looking and open to change and new ideas, at the same time. Never afraid to be the sole vote for or against something, from the classroom to the Council chambers, Councillor Furey has only ever been interested in one thing: the best interests of the city that he loves dearly. Congratulations on a lifetime of service to Salem.

My thanks to both Beth and Tom for your years of service and dedication. We're all of us in the kind of work that often means signing up for late nights and at times slings and arrows, but also enjoy the satisfaction of knowing that our efforts have made a better City for our neighbors and our families. Thank you.

Some have asked, why this update is being given at Workbar?

Workbar is representative of something important: the continued transformation and growth of our local economy in Salem. In the last decade, the number of businesses in Salem grew by 14% to over 1,500 today and today our commercial vacancy rate is just around 5% (that means 95% of our commercial space is occupied).

Our unemployment rate at 2.6%, is the lowest it has been since I first took office; the last time it was lower was April of 2000. According to the most recent figures, only 649 of our neighbors are unemployed today – far more than we would like, but far fewer than we have had unemployed here at

any point in the last nineteen years. Salem's economy is strong and there are more jobs looking for people, than people looking for jobs.

While tourism, hospitality, and dining are still our core – and while our larger, institutional partners and employers are still our backbone – it's in places like this where we see some of the fundamental change in what it means to work in Salem.

Here's an example: the share of residents in our annual resident survey who said they work from home here in Salem grew by 20% from last year to this. As national - even global – companies seek out ways to innovate, reduce costs, and meet their workforce where they are, co-working collaborative spaces like this will only grow more important. The role they play is essential to the changing nature of our economy. And for entrepreneurs, outlets like Workbar, Inno North, the SSU Enterprise Center, and so many others, can be the difference maker between failure and fortune. What is more, Workbar is also proof that at least one of our strategic approaches to economic development is paying off.

Just like the city's former lease of One Salem Green transitioned to prime office space for Salem Five to grow and prosper, so too have we seen the transition of and power of the City's former investment in this space for our Annex offices now transformed to Workbar. It's one reason I am so confident that our lease approach to the new offices at 98 Washington Street will – in time, and with sensible planning – lead to even greater economic opportunities in our downtown. These old, often dilapidated buildings needed the investment support of a long-term lease to help convert them and get them started on a path of long-term prosperity.

It's one of the reasons why I wanted to speak with you today from this place.

For me the State of the City is something we work on every day, but today I want to speak with you about three important topics: housing, transportation and Salem Public Schools. And maybe one 'cherry on top' topic – Salem's 400th.

When it comes to housing, let's be blunt: it's getting expensive to own or rent a home in Salem.

Almost half of our residents are paying a third or more of their income on housing – and for our most marginalized populations that rate is even higher, forcing them to choose between which bills they'll pay or groceries they'll buy each month. Over the last decade here in Salem, average wages have risen by 12%, but the median home price has increased by more than twice as much, by nearly 30%.

What this means is that Salem is at risk of losing what most defines us: our people. A diverse mix of incomes and backgrounds and life experiences. We've always been a city where sea captains' mansions were just around the corner from the tenements that housed the people who worked on the docks. Where both the factory owner and the laborer could call home.

Salem, the city that we all love, should be a city for everyone.

Now, there's a fear among some people that we're building too much housing, too fast. But the truth is we're falling far short of what we need. And, measured against all our history, we are building far less than almost ever before. Of all our housing in Salem, of all the tens of thousands of units, less than 1-1/2% was built in the decade.

Despite the worried anecdotal claims by some that Salem has had a housing boom, the numbers don't bear that out: of all our housing stock, only about five and a half percent was built in this century. And while 20% of that housing built in the last decade is affordable, because the overall volume is just so small, the volume of affordable units is small, as well.

Those of you who were able to attend the housing forum we held with Governor Baker recently here in Salem heard the story of a Salem resident and single mother of five. She survived abuse and hardships, got by in a tiny two-bedroom apartment with her children, but is still on the edge of losing a place to live here in Salem.

Or the story of the line cook at the Hawthorne Hotel, who only managed to stay here in Salem – the community where she was born and grew up and is raising her own family – because the Hawthorne Hotel helped put her and her family up for months until they could find an affordable apartment here.

These are two examples of many. They are the faces of our housing crisis. They are our neighbors – Salem single mothers, seniors, veterans, young families. I field calls every month because these Salem residents, our constituents, are being squeezed out of our City. Their stories – their voices – are important. But they are too often the voice *not* around the table or at the microphone when we're talking about housing policies.

Between 2016 and 2018, homeowners provided 85% of the public comments at public hearings before the City Council; however, they account for about half of our population.

We frequently hear the voices of those who care comfortable and housing stable. But the voices of those two women I mentioned above are missing from the conversation. And, sadly, they are far from alone.

Today, in Salem, there are 238 homeless students – children, just like yours, just like mine. Today, almost half of Salem families pay a third or more of their monthly paycheck for housing. Today, there are hundreds of seniors, who've lived all their lives here, raised their families here, made this City the great community that it is – but who cannot afford to remain here. There are other seniors who want to downsize, move to single-floor living and want to do so in the city they've called home all their lives. If we don't act, they won't have that choice.

