
Salem Housing Needs and Demand Analysis

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I. Introduction

Salem was the second incorporated city in Massachusetts (April, 1836), and is the second oldest settlement in New England. It is located north of Boston along the Atlantic Ocean and is bordered by Beverly, Danvers, Peabody, Marblehead, Swampscott, and Lynn. Considered the “hub” of the North Shore, the city is home to much of the area’s commerce and development, as well as the educational, medical, legal, cultural and banking functions of the area. The city’s downtown hosts a robust tourism economy based on the city’s many historic and cultural resources. Salem is home to a diverse workforce concentrated within the health care and educational services industries. With over 19,000 housing units, Salem offers a range of housing opportunities from large, multifamily communities to historic, single-family homes. Although significant gains have been made to improve the affordability of housing, Salem still faces several challenges. Creating homes for the next generation of workers while also addressing the complex needs of an aging and increasingly diverse population is one of those challenges.

The high cost of housing and lack of affordable or attractive options for many households has many negative consequences. Housing costs are a major contributor to the high cost of living, and serve as a major disincentive to firms and talented workers in terms of location. Paying an excessive amount of income on housing means families have less money to spend on other essentials like food or health care, and spend less money at local businesses.

This report provides an overview of the current demographics of Salem, the existing housing stock, projected changes in housing demand over the coming decades, and the types of new housing that are needed to meet that need.

Subregional Context

The city is within the North Shore Task Force (NSTF) subregion.¹ Salem is categorized as a Regional Urban Center under MAPC's community type classification system. These communities are characterized by an urban-scale downtown core with multiple blocks of multi-story, mixed use buildings; moderately dense residential neighborhoods surrounding this core; and (in some cases) lower density single-family residential development beyond. Some of these communities are 'built out,' while others still have vacant developable land around the periphery of the community. Rental housing and multifamily structures comprise a significant component of the housing stock.

Figure 1: North Shore Task Force Subregion

¹ This is one of MAPC's eight subregions and also includes Beverly, Danvers, Essex, Gloucester, Hamilton, Ipswich, Manchester, Marblehead, Middleton, Nahant, Peabody, Rockport, and Topsfield.



A Note on Data Sources:

Many portions of this analysis make reference to or include MAPC projections data.² These projections include two scenarios for regional growth. Each scenario reflects different assumptions about key trends. The “Status Quo” scenario is based on the continuation of existing rates of births, deaths, migration, and housing occupancy. Alternatively, the “Stronger Region” scenario explores how changing trends could result in higher population growth, greater housing demand, and a substantially larger workforce.

The Status Quo scenario found that continuation of current levels of in-migration and housing production would lead to a declining workforce and economic stagnation in Metro Boston over the coming decades. In contrast, the

² Metropolitan Area Planning Council. *Regional Growth Projections*. <http://mapc.org/projections/>

increased migration rates of the Stronger Region scenario could fuel regional job growth of 7% between 2010 and 2040.

Other portions of this analysis rely on data from the U.S. Census Bureau's decennial census and the 5-year American Community Survey (ACS). Data from the decadal census is generally more accurate because it is based on a complete enumeration of residents and housing units. ACS data are based on a sample of households and have some uncertainty in their estimates, the magnitude of which is represented by margins of error, represented alongside the data wherever possible.

The remaining portion of this analysis depends heavily on the Comprehensive Housing Affordability Strategy (CHAS), released annually by HUD. This dataset is based on custom tabulations from the ACS and include details unavailable in standard ACS tables.

II. Housing Needs and Demand Analysis

An analysis of local demographic data and housing stock reveals key characteristics and trends in Salem that help explain housing need and demand. In order to understand how the city compares to its neighbors, city data is compared to other municipalities in the North Shore subregion, to the MAPC region, and to Massachusetts. Ultimately, the Housing Needs and Demand Analysis can provide the framework for the housing production goals and strategies to address local housing concerns.

Demographics

This HNDA is grounded in a thorough examination of Salem's demographic composition. An analysis of the current population, household composition, race and ethnicity, and educational attainment provides insight into existing housing need and demand. Projections of the city's future residential composition can be used to help inform housing planning efforts.

Key Findings

- Salem's population increased a modest 2% between 2000 and 2010. Salem's affordable and historic homes, combined with its access to commuter rail and the region's job centers have attracted young, diverse workers and families in the region. Should Salem continue to retain and attract young workers per the Stronger Region scenario, the city's population is projected to increase by 3,700 people from 2010 to 2030, bringing the total population to 45,000 (a 9% increase.) MAPC's Status Quo scenario projects an increase of only 1,554 (4%) more population over the same period.
- Salem's high rate of non-family households (46%) is 15% higher than the regional average. Salem's median age of 36.8 is much lower than the

regional average and lower than other urban communities of the same type.

- Salem's population remains majority White Non-Hispanic at 76% in 2010, but it is growing more diverse. In fact, the percentage share of non-White population has grown at a rate faster than the regional average, specifically among Black and Non-White Latino populations, which increased by 484 (50%) and 1,924 (42%), respectively. There has also been a corresponding increase in the number of students with limited English proficiency in the Salem Public Schools.
- If Salem continues to retain and attract young workers, the number of households is projected to increase significantly from 17,842 to 20,500 between 2010 and 2030, a 14 percent increase, according to MAPC's Stronger Region projections. Should rates of births, deaths, migration and housing occupancy remain consistent under the Status Quo scenario, households are projected to increase by 1,800 (10%) by 2030.

Population

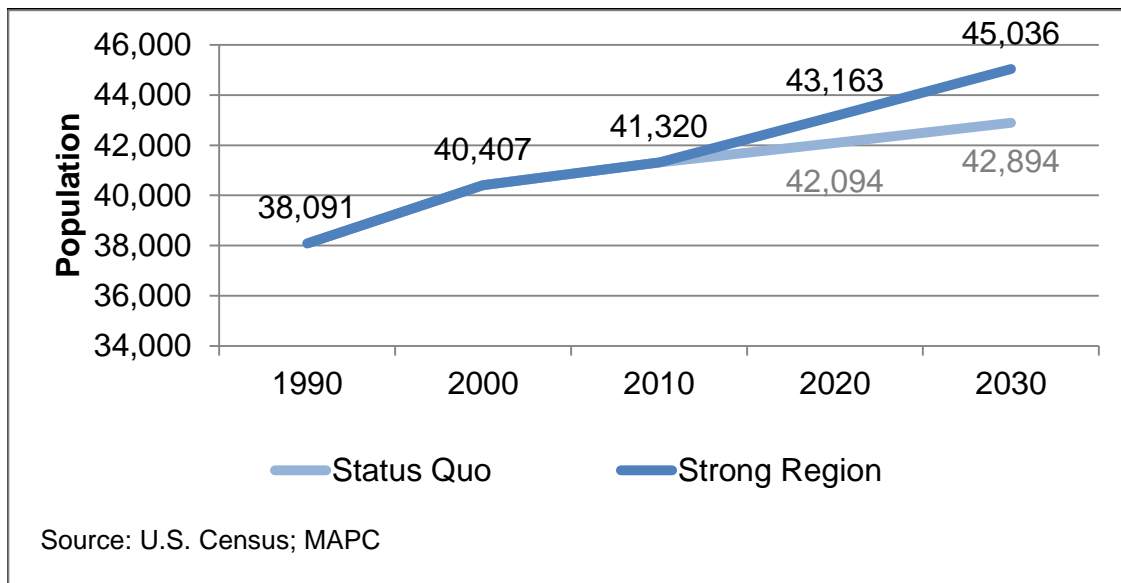
Housing needs and preferences change over time. Survey data shows that young householders and seniors on fixed incomes are more likely to occupy smaller, more affordable units that are easier to maintain. Families with children may want larger units with more bedrooms and access to open space and recreational activities. This section describes the population of Salem by age and how it is projected to change.

Salem's population made modest gains between 1990 and 2000, adding 2,316 (6%) to its 1990 population of 38,091. While this momentum decreased between 2000 and 2010, adding only 933 (2%) in population, Salem is projected to grow at a faster rate in the coming decades.

Population projections for 2020 and 2030 reference two scenarios: a Status Quo scenario based on continuation of recent trends in migration, housing occupancy, and location preference; and a Stronger Region scenario that assumes increased attraction and retention of young workers and slightly increased preference for urban settings and multi-family housing. Increased migration rates of the Stronger Region scenario could fuel job growth of 7% between 2010 and 2030, creating more demand for housing.

MAPC's Status Quo scenario projects an increase of only 1,554 (4%) more population over the time period from 2010 – 2030. Under the Stronger Region scenario, should Salem continue to retain and attract younger households, the city is projected to add 3,700 (9%) in population between 2010 and 2030.

Figure 2: Salem Population Change (Stronger Region & Status Quo), 1990–2030



Typical of many municipalities in the region, Salem's population is growing older, a result of the aging of the Baby Boomers. As this generation ages, the 65 to 74-year-old population in Salem is projected to increase by 91%, an increase of 2,438 residents. This increase makes up the largest projected increase among other age groups in Salem. Meanwhile, the number of children

(under 20) in Salem is likely to decline in the coming years, mirroring regional trends.

Table 1: Population Change by Age (Stronger Region), 1990–2030

Age	1990	2000	2010	2020	2030	Change 2010-2030	% Change 2010-2030
1-4	2,491	2,264	2,307	2,275	2,301	-6	0%
5-19	6,059	7,028	7,026	6,534	6,462	-564	-8%
20-34	11,809	9,950	9,913	10,863	10,345	432	4%
35-54	8,821	12,123	11,647	10,837	12,215	568	5%
55-64	3,149	3,326	5,105	5,784	5,051	-54	-1%
65-74	3,159	2,797	2,670	4,473	5,108	2,438	91%
75+	2,603	2,919	2,672	2,397	3,554	882	33%

Source: U.S. Census Bureau & MAPC Projections

Household Composition

Housing demand is a function not only of population, but also the number and type of households that the population forms. Each household resides in one dwelling unit, regardless of the number of household members. As years pass, some households form, move into the community, or grow larger, while others grow smaller, seek different housing options, or move out. Net housing demand is the number of units needed to accommodate additional households and maintain healthy vacancy rates among owner and renter-occupied housing units.³ This section looks at the current distribution of household types in Salem, projected household changes, and net housing unit demand through 2030.

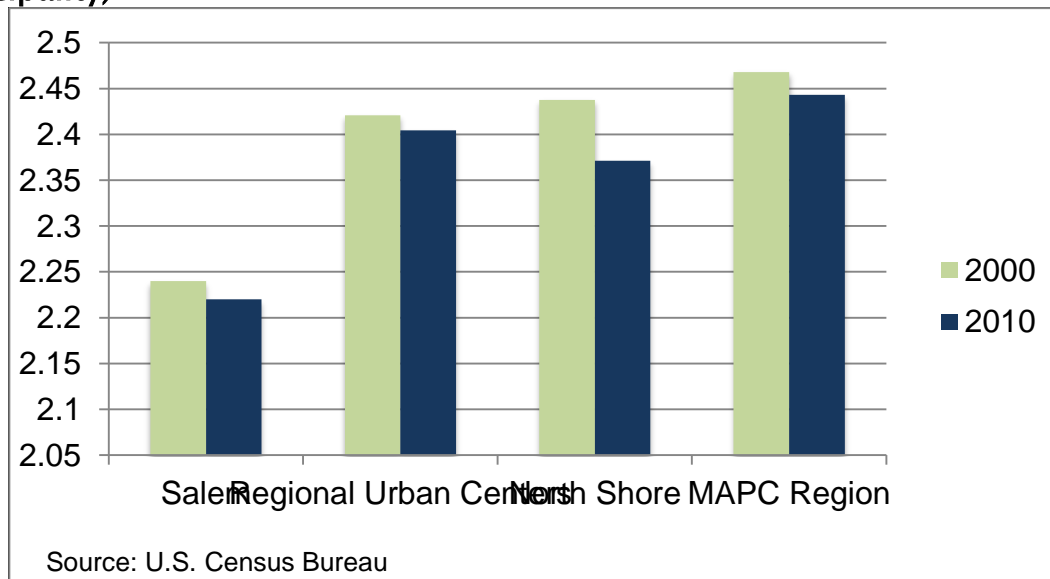
Household Size

³ Low vacancy rates can result in upward pressure on housing prices and rental rates. In consultation with Barry Bluestone at the Dukakis Center at Northeastern University, we estimate a natural vacancy rate of 1.5% for ownership units and 7.0% for rental units.

One factor driving change in housing demand is decreasing average household size. As a consequence, the number of housing units produced over time may need be built at a rate faster than the growth in households. For example, as population grows and smaller households form, more units need to be built to meet demand.

In Salem, between 2000 and 2010, average household size decreased from 2.24 to 2.22, although Salem's average household size is smaller than both the subregional and regional average. Additionally, the average household size for other regional urban centers like Salem is much higher than Salem itself.

Figure 3: Average Household Sizes (by subregion, MAPC region, and municipality)



The decrease in average household size occurred largely among owner-occupied households. Among renter-occupied households, the average size actually increased slightly over the same decade.

Table 2: Average Household Size, City of Salem

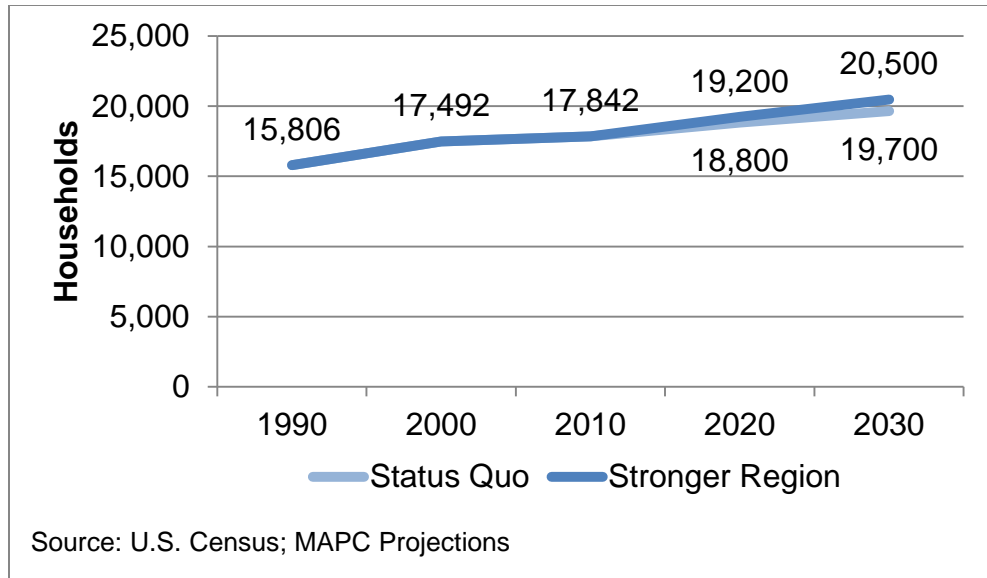
Tenure	2000	2010
Overall Households	2.24	2.22

Owner-Occupied Households	2.4	2.33
Renter-Occupied Households	2.09	2.1
Source: U.S. Census Bureau		

In 2010, Salem was home to 17,842 households, an increase of 2%, or 350 households, since 2000. Should rates of births, deaths, migration and housing occupancy remain consistent under the Status Quo scenario, households are projected to increase by 1,800 (10%) by 2030. The rate of household growth is projected to be higher than population growth due to continued declines in average household size, driven largely by the increasing number of senior householders who are much more likely to have only one or two people per household.