None of us want to forsake those constituents. We must endeavor to value all voices – those in the room during public hearings and those not there, but that we know exist in our community.

I want to be clear and say that the voice of objection, dissent, or disagreement is important. We should build housing, but it certainly should be done in a manner respectful of the context of the surrounding neighborhood and of the capacity of our infrastructure. No one is suggesting it should not be. But when the voices saying no say no to everything – commercial growth, affordable homes, market rate homes, new parks – those voices can sometimes drown out the voices of their neighbors in need – folks who need housing and jobs, market rate and affordable homes and entry level and professional jobs.

When confronted with a crisis, Salem has always risen to the occasion. Thirteen years ago, I came into office inheriting a \$3.5 million deficit, almost no levy capacity, and no reserve funds. We were borrowing money to keep the lights on. But today we have record reserve levels and bond ratings, a

budget that consistently receives awards from the nation's leading government finance watchdog group, and have kept tax increases manageable while enhancing valuable city services.

This – our housing situation – is our crisis of today: the economic crisis, the political crisis, the *moral* crisis.

To be clear: we can't solve our homelessness problem, without building more housing. We can't stabilize taxes on our existing homeowners, without growing our tax base. We can't save our vacant historic buildings, without providing a path for their productive reuse.

It's the most fundamental law of economics: supply and demand. There's a great demand to live in Salem – we're an attractive community, for many reasons. But as long as our supply fails to keep pace, the price of a home, the rent for an apartment: these will only go up.

We've averaged about 60 units per year since 2000. But to meet the projected housing demand anticipated by 2030, we need to get closer to 136 units per year.

We don't even have enough supply to meet the demand from our *existing* residents. As people live longer – and want to stay and age in the community where they raised a family and are growing older – as young adults are staying closer to home – all of these people, our neighbors today, also strain our housing market.

So, what does this all mean?

It doesn't mean we should rubber stamp each and every builder that comes before the City. This is about approaching the housing crisis thoughtfully, listening to *all* the voices in our community. We need change on the state level, which is why the Governor's Housing Choice bill is so critical. But we also need to act with intention at the local level too.

The reforms we are proposing to the City Council are not intended to make it easier to build in Salem, but to create incentives and requirements for building more of the housing we need to meet our current challenges. To reduce barriers to home sharing innovations and make it simpler for current homeowners to make changes to their own private property.

Keep in mind, that many of our most desirable and sought-after neighborhoods were built before zoning existed in Salem. Those same neighborhoods – Derby Street, the Common neighborhood, Federal Street, or any of our historic districts – those walkable, compact neighborhoods with a mix of housing options, couldn't be built today because they wouldn't meet current zoning.

In short, Salem needs housing – market rate, mid-rate, affordable. Accessible, veterans, transit-oriented, workforce, retirement.

The City has held two major housing forums in partnership with MAPC and our Affordable Housing Trust Fund Board has been working hard to find some solutions. Here are some of the most promising:

First, inclusionary housing. Currently, new home builders are not required by law to make any percentage of their buildings affordable. We have been, as a permitting practice, including a 10%

affordable housing set aside at 80% of AMI, but a local law codifying the requirement will be permanent and far more strategic targeting the needs of our workforce, who typically fall under a 60% of AMI.

Historic reuse: While the Council did not approve of the original overlay zone concept, I believe a historic reuse special permit approach can facilitate a permitting path for vacant buildings that are exempt from zoning. In particular, former religious and municipal buildings. I'm hoping the second time will be the charm and I know both the North Shore CDC and the Broad Street developer are ready to go. The special permit approach is before the City Council now, and I hope it will be acted favorably upon.

Expanding our Housing Development Incentive Program area citywide would mean the City Council would have more flexibility to offer incentives for the construction of new affordable housing. Just as the entire City is a TIF-zone for commercial growth, so too should it be an HDIP-zone for our housing needs.

There's also the matter of in-law apartments, or accessory dwelling units. Salem's current rules around in-law apartments are very restrictive and that's one reason why only a handful of units have been proposed and approved since they went into effect. I believe homeowners have, within certain reasonable standards, the right to a reasonable process to improve their private property to provide for this type of housing. Smaller units, by their nature, will be more affordable and can help young families and seniors alike who currently own homes by providing some additional monthly income.

And, finally, new public housing: It's been decades since the Salem Housing Authority constructed any new public housing. Both the Authority and the City own land that can be leveraged, primarily for single family starter homes and affordable townhouses. The Authority's wait list for housing is years long. It's time to add to our public housing inventory.

These are just some of the immediate tools we are focused on to try and tackle the housing crisis. I know that we can take on this issue with the same positive spirit and approach that led to success in the past when we faced a city-wide challenge. To me, housing is a moral issue. By working together, on a problem that everyone has a stake in, allowing for all our neighbors' voices to be heard, we can incentivize the types of changes we want in our community to address this issue.

You can't talk about housing and economic development growth in a city our size without also working on transportation.