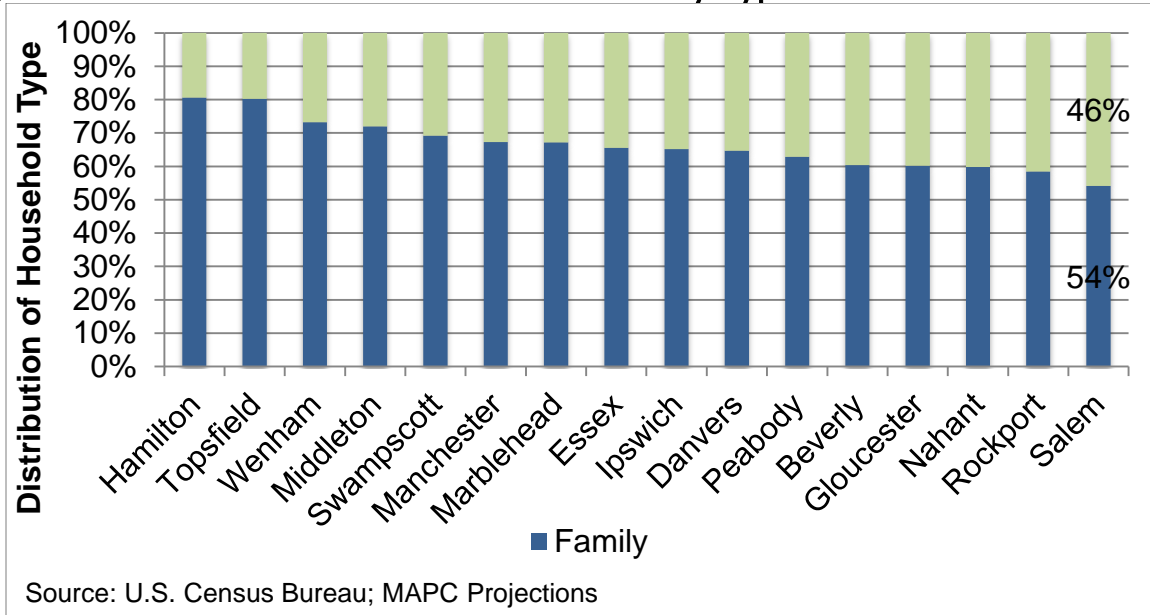
Growth in the number of households under the Stronger Region scenario is projected to increase at a much faster rate. Between 2010 and 2020, households are projected to increase by 1,400 (8%) additional households. This rate is projected to remain consistent into 2030, adding a total of 2,600 (15%) households between 2010 and 2030.

Figure 4: Total Households, 1990–2030



Family & Non-Family Households

Different household types often have different housing needs or preferences. For example, a single older adult may reside in or prefer to reside in a smaller dwelling unit than a family with children. A municipality's composition of household types can indicate how well suited the existing housing inventory is to current and future residents. Salem's 17,842 households can be divided between families and non-families. The former includes any household with two or more related persons living together, and the latter includes households with one person or a group of non-related persons living together.

Figure 5: North Shore Task Force Households by Type

More than half of Salem households are families. However, Salem's rate of non-family households (46%) is the highest in the North Shore Task Force.

Additionally, this rate is 15% higher than the MAPC regional average of 31%.

Table 3: Households by Type

	Estimate	% of Supragroup	% of Total
Family Households	9,648	54%	54%
Family Households with Children	4,107	43%	23%
Married-couple Family Households	6,363	66%	36%
Married-couple Family Households with Children	2,332	37%	13%
Single Male Family Households	719	7%	4%
Single Male Family Households with Children	312	43%	2%
Single Female Family Households	2,566	27%	14%
Single Female Family Households with Children	1,463	57%	8%
Non-Family Households	8,194	46%	46%
Single Person Household	6,301	77%	35%
Single Person 65 years and over Households	1,870	30%	10%
Total	17,842	N/A	100%

Source: American Community Survey, 2009–13

Of Salem's family households, 36% are married families and 13% live with children under 18 years old. Over 8% of households are single female head-of-households with children.

Head of Householder by Age

Just as aging Baby Boomers (those born between 1945 and 1970, for our purposes) will dominate the overall population dynamics of the state, they will also have a substantial influence on household changes and housing needs in Salem. As this large generation ages, the number of householders over 60 will increase by 42% statewide through 2030, and their share of all households will increase from 29% to 37% over the same period. Meanwhile, the total number of householders under 60 will change only slightly from one decade to the next, and most age groups under 60 will see a decline in the number of households between 2010 and 2030.

In addition to household type, the age of heads of household can indicate demand for particular unit types and sizes. In Salem, householders age 60–74 are projected to increase by nearly 50% by 2030.

In 2010, the largest group of heads of household was ages 45–59, making up 30.5% of all households. The relative size of this group is projected to decline by 2030, however. The 30–44 age cohort is projected to increase by nearly 20% by 2030.

Table 4: Head of Household by Age

Age of Householder	2010	2020	2030	Change 2010– 2030	% Change 2010– 2030
15–29	2,487	2,632	2,503	16	1%
30–44	4,752	5,075	5,664	912	19%
45–59	5,446	5,169	4,903	–543	–10%
60–74	3,312	4,690	4,946	1,634	49%

75+	1,845	1,671	2,471	626	34%
	17,84	19,23	20,48		
Total	2	7	7	2,645	15%
Source: U.S. Census Bureau; MAPC Projections					

Race & Ethnicity

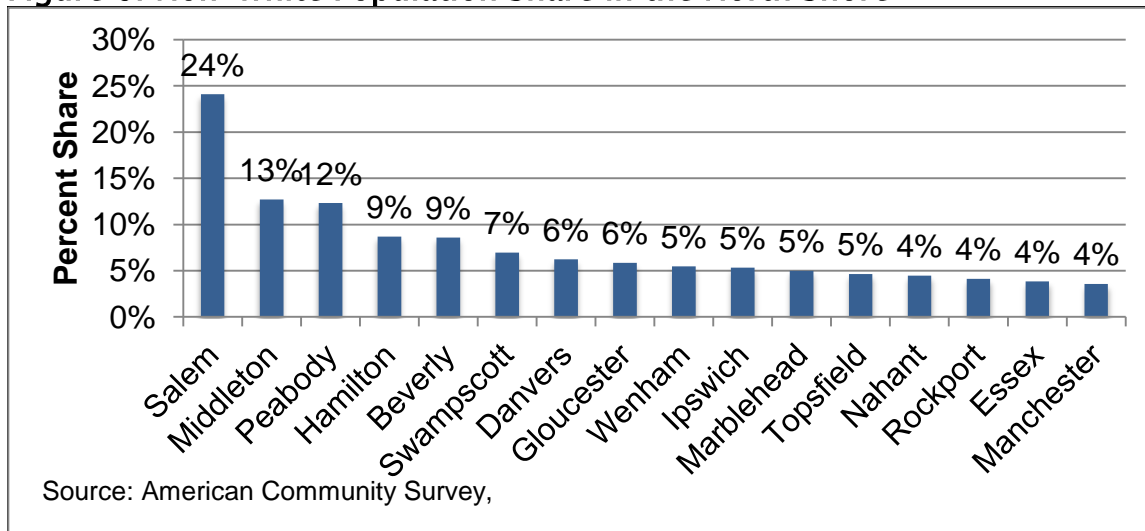
Much of the population growth in Salem during the last decade was fueled by growth among communities of color. Consequently, the racial and ethnic composition of Salem has changed significantly over the last decade. Between 2000 and 2010, the absolute number of White (Non-Hispanic) residents in Salem declined by 6%, and their share of the population declined from 82% to 76%. Meanwhile, the share of the population that is non-White grew at a rate faster than the regional average. Over the decade, Salem's Black Non-Hispanic population grew from 966 to 1,450 (a 50% increase). Salem's Hispanic/Latino population grew from 4,541 to 6,465 (a 42% increase).

Table 5: Percentage and Total Change in Population by Race

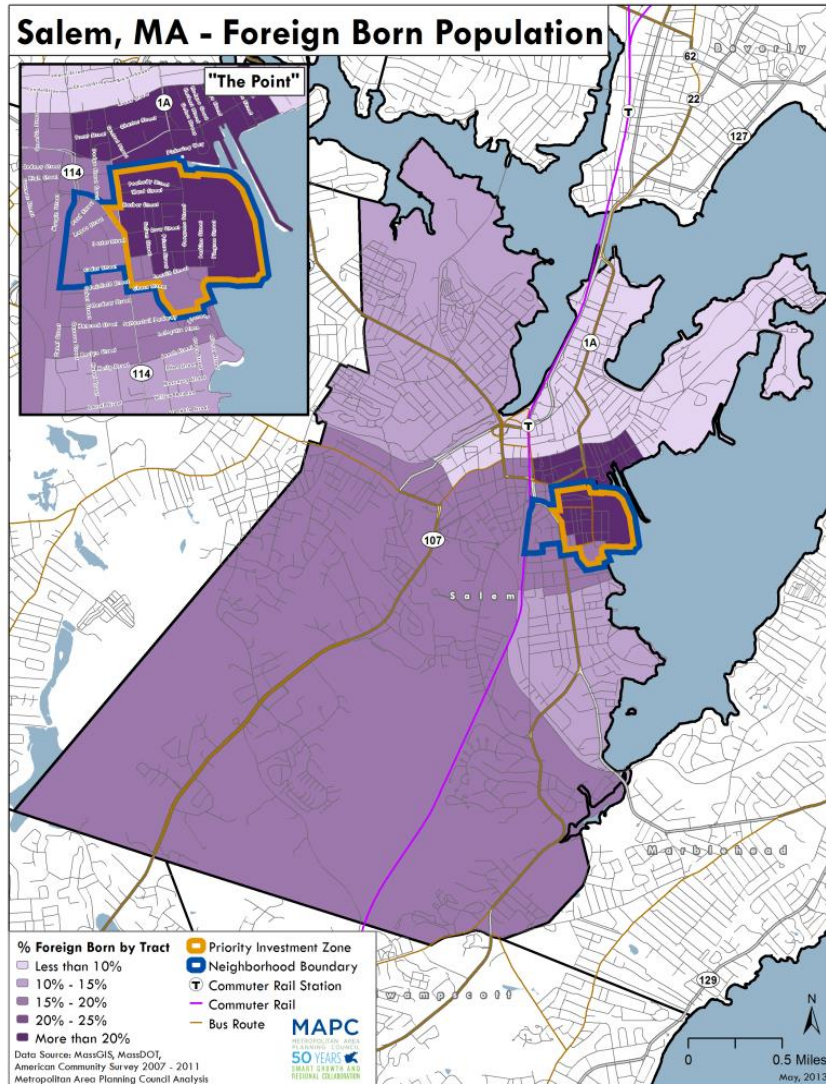
Race	2000 Census	2010 Census	% Change, 2000– 2010	Change, 2000– 2010
Black	966	1,450	50%	484
Hispanic	4,541	6,465	42%	1,924
Asian	797	1,083	36%	286
Other	132	166	26%	34
Multi	618	716	16%	98
Native American	59	66	12%	7
Pacific Islander	17	17	0%	(0)
White	33,277	31,377	–6%	(1,900)

Source: U.S. Census Bureau

Salem is one of the most diverse communities in the North Shore Subregion with the highest percentage share (24%) of non-white residents in the subregion, eclipsing the second-highest (Middleton) by over 10%.

Figure 6: Non-White Population Share in the North Shore

The Point neighborhood in Salem is home to a relatively high concentration of the city's communities of color, with 63% of the neighborhood comprised of non-white residents. Specifically, the neighborhood largely consists of Latino immigrants and second and older generations as well as newer arrivals from Haiti and African countries. ⁴



⁴ *Creating a Vision, Strengthening a Community: A Vision and Action Plan for the Point Neighborhood in Salem 2013 - 2020*. August, 2013

Education

Enrollment

Enrollment in the Salem School District remained consistent until the 2012–13 school year when the District saw a 4% decline in enrollment, the largest since the 2006–07 school year. This could be attributed to a significant decline of the school-age population, consistent with the projected population in the municipality.

Simultaneously, the District observed increasing shares of low-income students. Public schools in Salem have served a higher percentage of low-income students than any municipality on the North Shore every year since 2007.

Additionally, some of the District's special education programs have grown in enrollment. The percentage of Limited English Proficiency students nearly doubled from 2006 to 2013. Conversely, the share of students whose first language is not English stayed relatively consistent over the decade.

Table 6: Salem School District Enrollment

Year	Total Enrolled	Change f/ Previous Year	Minority	English Language Learner	Low-Income Status	Low-English Proficiency
2013-14	4,336	-1%	53.4%	53.6%	59.7%	25.9%
2012-13	4,395	-4%	46.9%	26.6%	55.9%	13.0%
2011-12	4,559	0%	43.8%	24.9%	57.7%	11.3%
2010-11	4,565	2%	43.2%	23.8%	55.1%	11.2%
2009-10	4,496	1%	44.0%	25.0%	53.4%	11.3%
2008-09	4,447	1%	43.8%	25.8%	50.2%	10.7%
2007-08	4,422	0%	42.9%	26.2%	43.1%	10.3%
2006-07	4,433	-4%	42.7%	25.8%	40.8%	8.7%
2005-06	4,638	n/a	40.8%	25.6%	41.8%	7.9%
Source: MA Department of Elementary and Secondary Education						

Educational Attainment

80% of Salem adults have graduated from high school. The proportion of the population that did not graduate is slightly greater than the state and county average. Nearly 40% of Salem residents have earned a bachelor's degree or other higher educational attainment. However, almost 19% of residents have some college but did not go on to complete a degree.

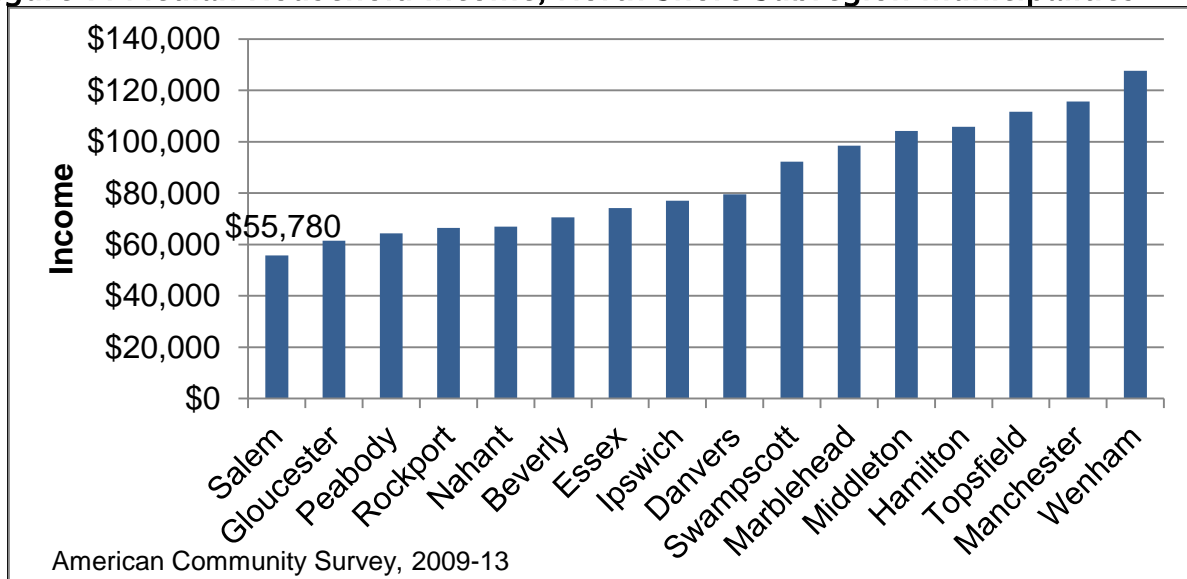
Table 7: Educational Attainment (municipality, county, Massachusetts), Percentage

Municipality	High School without Diploma	High School Diploma	College without Degree	Bachelor's Degree or Higher
Salem	11.5%	24.1%	18.9%	37.1%
Massachusetts	10.6%	25.8%	16.5%	39.4%
Essex County	11.0%	26.5%	17.6%	36.6%
Source: American Community Survey 2009–13				

Household Income

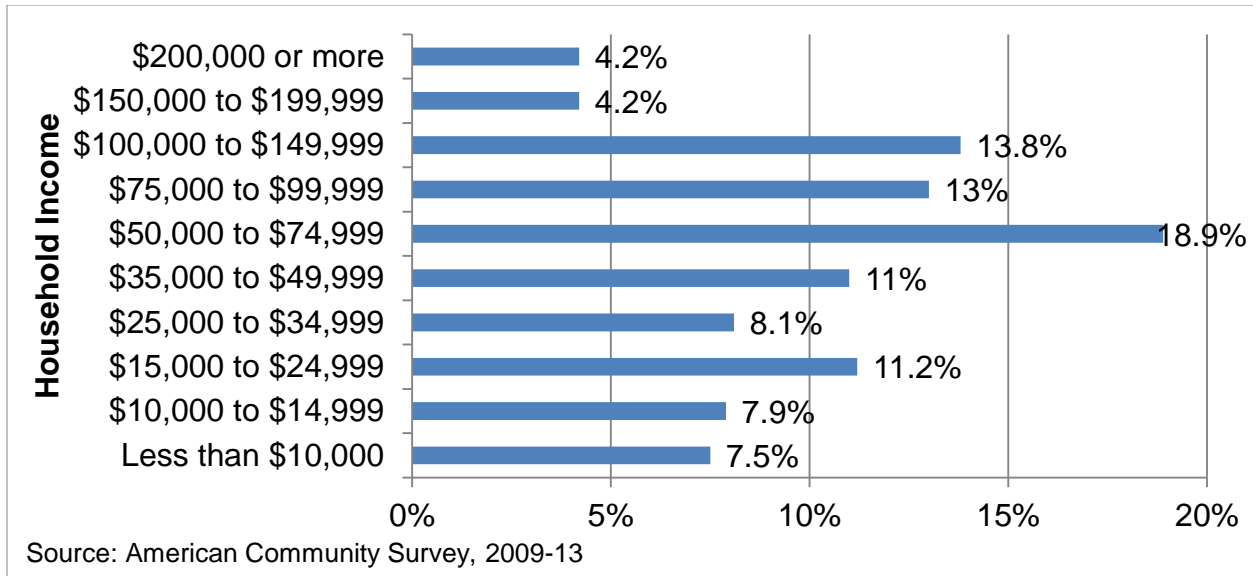
Household income is an important determinant of how much a household can afford to pay for their dwelling unit, either to rent or own, and whether that household is eligible for public housing assistance or subsidies.

Figure 7: Median Household Income, North Shore Subregion municipalities



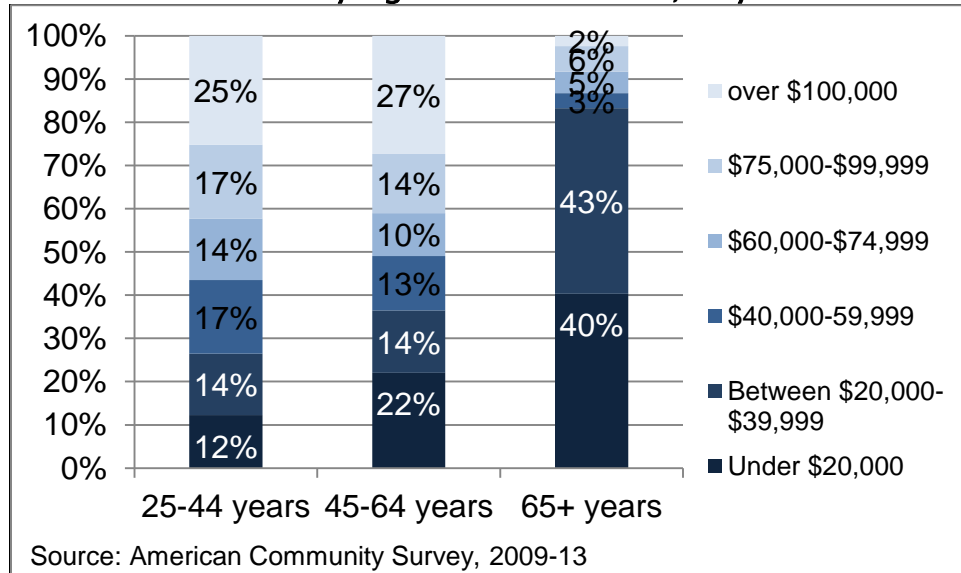
Salem has the lowest median income of any municipality in the North Shore Subregion. During the period from 2009 – 2013, the estimated median household income was \$55,780. Median family income was slightly higher at \$64,214 while median non-family income (which includes single person households) was lower at \$40,040.

Figure 8: Household Income Distribution, City of Salem



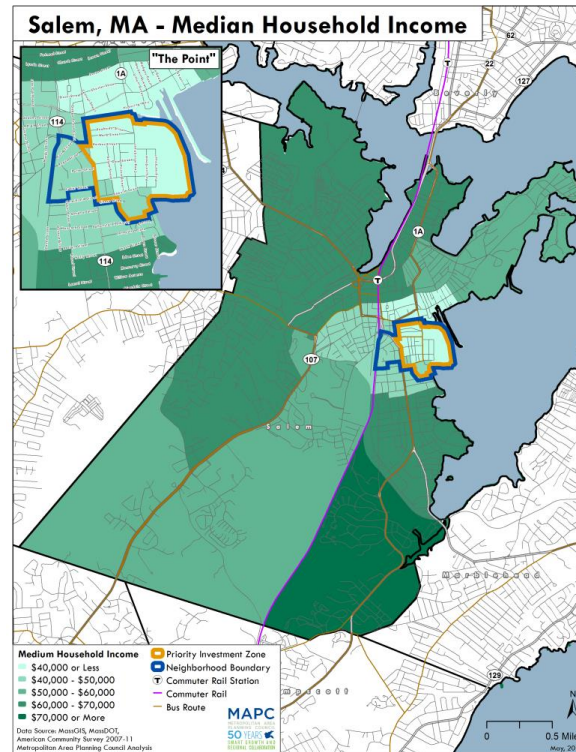
There is a wide range of income diversity in Salem. 27% of households earn less than \$25,000 per year, and 22% earn more than \$100,000 per year. Salem's income spread is significantly different among senior householders (who are more likely to be retired) than those under the age of 65. Roughly a fourth of householders age 25–44 reported earning \$100,000 or more a year, compared with only 2% of householders age 75 or more. Over 80% of this age group earns under \$39,999 or less annually.

Figure 9: Household Income by Age of Householder, City of Salem



The geography of income in Salem shows some consistent patterns. Households among the lower spectrum of median household incomes tend to be concentrated in the Point neighborhood of Salem. However, the neighborhood's proximity to public transit as well as a relatively higher stock of affordable housing helps to offset the cost of living for these households.

Figure 10: Median Household Income



Housing Stock

The following section examines Salem's current housing supply and how it has changed over time. Understanding housing type, age, tenure, vacancy, and recent development will contribute to an understanding of current need and demand.

Key Findings

- Should Salem continue to attract and retain young workers, demand for multifamily housing is projected to increase substantially over the coming decades. To meet this demand, Salem needs to maintain its large stock

of multifamily housing. Salem's housing stock is primarily composed of multifamily homes (67%) and has the largest share of multifamily housing in the subregion.

- Most building permits for housing in Salem since 2000 have been for multifamily units, but more is needed to meet future demand.
- In total, by 2030, assuming the Status Quo scenario, Salem will need to produce a total of 1,900 units of housing to meet demand.
- In total, Salem will need to produce 2,725 units of housing by 2030 to meet demand, according to the Stronger Region scenario (approximately 140 units annually). This projection includes the additional units needed to achieve and maintain a healthy vacancy rate, which is an important strategy for avoiding price spikes during periods of increased demand.
- Most of Salem's housing stock is renter-occupied (53%), the highest share in the subregion. Younger householders tend to be renters. The highest two renter-occupied age cohorts are 15-to-24 year-olds and 25-to-34 year-olds.
- Under the Stronger Region scenario, housing unit demand for householders currently between the ages of 15 and 35 will be 3,200 by 2020, but will be offset by turnover from downsizing Baby Boomers.
- Householders currently older than 55 will need 2,100 fewer units in 2020 than they do today, putting 95 single family houses back onto the market on average each year.
- Median home prices have risen sharply since 2012, almost nearing pre-Recession levels at \$327,500.

Type & Age

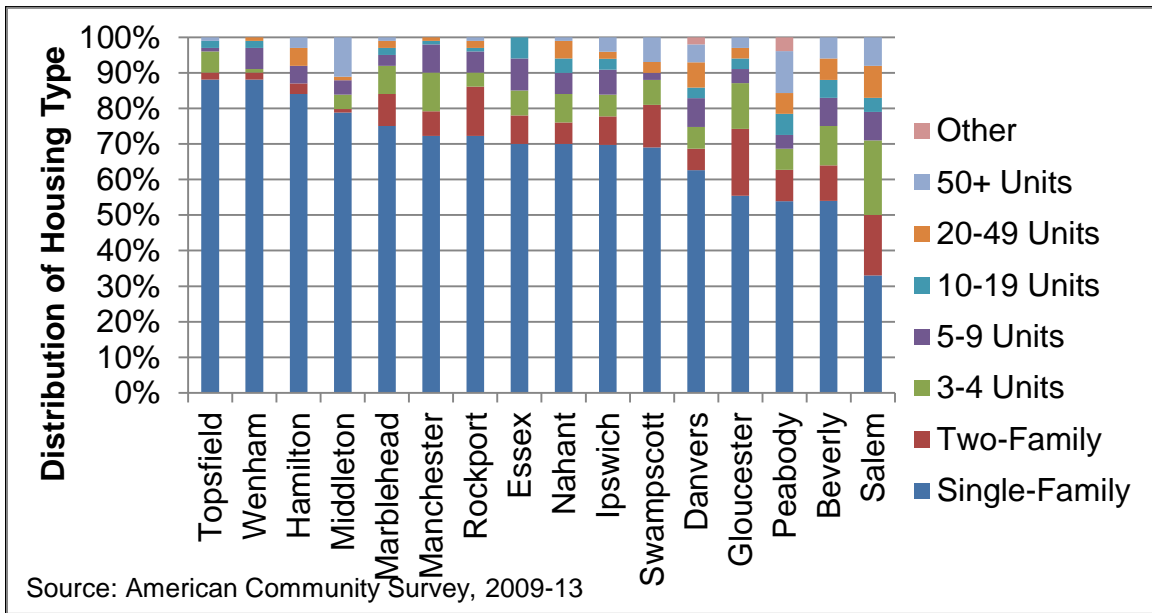
A third of Salem's 19,626 housing units are single-family homes. Structures made up of 5+ units comprise 17% of housing stock. The distribution of Salem's housing units has virtually remained the same since 2000, when 33% of

housing units were single-family homes. The distribution among multifamily structures has shifted somewhat, with 20–49 unit structures increasing by 4% and 50+ unit structures increasing by 1%.

Within the North Shore, all municipalities with the exception of Salem have a housing stock largely comprised of single-family units. Salem conversely has the lowest share of single-family housing units within the subregion.