Work on roadway project is either in concept stage; design or construction. Canal St is wrapping up in time for design work on Boston Street to get underway. Working with state officials on concept plans for Highland Avenue. We expect to be in construction with improvements to Boston/Bridge intersection construction, and on Essex Street construction. We expect to move forward with work in the Derby St neighborhood as part of Derby Envision 2020.

South Salem MBTA Station and Second Ferry Acquisition continue to be larger projects we are trying to advance with the help of state and federal agencies.

Lastly, we know that roads and cars are not a long-term option if we are serious about reducing congestion in our city. That's why we're excited about advancing micro transit offerings both in Salem

and regionally. A bike or a scooter isn't for everyone, but often times they can take the place of a car on the road for short distances. In Brookline, their scooter pilot program survey indicates that about 20% of riders used a scooter instead of driving their car. We'll be rolling out our scooter share program in mid-July and will track that data here as well.

Something that we've seen a ton of positive interest in is a citywide shuttle service. Folks fondly remember trolleys operating in Salem decades ago. While today you can take a trolley ride for free if you're a Salem resident, that option is really geared for tourists. We've been working to understand options for bringing right sized city transit into service here. Rather than using a trolley track, it will likely use an app on your phone. This Wednesday, we'll be sharing information on the latest technical analysis on how we can provide enhanced public transit that connects people in Salem with where they want to go without using a car. A micro-transit service can operate as a shared shuttle that is adaptable by using technology platforms similar to ride hailing services, offering both convenience and flexibility.

We are committed to embracing all car alternative transit options for Salem. It doesn't mean folks who live here will be immediately abandoning their vehicles, but over time we can definitely improve our ability to address congestion by enhancing bike, walking and transit infrastructure. We'll be leveraging funding in our Transportation Enhancement Fund and doing our best to maximize options for residents so eventually you may not need to have a car if you live in Salem.

I think the most important work we do as a city government is in our public schools.

I truly believe that education is a community mission and encourage all of you to join in our effort to improve our public schools. There is critical work underway in all of our schools and it is made better by the help and assistance of teachers, students, administrators, and you.

There is frustration, as well, that improvements are not happening as fast as we'd like or as completely as we'd like. I share that frustration, but also know the talent inside our buildings and the resources and foundation we have put in place will enable the success we are seeking.

We are working with great partners in our city and I am hopeful and optimistic about the progress we can make in this area.

The Salem High School Class of 2019 includes Ivy League-bound graduates. Accomplished scholars. Remarkable student-athletes and artists. It also includes kids who have overcome homelessness, social and emotional challenges, or other barriers. We can, will and do serve all students and are working to ensure that we meet the needs of all students, every day.

For the coming school year, the Salem Public Schools will be led by an Interim Superintendent, as we undertake a year-long public and transparent search process for a permanent leader for the district. I am looking forward to working with Kathy Smith and know that she is more than capable of working with the strong team that is in place to ensure a successful and productive school year.

I encourage you to work with us as we support our teachers, encourage our students and improve our overall success of the day-to-day experiences inside our classrooms. And I hope you will take the time to go into our schools, into those classrooms, and see with your own eyes the good work that's being done every day there.

I'm bullish on Salem's public schools and you should be, too.

I want to close with a brief word about how Salem is preparing for 2026, when our City turns 400 years old.

A couple years ago we launched Imagine Salem, a community visioning initiative to set shared goals about what kind of city we want Salem to be on our quadricentennial. Goals around housing, economic growth and jobs, transportation, and equity and inclusion. That work is continuing, in many respects through the policies and proposals I've already discussed today. But there is so much more to do.

For FY2020 we've increased the allocation to the Salem 400 fund, a special account we set up several years ago to begin saving for the celebrations around the 400th.

A community group including City officials, the Park Service, Destination Salem, historic preservation groups, Essex Heritage, and others, have begun discussions to plan for the 400th and, we expect, the establishment in the year ahead of a new nonprofit to manage this historic event.

As we look to the future, the budget also includes the first steps for investments and a renewed focus on how we maintain our public buildings and facilities. This builds on the groundwork already laid with our capital planning efforts over the last year, the launch of new technology tools to track maintenance and capital needs, and to forecast and plan more strategically and thoughtfully about the future.

Most importantly, however, it includes what I like to call our signature parks initiative: Forest River Park, Winter Island, Palmer Cove, Salem Willows, Bertram Field. All of these remarkable and unique public spaces, enjoyed for generations of Salem residents over hundreds of years. We have some remarkable plans to preserve and improve them for future generations to enjoy and we want these plans to come to fruition as part of our plans for Salem 2026. What a gift that would be for the next generation.

We will continue to work toward ensure that we are planning for the needs of today with an eye toward what we want our city to look like when we turn 400 in 2026.

Housing – Schools – Transportation and our 400th. Any one alone would be an overwhelming challenge to any other city or town. But we're not just any other city or town. We're up for the challenge ahead of us – just as we always have been.

I feel so fortunate to lead and live in this great city and I appreciate being able to share with you both the opportunities that lie ahead and the challenges we face in securing a future that we can all be proud of. Thanks for joining me here today and let's look forward to the next year of promise and progress.