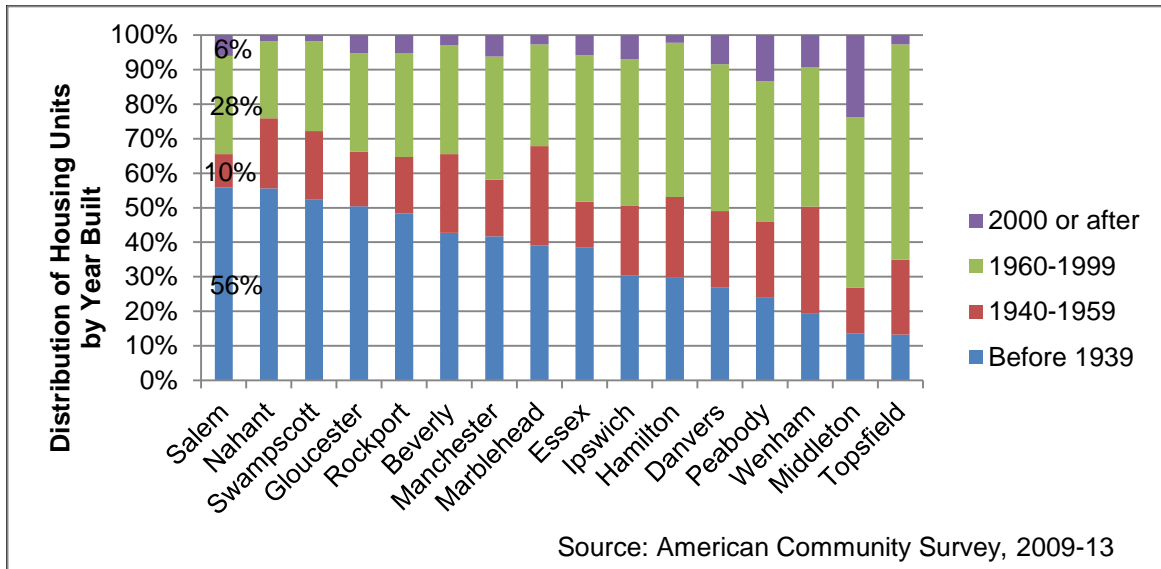
Table 8: Housing Units by Type, City of Salem

Household Type	Unit	Percent
Single-Family	6,448	33%
Two-Family	3,328	17%
3–4 Units	4,083	21%
5–9 Units	1,610	8%
10–19 Units	881	4%
20–49 Units	1,676	9%
50+ Units	1,600	8%
Total	19,626	100%
Source: U.S. Census Bureau, 2009–2013 American Community Survey		

Figure 11: Housing Units by Type, North Shore Subregion municipalities

56% of Salem's housing stock was built before 1939, a larger share of old homes than all but one other North Shore municipality. Although an asset to the community, this is notable because older structures may lack heating and energy efficiencies and may not be code compliant, which adds to the monthly utility and maintenance costs. These additional costs have an impact on the affordability of older, outdated units for both owners and renters. In Salem, however, a significant share (28%) of housing stock was built between 1960 and 1999. Only 6% of housing was built after 2000.

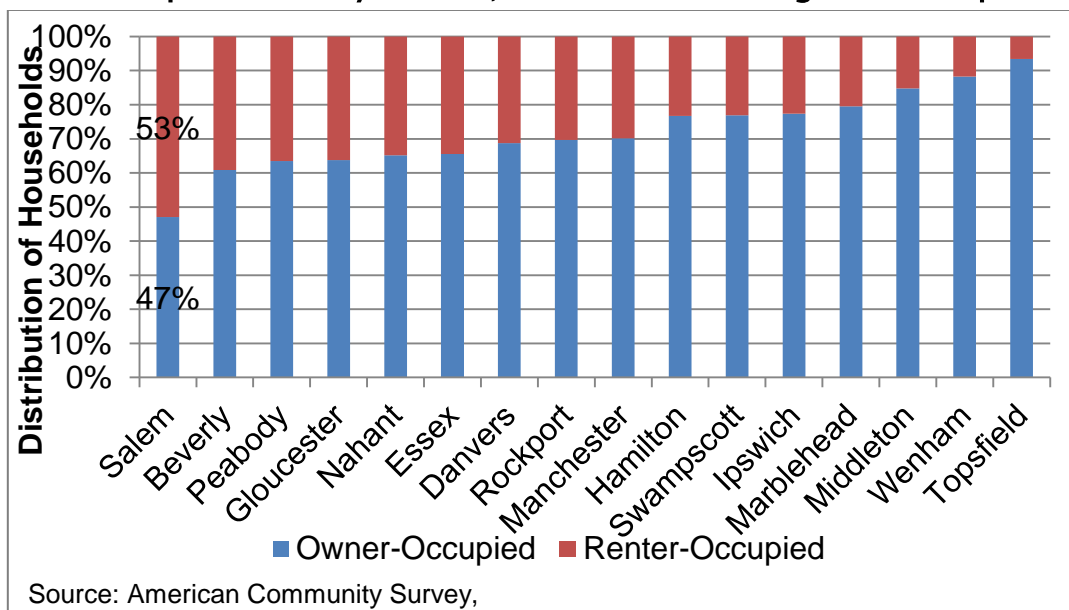
Figure 12: Housing Units by Year Built, North Shore municipalities



Tenure

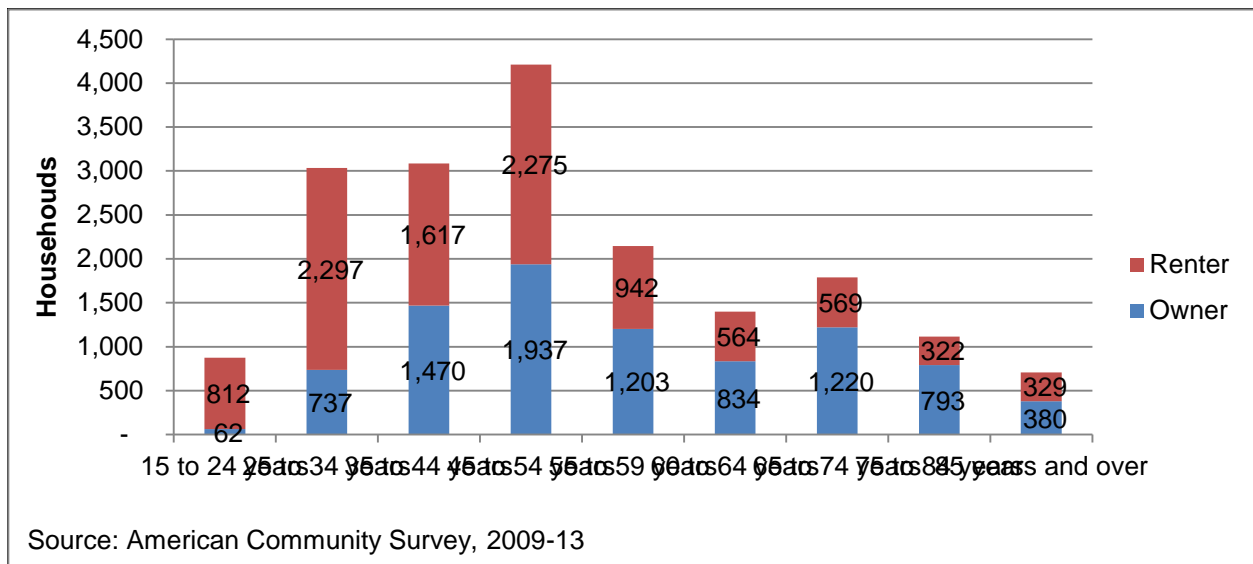
By a small majority, Salem's housing stock is largely renter-occupied. Of the city's total 18,363 occupied housing units, 9,727, or 53%, are renter-occupied. Within the North Shore, Salem has the largest share of renter-occupied housing.

Figure 13: Occupied Units by Tenure, North Shore Subregion municipalities



Renting in Salem is more common among younger householders. The distribution of owner-occupancy is slightly more concentrated among older householders. Because Salem has a greater share of renter-occupied households than other municipalities in the subregion, each age group has a much larger share of renters.

Figure 14: Housing Tenure by Age of Householder, City of Salem



Vacancy

According to the 2009–2013 American Community Survey, Salem’s vacancy rate is at 6.7%. This is above the standard 5% rate, which indicates that the housing market is not too tight. The city’s rate is considerably lower than the Massachusetts rate of 9%, but higher than the MAPC region’s rate of 6%.

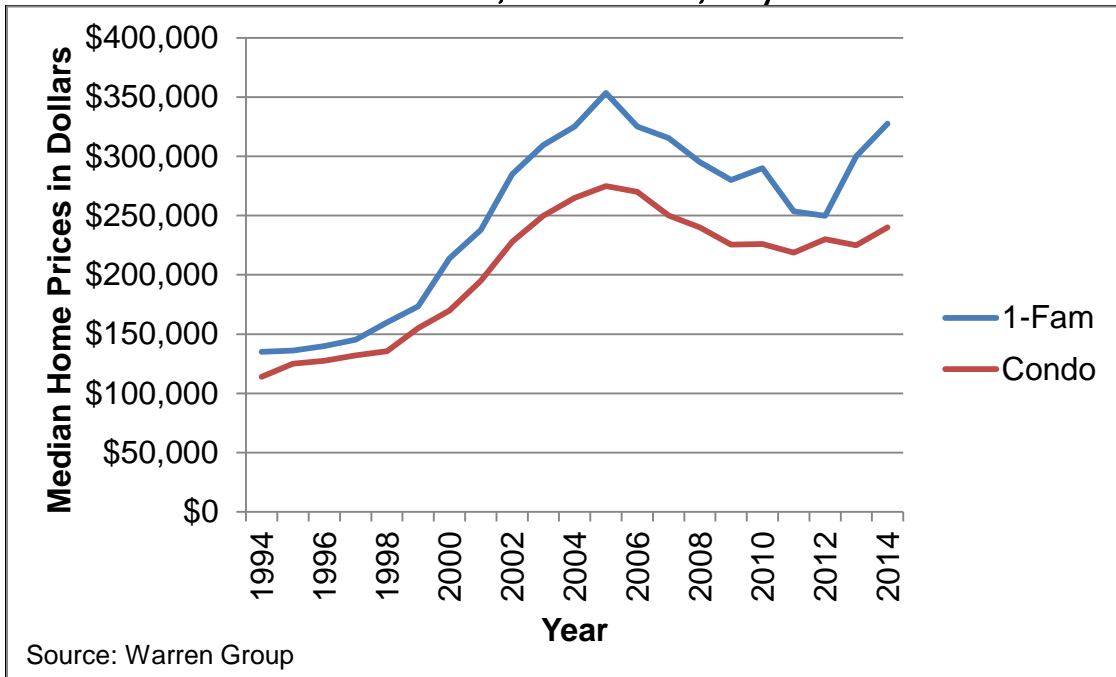
Housing Market

Housing costs within a community reflect numerous factors, including demand and supply. If the former exceeds the latter, then prices and rents tend to rise. Depending on the income levels of the population, these factors can

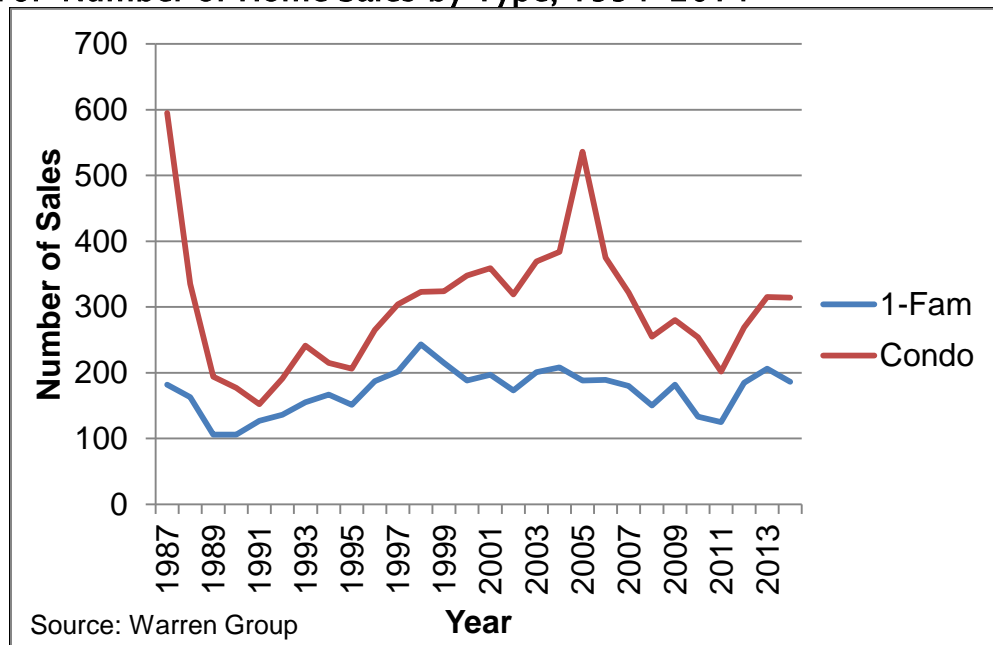
significantly reduce affordability for both existing residents and those seeking to move in.

Sales Price & Volume

According to data from The Warren Group, the median sale price of housing in Salem was \$298,500 in 2014. For single-family homes, the price was slightly higher at \$319,500; and for condominiums, the price was significantly lower at \$238,000. This is just down from the height of the market in 2006 when the median sales price was \$330,000. Nevertheless, prices have risen sharply since 2013.

Figure 15: Median Home Sale Prices, 1994–2014, City of Salem

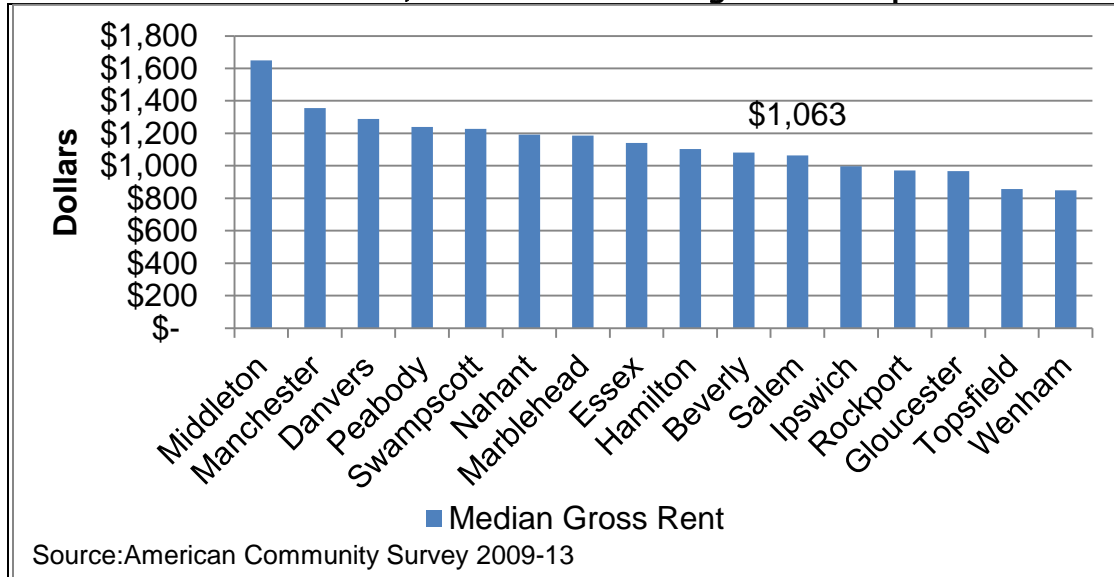
During this same time period, the volume of sales has fluctuated. The number of transactions for both single-family homes and condominiums has increased since a low point in 2011, although single-family sales dipped slightly in 2014.

Figure 16: Number of Home Sales by Type, 1994–2014

Rent

There is a wide range of median gross rent in the North Shore Subregion. At \$1,063, Salem's median rent is at the lower end of the range.

Figure 17: Median Gross Rent, North Shore Subregion municipalities

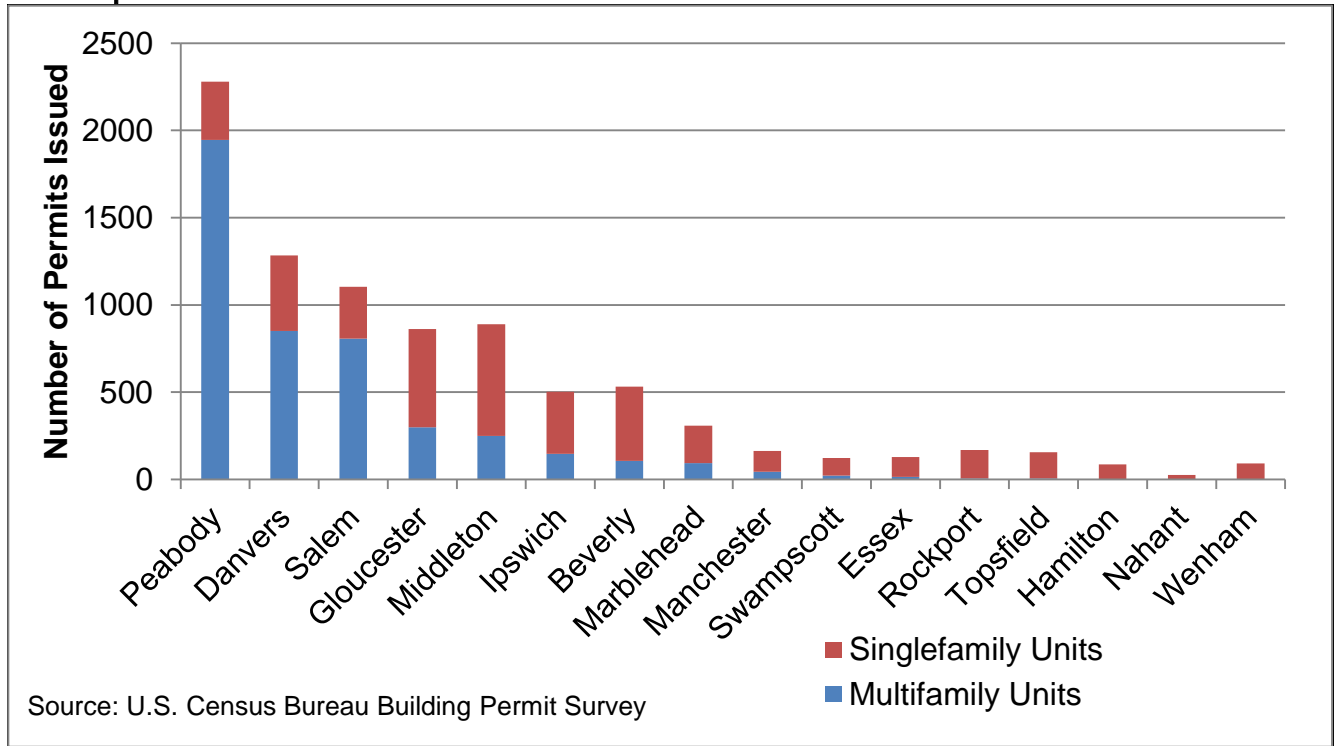


Unfortunately, Census data on rental rates is not the most reliable. First, rents are self-reported via the American Community Survey. Second, they represent units that were leased at any time prior to survey response, so they are not an accurate indication of the current market. Unfortunately, for cities the size of Salem, there is not an alternative uniform data set of rental rates available.

Housing Units Permitted

Between 2000 and 2013, Salem issued permits for 1,103 housing units. Of those units, 296 (27%) were single-family units and 807 were multifamily units. Within the North Shore Subregion only two municipalities issued more permits (Peabody and Danvers). These municipalities, including Salem, issued more multifamily permits while all other municipalities issued permits for more single-family units.

Figure 18: Housing Units Permitted, 2000–2013, North Shore Subregion municipalities



Recent & Future Development

Development Pipeline

In order to better track Metro Boston’s growth and forecast its future, MAPC maintains a Development Database with information about thousands of residential, commercial, and mixed-use development projects recently completed, in construction, or planned. Much of the data was submitted by municipal planning staff, augmented by MAPC research. These data can be used to inform local planning efforts, to identify regionally significant priority areas for development, and to track progress toward housing production goals.

Table 9: Development Pipeline, City of Salem

Development	Stage	Completion	
		Year	Units
Grove Street Apartments	Planning	2016	129

Riverview Place	Planning	2016	130
50 St. Peter Street	Planning	2016	13
Washington/Dodge Street	Planning	2018	84
Source: MAPC Development Database			

According to the MAPC Development Database, there are currently 356 units in the planning stage of development.

Projected Development Demand

Aging Baby Boomers (those born between 1945 and 1970) will have a substantial influence on housing demand in Salem. As this large generation ages, it will increase the number of householders over 60 by 42% statewide through 2030, and their share of all households will increase from 29% to 37% over the same period. Meanwhile, the total number of householders under 60 will change only slightly from one decade to the next, and most age groups under 60 will see a decline in the number of households between 2010 and 2030.

Changes in housing unit demand result from household formation, dissolution, and mortality. Young adults currently between the ages of 15 and 30 are poised to form households after they leave home, dorm, or roommates. Thousands are projected to do so each year, and each will need a housing unit, typically multi-family rental units. Meanwhile, older adults have typically already formed households. Combined with mortality, outmigration, or transition to nursing homes and other group quarters situations, this translates to a decline in housing unit demand among Salem residents who were over the age of 55 in 2010, despite a sharp increase in the number of senior-headed households.

The decline in demand from older householders will partly offset increased demand from their younger counterparts. In Metro Boston, for example, the decline in demand for single-family homes among householders over 55 and

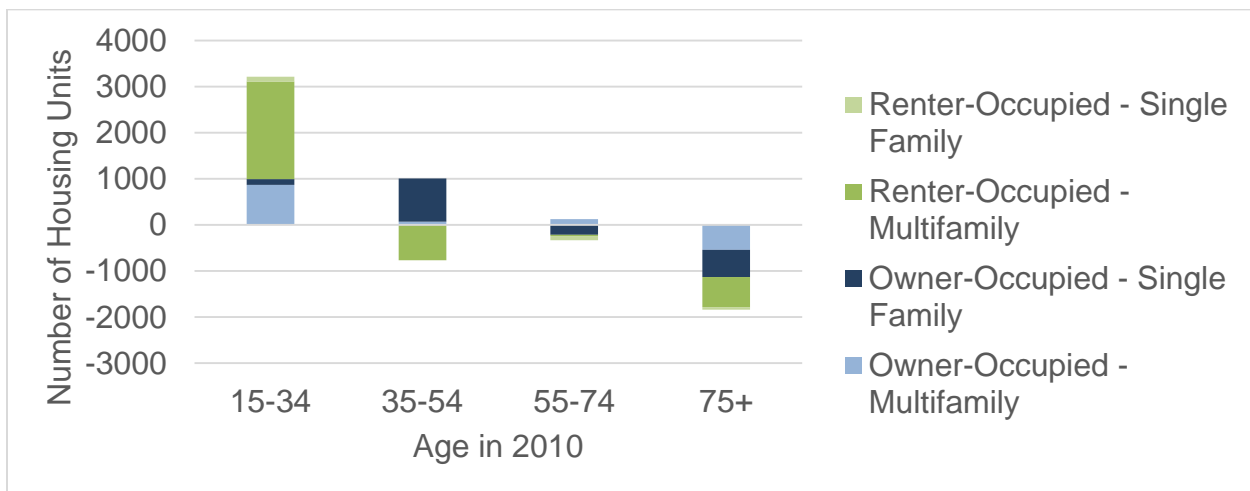
over will accommodate 79% of demand for such units from younger households between 2010 and 2020, and an even greater share in the decade thereafter. However, shifts in preferences among younger households towards multi-family units means that only 48% of new multi-family demand will be met through existing units freed up by householder over 55.

As a consequence of projected changes in household age and growth in the number of householders, housing demand of particular unit types in Salem is projected to increase significantly. Under the Status Quo scenario, through 2020, new households headed by someone born after 1984 will need roughly an additional 3,000 units of housing. Households headed by someone born between 1966 to 1984 will demand 200 more units of housing. Households headed by someone born between 1945 to 1964 will need 100 fewer units of housing. Households headed by someone born before 1945 will need roughly 1,800 fewer units of housing.

Alternatively, according to the Stronger Region scenario, which MAPC recommends for housing planning, through 2020, new households headed by someone born after 1984 will need roughly an additional 3,200 units of housing. Households headed by someone born between 1966 to 1984 will demand roughly 230 units of housing. Households headed by someone born between 1945 to 1964 will need roughly 200 fewer units of housing than they do today. Finally, households headed by someone born before 1945 will need roughly 1,800 fewer units than they need today. After accounting for the units freed up by departing seniors and the units needed to maintain a healthy vacancy rate, this translates into net demand for roughly 1,200 multifamily units and 210 single-family units by 2020. For the Status Quo scenario, correspondingly, the multi-family demand is estimated at 720 units and 260 for single-family. This detailed break out of type of units cannot be projected as far out as 2030.

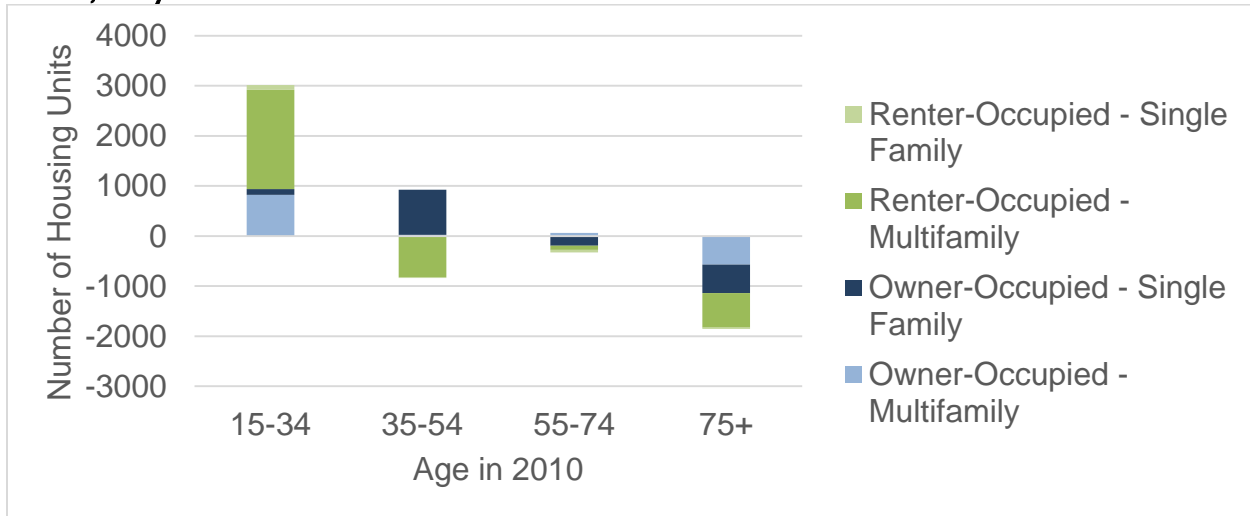
Figure 20 shows the change in housing unit demand between 2010 and 2020 by age, according to the Stronger Region scenario. These projections should be used as a guide to inform future housing production. In Figure 20, increases in demand are the result of new households forming, in-migration, or increasing preference for certain types of housing. Decreases in demand are the result of outmigration, mortality, or decreased preference for a given housing unit type. In this scenario, projections show greater demand for multifamily renters. While much of this demand can be met by downsizing seniors, the net demand shows greater preference for multifamily rental housing.

Figure 20: Change in Housing Unit Demand by Age Cohort, Stronger Region, 2010–2020, City of Salem



By comparison, should fewer young workers migrate into the city or choose to stay, demand for multifamily units among householders born after 1966 is projected to be slightly lower than in Stronger Region:

Figure 21: Change in Housing Unit Demand by Age Cohort, Status Quo, 2010–2020, City of Salem



These projections similarly suggest greater demand for multifamily housing through 2020.

In total, by 2030, assuming the Status Quo scenario, Salem will need to produce a total of 1,900 units of housing to meet demand. Alternatively, should more young householders choose to migrate in or remain in the city per the Stronger Region scenario, Salem will need to produce a total of 2,700 units of housing by 2030 to meet demand.

Furthermore, tabulations of this data by age, income, and household size will provide greater insight into future housing demand needs.

Table 10: Net Housing Unit Demand by Age Cohort and Income, 2010–2030, City of Salem

Householder Cohort, by Age in 2010	Income (As Percentage of Area Median Income)	Projected Change in Housing Unit Demand, 2010–2030
Under 34	Less than 30%	591
	Between 30–50%	737

	50–80%	352
	Greater than 80%	2,569
35–64	Less than 30%	490
	Between 30–50%	177
	50–80%	–40
	Greater than 80%	2,600
65+	Less than 30%	–600
	Between 30–50%	–306
	50–80%	–88
	Greater than 80%	–3,838
	Vacancy Rate **	81
Grand Total		2,725

Source: MAPC Projections; **Vacancy Rate indicates the number of units necessary to stabilize the market

Table 10 depicts projected change in housing unit demand between 2010 and 2030: although there is a projected net increase in demand among younger householders, most of that demand will be met by downsizing seniors. Lastly, most of the demand for affordable housing will occur among younger householders under 34.

Table 10B: Net Housing Unit Demand by Age Cohort and Household Type, 2010 – 2030 City of Salem,

Household Type	Householder Cohort, by Age in 2010	Projected Change in Housing Units, 2010–2030
Family	Under 34	2,070
	35–64	2,240
	65+	–2,809
Non–Family	Under 34	2,179
	35–64	987
	65+	–2,023
Vacancy Rate **		81
Grand Total		2,725

Source: MAPC Projections; **Vacancy Rate indicates the number of units necessary to stabilize the market

A cross-tabulation of projections by household type and age in 2030 shows demand increasing among younger family households and a relatively smaller net increase in demand among 35–64 non-family households.

Table 11: Net Housing Unit Demand by Income and Household Size, 2010 – 2030, City of Salem

Percentage of Area Median Income	Household Size	Projected Change in Housing Unit Demand, 2010–2030
Less than 30%	1	349
	2– 3	115
	4+	17
Between 30–50%	1	319
	2– 3	249
	4+	39
Between 50–80%	1	73
	2– 3	145

	4+	6
	1	324
Greater than 80%	2- 3	816
	4+	191
	Vacancy Rate **	81
Grand Total		2,725

Source: MAPC Projections; **Vacancy Rate indicates the number of units necessary to stabilize the market

When cross-tabulating by area median income and household size, the Stronger Region scenario suggests most of the increase in low-income households (<50% AMI) between 2010 and 2030 will be in single person households. For householders earning above 80 percent, most demand is projected to be concentrated among 2-3 person households.

Housing Affordability

In the previous sections, Salem's population and housing stock and market conditions were examined. The intersection of the two—demand (people) and supply (housing)—as well as policy and planning priorities, helps determine housing affordability in a given community. In this section, the affordability of Salem's housing stock to residents is assessed.

Key Findings

- At 12.4%, Salem's count of subsidized housing inventory surpasses the Commonwealth's 10% affordable housing target. Salem has the highest SHI percentage in the North Shore subregion. However, the deed restrictions on many units are set to expire, and if they do, Salem would fall below the 10% SHI target.
- Poverty remains largely concentrated in urban areas in the subregion, including Salem, which has a 12% poverty rate.
- 46% of Salem households are categorized as low-income. 46% of elderly non-family households are low-income.
- 46% of Salem households spend more than 30% of their incomes on housing costs and are considered housing cost burdened.
- Salem's median gross rent is lower than the North Shore, and lower than HUD-calculated fair market rents for efficiency units.
- Salem has largely recovered from the foreclosure crisis in 2007, but saw an uptick between 2012 and 2013.
- Since 2012, an average of 48 housing units per year have been converted to condominiums.

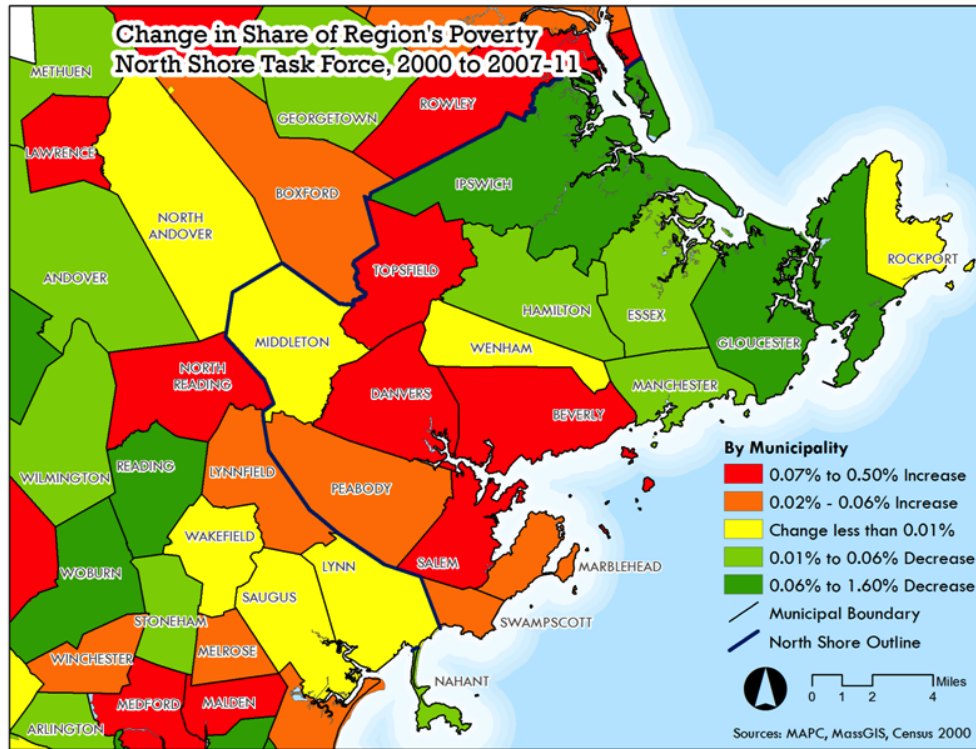
Poverty Rate

The rate of poverty in a community has important consequences for housing need. Because these families have less buying power, a large number of families earning under the poverty line in a given community signals a growing

need for affordable housing. According to the U.S. Census Bureau, the poverty threshold is defined as three times the cost of a minimum food diet in today's prices. Families with incomes below this limit are considered impoverished.

Compared with surrounding communities, Salem is among several communities that gained a larger share of the region's population in poverty over the last decade. Within the North Shore, both suburban and urban communities have seen similar increases. With no profound shift of poverty to any one particular type of community, housing needs in Salem must be addressed through targeted, place based interventions designed for the specific needs of the community.

Salem falls under the MAPC definition of a "Sub-Regional Urban Center", in which communities show "high population densities; a large proportion of multifamily housing; moderate and high-density neighborhoods surrounding a large and historically significant downtown, and other features generally considered to represent urbanity." Communities of this type have actually seen increases in both their share of the region's poverty and their poverty rates between 2000 and 2010.



Salem's rate of families with incomes below the poverty level is substantial. The city's current rate of 12% represents an increase from the 2010 rate of 10%. It's also higher than the rate of 10.6% for the Metropolitan Statistical Area and the Commonwealth's rate of 11.8%. Most of Salem's families living below the poverty level are headed by female householders and include children 18 years of age or younger. Table 11 shows the rate of poverty for each family type. For example, 19% of all families with related children under 18 are living under the poverty level.

Table 10: Percentage of Families with Incomes below the Poverty Level, City of Salem

Family Type	Count	Percentage
All Families	1,159	12%
With Related Children Under 18	886	19%
Married Coupled	176	3%
With Related Children Under 18	108	5%
Families with Female Householders	800	26%
With Related Children Under 18	647	32%

Source: U.S. Census Bureau, 2009–2013 American Community Survey

In particular, the Point neighborhood in Salem has a relatively high rate of poverty. However, the neighborhood enjoys a relatively higher share of affordable housing stock, acting as a gateway to affordable housing in the community and providing "resources and connections to public and private sector entities that enable residents of all ages to connect to job opportunities, education and career development resources." According to its 2013 *Vision and Action Plan*, "a larger percentage of households in the Point versus the City of Salem as a whole meet federal poverty guidelines – 20% of households in the Point versus 11% of households in the City of Salem (Census 2010 tract level median estimates)."⁵ Considering the neighborhood's relatively low median gross rents and proximity to public transit, the plan concludes, "measures must be taken to ensure that future development occurs to mitigate displacement and ensure housing affordable to a range of incomes." For the Salem community as a whole, the plan stresses that housing development in other parts of the city should include income-restricted units to help maintain access to affordable housing opportunities.

Households Eligible for Housing Assistance

One measure of affordable housing need is the number of households eligible for public housing assistance or housing subsidies. Federal and state programs use area median income (AMI), along with household size, to determine eligibility. (The Area Median Income for a family of four is \$98,500.) The table below shows U.S. Department of Housing and Urban Development (HUD) income limits for extremely-low- (below 30% of AMI), very-low- (30–50% of AMI), and low-income (50–80% of AMI) households by household size for the Boston–Cambridge–Quincy Metropolitan Statistical Area (MSA), which includes

⁵ *Creating a Vision, Strengthening a Community: A Vision and Action Plan for the Point Neighborhood in Salem 2013 – 2020*. August 2013

Salem. Typically, households at or below 80% of AMI qualify for housing assistance, though there are some exceptions based on household size.

Table 11: Affordable Housing Income Limits, Boston–Cambridge–Quincy, MA–NH HUD Metro FMR Area

FY15 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Very Low Income (50%)	\$34,50 0	\$39,40 0	\$44,35 0	\$49,25 0	\$53,20 0	\$57,15 0	\$61,10 0	\$65,05 0
Extremely Low Income (30%)	\$20,70 0	\$23,65 0	\$26,60 0	\$29,55 0	\$31,95 0	\$34,30 0	\$36,73 0	\$40,89 0
Low Income (80%)	\$48,80 0	\$55,80 0	\$62,75 0	\$69,70 0	\$75,30 0	\$80,90 0	\$86,45 0	\$92,05 0

Because HUD's regulations are based in part on household size, it is important to understand how Salem's income distribution as a percent of AMI corresponds with this variable. The most relevant information available is Comprehensive Housing Affordability Strategy (CHAS) data, which groups number of persons occupying a unit into household type:

- small related households (2 persons, neither 62 years of age or over, or 3 or 4 persons)
- large related households (5 or more persons)
- elderly households (1 or 2 persons, with either or both age 62 or over)
- all other households (singles, non-related living together)

Table 12: Income as Percent of AMI by Household Type/Size

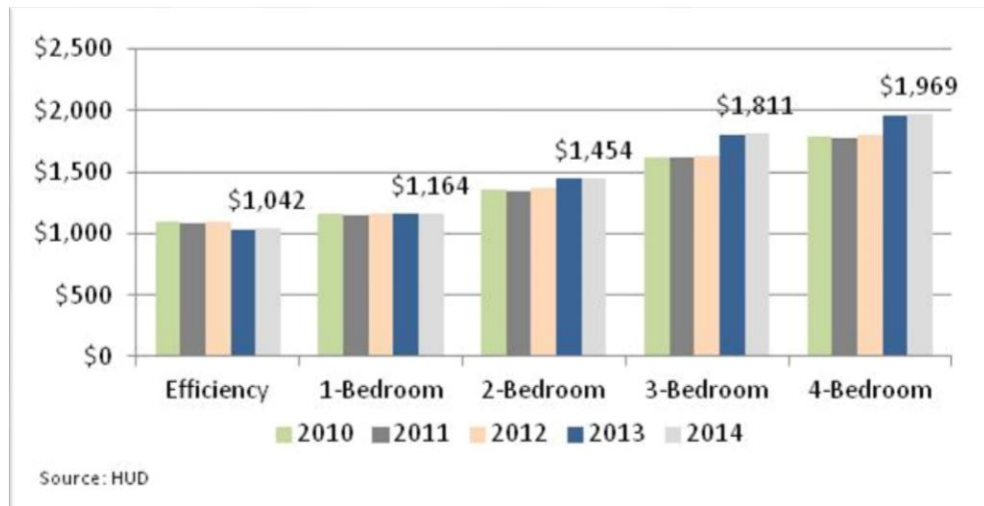
Household Type	Total	Low-Income Households			
		< 30%	30–50%	50–80%	> 80%
Elderly Households	1793	284 (16%)	310 (17%)	234 (13%)	965 (54%)

Elderly Non-Family Households	2,575	1,030 (40%)	655 (25%)	335 (13%)	555 (22%)
Large Family Households	780	140 (18%)	115 (15%)	105 (13%)	420 (54%)
Other Households	5,445	1,100 (20%)	655 (12%)	485 (9%)	3,205 (59%)
Small Family Households	7,070	965 (14%)	725 (10%)	1,040 (15%)	4,340 (61%)
Total	17,663	3,519 (20%)	2,460 (14%)	2,199 (12%)	9,485 (54%)

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), 2007-11

Fair Market Rents

Another measure of housing affordability is whether local rent exceeds Fair Market Rents (FMR), or maximum allowable rents (not including utility and other allowances), determined by HUD for subsidized units in the Boston MSA. In Table 13 below, the upward trend reflects the annual adjustment factor intended to account for rental housing market demands. Given the constraints on the Greater Boston rental housing market, rising rent is unsurprising and points to the need for more housing of this tenure at multiple price points.

Table 13: Fair Market Rents

Massachusetts General Law Chapter 40B Subsidized Housing Inventory

Under M.G.L. Chapter 40B, affordable housing units are defined as housing that is developed or operated by a public or private entity and reserved by deed restriction for income-eligible households earning at or below 80% of the area median income, which is \$98,500 for the Boston-Cambridge-Quincy, MA-NH HUD Metro Fair Market Rent Area.

Additionally, all marketing and placement efforts for income-eligible households follow Affirmative Fair Housing and Marketing Plan guidelines per the Massachusetts Department of Housing and Community Development (DHCD).

Housing that meets these requirements, as well as some market rate units that are in developments that include affordable housing, qualify for the Subsidized Housing Inventory (SHI). Chapter 40B allows developers of low- and moderate-income housing to obtain a comprehensive permit to override local zoning and other restrictions if less than 10% of a community's year-round housing inventory is included on the SHI.

A municipality's SHI fluctuates with new development of both affordable and market-rate housing. The percentage is determined by dividing the number of affordable units by the total number of year-round housing units according to the most recent decennial Census. As the denominator increases, or if affordable units are lost, more affordable units must be produced to reach, maintain, or exceed the 10% threshold.

Salem has reached that threshold. As of June 2015, 2,466 out of 18,998 units, or 12.98%, were included on the SHI. However, over the next five years, the city stands to lose up to 777 of these affordable units due to expiring deed-restrictions. Numerous individual units that received assistance from the city for housing rehabilitation will expire from the inventory. However, several larger developments are also set to expire. In particular, Loring Towers and Princeton Crossing are in need of an extension to their affordability restrictions to ensure that units are preserved, maintained on the inventory, and remain available to income-eligible households in need.

The remainder of the SHI units not set to expire before 2021 are listed in Table 14. These units include 706 Salem Housing Authority units and other units with longer-term deed restrictions to preserve affordability.

Table 14: City of Salem Subsidized Housing Inventory

Project Name	SHI Units	Comprehensive Permit	Yr End	Tenure	Subsidizing Agency
Salem HOR	1	NO	1/19/2021	Ownership	DHCD
Salem HOR	3	NO	1/24/2021	Ownership	DHCD
Salem HOR	1	NO	2/3/2021	Ownership	DHCD
Salem HOR Program	1	NO	2022	Ownership	HUD
Salem HOR	1	NO	2023	Rental	HUD

Project Name	SHI Units	Comprehensive Permit	Yr End	Tenure	Subsidizing Agency
Program Salem HOR	1	NO	2023	Rental	HUD
Program Salem HOR	1	NO	2024	Rental	HUD
Program Salem HOR	1	NO	2024	Rental	HUD
Program Fairweather Apartments	4	NO	2024	Rental	HUD
Program Salem HOR	127	NO	2025	Rental	HUD
Program Salem HOR	1	NO	2026	Rental	HUD
Program Salem HOR	1	NO	2027	Rental	HUD
Program Salem HOR	1	NO	2027	Rental	HUD
Program 104 Lafayette St	1	NO	2029	Ownership	HUD
Salem Point Rentals	10	NO	2031	Rental	DHCD
Salem Point Rentals	44	NO	2034	Rental	DHCD
Salem Point Rentals	15	NO	2036	Rental	DHCD
HES Housing I Residential	9	NO	2037	Rental	DHCD
Options Palmer Cove	3	NO	2041	Rental	EOHHS
Salem HOR	15	NO	2056	Rental	DHCD
Program Salem Point	1	NO	2057	Rental	HUD
Cooperative Salem Heights	77	NO	2091	Rental	FHLBB
	285	NO	2103	Rental	HUD

Project Name	SHI Units	Comprehensive Permit	Yr End	Tenure	Subsidizing Agency
135 Lafayette North River Apartments	51	YES	2111	Rental	MassHousing
Scattered Sites	4	NO	Perp	Rental	DHCD
Stephen Zisson Elderly	9	NO	Perp	Rental	HUD
5 Barton Square	14	NO	Perp	Rental	HUD
Garden Terrace	16	NO	Perp	Rental	HUD
Rainbow Terrace	32	NO	Perp	Rental	DHCD
Charter Street	136	NO	Perp	Rental	DHCD
Colonial Terrace	110	NO	Perp	Rental	DHCD
J. Michael Ruane	40	NO	Perp	Rental	DHCD
James A. Dalton Residence	16	NO	Perp	Rental	DHCD
Leefort Terrace	35	NO	Perp	Rental	DHCD
Bertram Terrace	50	NO	Perp	Rental	DHCD
Morency Manor	20	NO	Perp	Rental	DHCD
Norton Terrace	54	NO	Perp	Rental	DHCD
Bates Terrace	20	NO	Perp	Rental	DHCD
Pioneer Terrace	16	NO	Perp	Rental	DHCD
Phillips School	104	NO	Perp	Rental	DHCD
Farrell Court	17	NO	Perp	Rental	DHCD
Park/Prince/Congress	12	NO	Perp	Rental	DHCD
Pequot Highlands	14	NO	Perp	Rental	MassHousing
DDS Group Homes	250	NO	Perp	Rental	DDS
65	NO			Rental	
Total Other Units	1,689				

Source:

DHCD 2015

Based upon the SHI information above and if 777 units on the SHI were to expire, Salem would have 1,689 units remaining on the inventory and the SHI percentage would fall to 8.89%. The city's current 10% goal is 1,899 based upon the 2010 Total Year-Round Housing Units number. Further, if the city achieves the projected 2020 housing unit need of 20,400 units (described earlier in this analysis), then the city would need 2,042 SHI-qualifying units to meet the 10% target. If the 777 expiring units were lost from the current inventory, then the city would need to replace them with 353 additional SHI units by 2020. MAPC recognizes that this does not take into consideration potential forthcoming developments which may include affordable housing units nor does it include any potential efforts to preserve those units which are projected to expire by 2020.

Table 15: Affordable Housing Unit Need	
SUBTOTAL EXPIRING BY 2020	777
Total Other Units	1,760
Current SHI	2,466
2010 Total Year-Round Housing Units	18,998
10% Goal	1,899
Percentage	12.98
Total minus units expiring by 2020	8.89
2020 Projected Year-Round Housing Units	20,424
10% Goal	2,042
Affordable Housing Unit Need	353

Within the context of the 16 other North Shore communities, Salem joins Beverly and Danvers, at 11.8% and 10.0% respectively, with the highest inventories of affordable housing.

Table 15: NSTF Subsidized Housing Inventories

Municipality	% SHI
Beverly	11.8%
Danvers	10.0%
Essex	2.7%
Gloucester	7.2%

Hamilton	3.0%
Ipswich	8.6%
Manchester	4.8%
Marblehead	3.9%
Middleton	5.0%
Nahant	3.0%
Peabody	9.2%
Rockport	3.9%
Salem	13.0%
Swampscott	3.7%
Topsfield	6.8%
Wenham	8.7%
Source: DHCD 2015	

The Salem Housing Authority manages 706 state-aided public housing units in the city of Salem and those units are listed on the Salem SHI.

Table 16: Salem Housing Authority Units on the Subsidized Housing Inventory

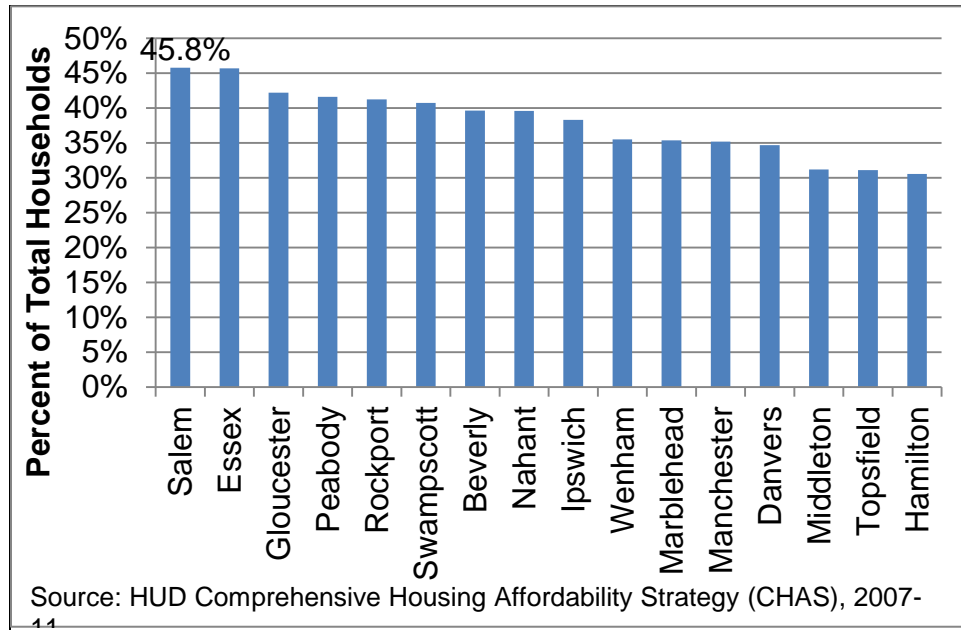
Address	Number of Units	HUD Program	Year Built	Type
Leefort Terrace	50	667-2	1958	Elderly/Disabled
Bertram Terrace	20	667-1A	1959	Elderly/Disabled
Colonial Terrace	40	667-2	1961	Elderly/Disabled
Bates Terrace	16	667-7A	1818	Elderly/Disabled
Pioneer Terrace	104	667-4	1966	Elderly/Disabled
Charter St	110	667-5	1974	Elderly/Disabled

Morency Manor	54	667-6	1982	Elderly/ Disabled
Dalton Residence	35	667-7B	1988	Elderly/ Disabled
Zisson Residence	14	705-2	Various	Family
Farrell Ct	12	705-3	1987	Family
Phillips School	17	689-1	1984	Special needs
Garden Terrace	32	200-1	1949	Family
Rainbow Terrace	136	200-2	1949	Family
Norton and Barton	36	667-3	1963	Elderly/ Disabled
J. Michael Ruane	14	No Data	No Data	Congregate
Park/ Prince/ Congress	16	No Data	No Data	No Data

Housing Cost Burden

Another method to determine whether housing is affordable to a community's population is to evaluate households' ability to pay their housing costs based on their reported gross household income. When housing costs are too high, families are unable to spend income on other necessities and the local economy. Households that spend more than 30% of their gross income on housing are considered to be housing cost burdened, and those that spend more than 50% are considered to be severely cost burdened. HUD considers a rate of 30% or higher cost-burdened households and 15% severely cost-burdened households to pose a significant issue for a community.

Figure 21: North Shore Task Force Cost-Burdened Households



Compared to the North Shore, Salem has the highest rate of cost-burden, at nearly 50%. Analysis of cost burden by household type reveals that elderly non-family households experience the highest rates of cost burden in the city. Although Salem's proximity to public transit and low gross rents may help to defray costs and free up family budgets for other necessities, significant levels of severe cost burden (spending more than 50% of income on housing costs) suggests limited affordability in the housing market.

Table 17: Cost Burden by Household Type, All Households, City of Salem

Household Type	Households	Cost Burden		Severe Cost Burden	
		Count	Percent	Count	Percent
Elderly Family (1-2 Members)	1,793	593	33.1%	323	18.0%
Elderly Non-Family	2,575	1,325	51.5%	635	24.7%
Large Related (5+ Persons)	780	340	43.6%	190	24.4%
Other	5,445	2,415	44.4%	1,210	22.2%
Small Family (2-4 Persons)	7,070	2,660	37.6%	1,680	23.8%
Total	17,663	7,333	41.5%	4,038	22.9%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS),

2007–2011

Because households of any income level can be cost burdened just by buying or leasing dwelling units they cannot afford even if alternative market-rate housing is affordable to them, it is important to consider rates of cost burden among low-income households specifically, who tend to have fewer options. In Salem, these households tend to be comprised of "other" households, or non-family households. These households may tend to be younger workers, suggesting a lack of affordable housing for young workers entering the workforce.

Table 18: Cost Burden by Household Type, Low-Income Households, City of Salem

Household Type	Total	Cost Burden	Severe Cost Burden
Elderly Family (1–2 Members)	828	51.1%	30.2%
Elderly Non-Family	2,020	57.9%	32.9%
Large Related (5+ Persons)	360	72.2%	38.9%
Other	2,240	75.0%	51.6%
Small Family (2–4 Persons)	2,730	69.8%	32.1%
Total	8,178	66.5%	37.7%
Source: HUD Comprehensive Housing Affordability Strategy (CHAS), 2007–2011			

An analysis of cost burden among low-, very-low-, and extremely-low-income households provides further insight.

Table 19: Cost Burden by Household Type, Low-Income Households, City of Salem

Household Type	30–50% AMI			50–80% AMI			Less Than 30% AMI		
	Total	Severe Cost Burden	Cost Burden	Total	Severe Cost Burden	Cost Burden	Total	Severe Cost Burden	Cost Burden
Elderly Family (1–2 Members)	310	35.5%	62.9%	234	10.7%	27.4%	284	40.5%	57.7%
Elderly Non-Family Large Related (5+ Persons)	655	22.9%	69.5%	335	10.4%	49.3%	1,030	46.6%	53.4%
Other Small Family (2–4 Persons)	115	39.1%	65.2%	105	23.8%	85.7%	140	50.0%	67.9%
Other Small Family (2–4 Persons)	655	51.1%	84.0%	485	16.5%	49.5%	1,100	67.3%	80.9%
	725	13.8%	86.2%	1,040	18.8%	52.9%	965	60.1%	75.6%
Total	2,460	30.1%	77.2%	2,199	16.4%	50.4%	3,519	56.4%	69.0%
Source: HUD Comprehensive Housing Affordability Strategy (CHAS), 2007–2011									

Housing Problems for Middle-Income Households

CHAS data also indicates the extent to which middle-income households earning 80–120% of AMI suffer from housing problems. A household is said to have a housing problem if it has one or more of the following problems: housing unit lacks complete kitchen facilities; housing unit lacks complete plumbing facilities; household is overcrowded, and/or household is cost burdened.

2009–2013 ACS data estimates indicate that less than 2% Salem’s occupied housing units are afflicted by problems #1, #2, or #3. Therefore, it can be assumed that the housing problem affecting most Salem residents at this income level is #4: cost burden. The table below shows that half of middle-income homeowners are cost-burdened, versus only 15% of middle-income renters.

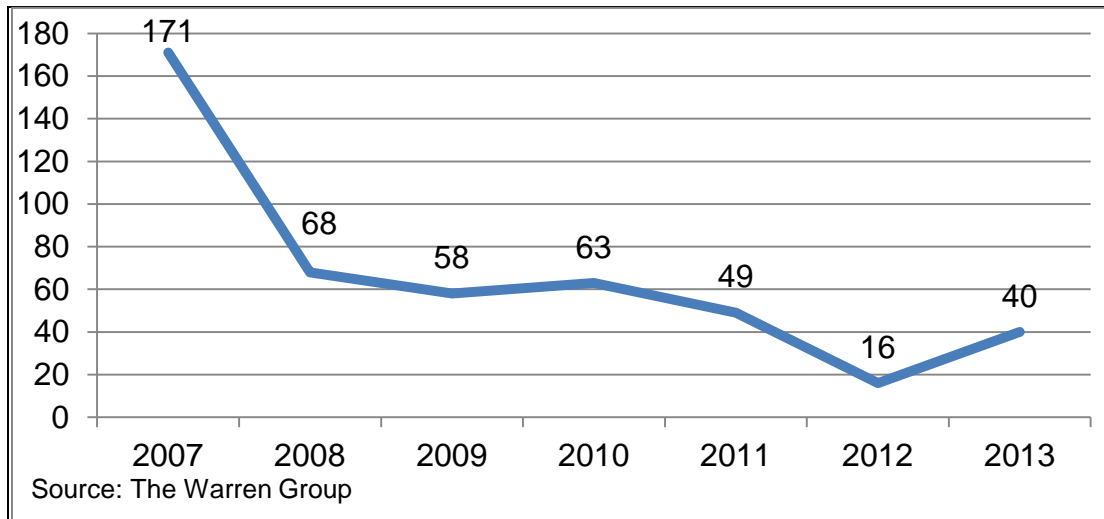
Table 20: Housing Problems for Salem Households at 80–120% of AMI

Type of Household with Problem	Number of Households	Percentage of Households
Owner-Occupied Households	1,990	60%
With Housing Problems	1,010	30%
Renter-Occupied Households	1,345	40%
With Housing Problems	210	6%
Source: HUD Comprehensive Housing Affordability Strategy (CHAS), 2007–2011		

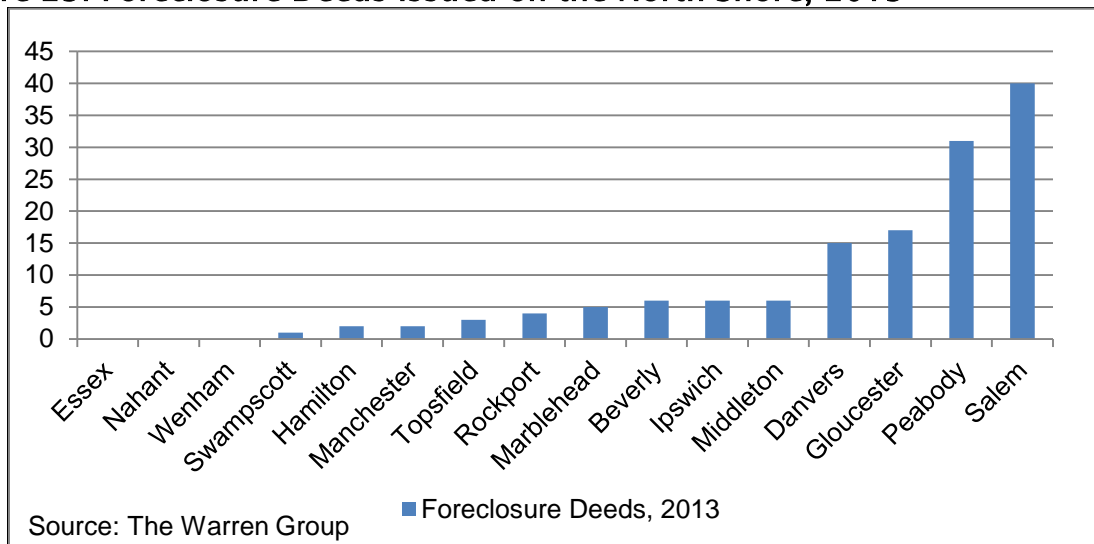
Foreclosures

Foreclosure trends inform the extent to which owner-occupied households struggle to afford housing costs in a given community. While the Greater Boston region was spared the worst impacts of the recent recession and housing bubble, the same cannot be said of the foreclosure and subprime mortgage crisis. Foreclosures in the region surged over the last decade. This is

important because as homes become foreclosed, households are forced to relocate, often increasing demand for affordable housing options. While Salem largely recovered from the height of the foreclosure crisis, the community experienced an uptick between 2012 and 2013 after a slight dip between 2011 and 2012.

Figure 22: Foreclosure Deeds in Salem, 2007–2013

In 2013, 40 foreclosure deeds were issued in Salem, the most in the North Shore Subregion. Peabody had a total of 31 foreclosure deeds issued that year, while Gloucester and Danvers had 16 and 15, respectively. Salem also had the highest number of Petitions to Foreclose in 2013 and the highest Foreclosure Auctions in 2013 when compared to the subregion.

Figure 23: Foreclosure Deeds Issued on the North Shore, 2013**Table 21: Foreclosure Petitions, Auctions, and Deeds Issued on in Salem, 2013**

Municipality	Petitions to Foreclose,	Foreclosure Auctions,	Foreclosure Deeds,	Foreclosure Deeds % of
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	2013	2013	2013	units (2013)
Beverly	27	22	6	0.04%
Danvers	17	29	15	0.13%
Essex	3	6	0	0.00%
Gloucester	12	29	17	0.12%
Hamilton	3	8	2	0.07%
Ipswich	13	14	6	0.10%
Manchester	2	0	2	0.08%
Marblehead	10	22	5	0.06%
Middleton	8	5	6	0.20%
Nahant	4	2	0	0.00%
Peabody	40	62	31	0.14%
Rockport	4	9	4	0.09%
Salem	41	64	40	0.21%
Swampscott	9	13	1	0.02%
Topsfield	4	4	3	0.14%
Wenham	1	2	0	0.00%
Source: The Warren Group				

Condominium Conversions

Another threat to the affordable rental housing stock is the conversion of rental units to condominiums. The conversion of a residential unit to a condominium signals the removal of rental units from the market based on the assumption that condominiums are typically owner-occupied and not leased to those in the rental market. This type of redevelopment burdens the affordable housing market as rental units are absorbed into the higher-end of the housing market.

Using the Massachusetts Land Parcel Database and tax assessors data, MAPC calculated the yearly average of condominium conversion by summing the total number of units for properties of a given parcel over a given time period whose:

1. Land use code was residential and non-condominium at the beginning of the period,
2. Land use code was condominium at the end of the period, and
3. Structure was built before the start of the time period.

Due to data limitations, this analysis used only two time periods to calculate the yearly average. Between 2006 and 2011, approximately 160 units per year were converted to condominiums. Between 2012 and 2015, approximately 42 units per year were converted to condominiums. The decline in yearly conversions suggests a cooling of the market since the last decade.

Table 22: 2006–2011 Condominium Conversions

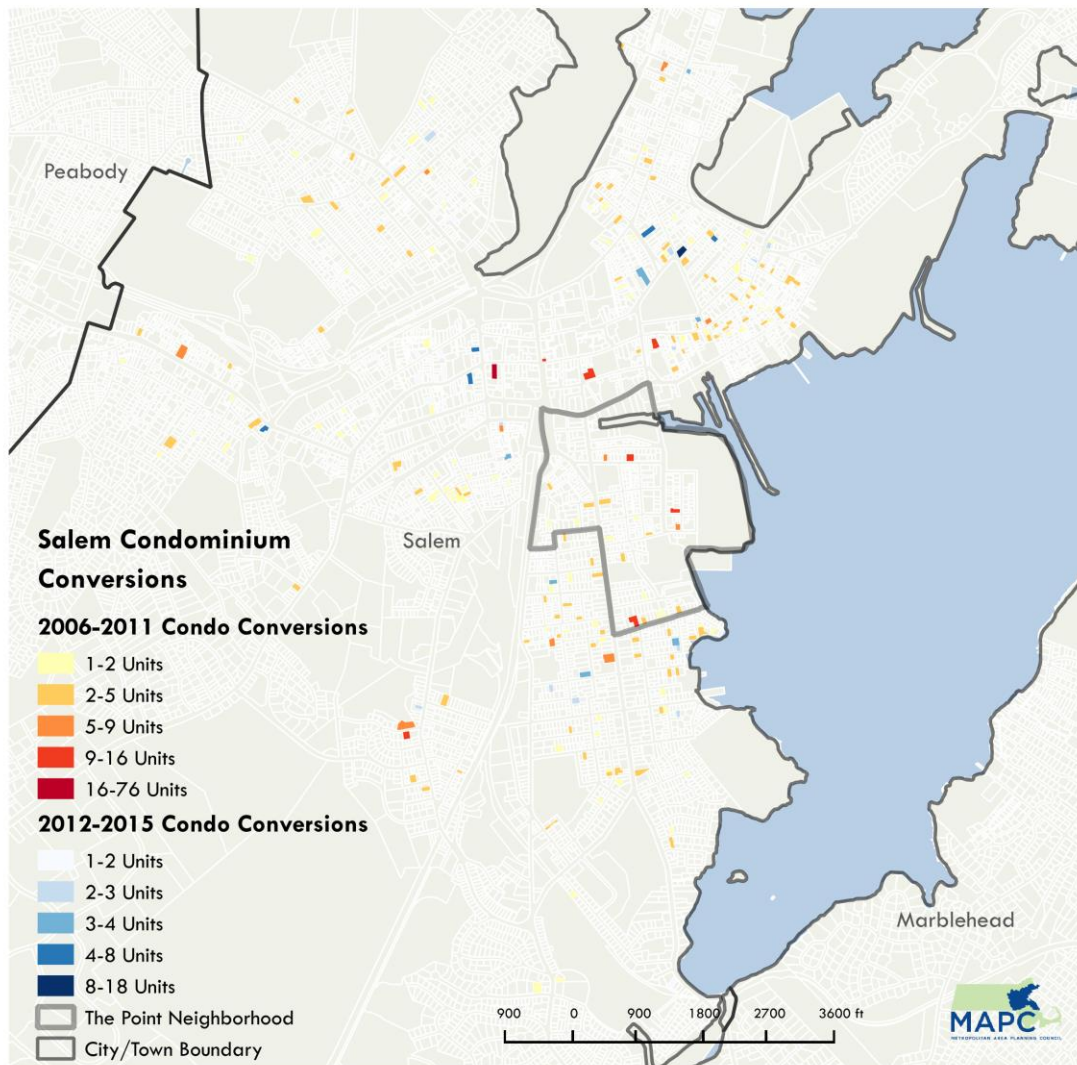
Unit Type	# of Properties	Estimate of Units
Single Family	3	6
Two-Family	90	192
Three-Family	57	188
Multi (4+)	56	366
Undetermined	7	44
Total	213	796
Source: MAPC Analysis; Tax Assessors Database; City of Salem;		

Table 23: 2012–2015 Condominium Conversions

Unit Type	# of Properties	Estimate of Units
Single Family	1	2
Two-Family	24	48
Three-Family	12	36
Multi (4+)	12	71
Undetermined	2	9
Total	51	166
Source: MAPC Analysis; Tax Assessors Database; City of Salem;		

In Salem, the rate of units converted to condominiums has stayed consistent since 2012 with an average of 48 units per year. These conversions have tended to occur within Census tracts having median household incomes between \$50,000 and \$70,000.

Figure 24: Condominium Conversions, 2006–2011; 2012–2015



Source: MAPC Analysis; MA Land Parcel Dataset; City of Salem;

Conclusion

Though Salem saw only modest population gains over the past decade, the community is growing more diverse. As evidenced by its high rate of non-family households and low average age, Salem is attracting and retaining young residents and householders. Should these trends continue, Salem is expected to see significant increases in housing demand over the coming decade.

The community also boasts a relatively high stock of historic, multifamily homes occupied mostly by renters. To continue to retain and attract more workers to fill labor gaps left by retiring baby boomers, Salem should continue to maintain its high stock of multifamily housing.

Although Salem ranks high in rates of poverty and cost-burden status, its proximity to transit and lower median gross rent prices help to defray costs. Salem's relatively count of subsidized housing inventory surpasses the Commonwealth's 10% affordable housing target, however, many units have expiring deed restrictions which will situate Salem below 10% affordability.

III. Appendix

**Table 24: City of Salem Subsidized Housing Inventory (6/5/15)
with Deed Restrictions expiring by 2020**

Project Name	SHI Units	Deed Restriction Year End	Tenure	Subsidizing Agency
Federal and Boston Streets	24	2015	Rental	MHP
North Shore CDC FTHB Project	3	2015	Ownership	DHCD
Salem Housing Rehabilitation Program (HOR) Program	1	2015	Ownership	HUD
Loring Towers	250	2016	Rental	MassHousing
Salem HOR Program	1	2016	Ownership	DHCD
Salem HOR Program	3	2016	Ownership	DHCD
Lynch Street Princeton Crossing Apts	11	2017	Rental	MHP
Salem HOR Program	358	2017	Rental	MassHousing
Salem HOR Program	3	2017	Ownership	DHCD
Salem HOR Program	2	2017	Ownership	DHCD

**Table 24: City of Salem Subsidized Housing Inventory (6/5/15)
with Deed Restrictions expiring by 2020**

Project Name	SHI Units	Deed		Subsidizing Agency
		Restriction Year End	Tenure	
Salem HOR Program	1	2017	Ownership	DHCD
Salem HOR Program	1	2017	Ownership	DHCD
Salem HOR Program	1	2017	Ownership	DHCD
Salem HOR Program	1	2017	Ownership	HUD
Salem HOR Program	1	2017	Ownership	HUD
Salem HOR Program	2	2017	Ownership	HUD
Salem HOR Program	1	2018	Ownership	FHLBB
Salem HOR Program	1	2018	Ownership	DHCD
Salem HOR Program	1	2018	Ownership	DHCD
Salem HOR Program	1	2018	Ownership	FHLBB
Salem HOR Program	1	2018	Ownership	DHCD
Salem HOR Program	1	2018	Ownership	DHCD
Salem HOR Program	1	2018	Ownership	DHCD
Salem HOR Program	2	2018	Ownership	DHCD

**Table 24: City of Salem Subsidized Housing Inventory (6/5/15)
with Deed Restrictions expiring by 2020**

Project Name	SHI Units	Deed		Subsidizing Agency
		Restriction Year End	Tenure	
Salem HOR Program	1	2018	Ownership	HUD
Salem HOR Program	2	2018	Ownership	HUD
Salem HOR Program	2	2018	Ownership	HUD
Lincoln Hotel	62	2018	Ownership	DHCD
Salem HOR	2	10/4/2019	Ownership	DHCD
Salem HOR Program	1	2019	Ownership	DHCD
Salem HOR Program	1	2019	Ownership	DHCD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	1	2019	Ownership	HUD
Salem HOR Program	3	2019	Ownership	HUD
Salem HOR	1	2019	Ownership	DHCD
Salem HOR Program	1	10/2/2019	Ownership	HUD
Salem HOR	1	11/18/2019	Ownership	DHCD

**Table 24: City of Salem Subsidized Housing Inventory (6/5/15)
with Deed Restrictions expiring by 2020**

Project Name	SHI Units	Deed		Subsidizing Agency
		Restriction Year End	Tenure	
Salem HOR	2	12/01/2019	Ownership	DHCD
Salem HOR	1	5/2/2020	Ownership	DHCD
Salem HOR	1	6/9/2020	Ownership	DHCD
Salem HOR	1	8/14/2020	Ownership	
Salem HOR	1	8/14/2020	Ownership	DHCD
Salem HOR	1	11/8/2020	Ownership	DHCD
Salem HOR	2	12/6/2020	Ownership	DHCD
Salem HOR	1	12/28/2020	Ownership	DHCD
Palmer Street Salem HOR	10	2020	Rental	MHP
Program	3	2020	Ownership	HUD
TOTAL	777			Source: DHCD 2015