

CITY OF SALEM

Housing Needs Assessment

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Key Definitions

This list of key definitions is intended to assist the reader and is not intended to replace applicable legal definitions of these terms. The following definitions are for key terms used throughout the document, many of which are based on definitions in statutes and regulations.

Areawide Median Income (AMI)— the median gross income for a person or family as calculated by the United States Department of Housing and Urban Development, based on the median income for the Metropolitan Statistical Area. For FY2020, the HUD area median family income (AMFI) for the Boston-Cambridge-Newton MA HUD Metro FMR Area (which includes Salem) was \$119,000.¹ AMI is referred to in the document as median family income (AMFI).

Cost-Burdened Household – a household that spends 30 percent or more of their income on housing-related costs (such as rent or mortgage payments). Severely cost-burdened households spend 50 percent or more of their income on housing-related costs.

Elderly Non-Families – a household of one elderly person, an older adult ages 62 years or over, as defined in the US Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy (CHAS) data.

Extremely Low-Income – an individual or family earning less than 30 percent of area median family income set by HUD (AMI).

Family Household - two or more individuals who are related by birth, marriage, or adoption, although they also may include other unrelated people.

Household – all the people, related or unrelated, who occupy a housing unit. It can also include a person living alone in a housing unit or a group of unrelated people sharing a housing unit as partners or roommates. Family households consist of two or more individuals who are related by birth, marriage, or adoption, although they also may include other unrelated people. Nonfamily households consist of people who live alone or who share their residence with unrelated individuals.

Low- and Moderate-Income Housing – housing for persons or families whose annual income is less than 80 percent of the areawide median family income (AMI) (as defined by Chapter 40B and DHCD). The AMI is determined by the United States Department of Housing and Urban Development (HUD). For the Boston-Cambridge-Newton MA HUD Metro FMR Area (which includes Salem), a four-person household with a gross household income of \$96,250 or less is considered low-income.² A one-person household with a gross household income of \$67,400 or less is considered low-income.

Non-Family Households – individuals living alone and individuals living with roommates who are not related by birth, marriage, or adoption.

Service-Enriched Housing – housing where services and assistance are available to residents to provide supportive and responsive environment especially for at risk and/or special needs populations. Services could include educational opportunities, health and social service resources, recreational activities, child care, and the like.

¹ U.S. Department of Housing and Urban Development. *FY 2020 Income Limits Summary*. <https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn> (accessed May 2020).

² U.S. Department of Housing and Urban Development. *FY 2020 Income Limits Summary*. <https://www.huduser.gov/portal/datasets/il/il2020/2020summary.odn> (accessed May 2020).

Data Sources

This plan utilizes data from the Massachusetts Housing Partnership (MHP) Datatown, U.S. Census, American Community Survey (ACS) including ACS data collected from Social Explorer and the US Census Bureau data portals, Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS), the MA Department of Housing and Community Development (DHCD), and The Warren Group (TWG), as well as projections from the University of Massachusetts at Amherst Donahue Institute (UMDI) and development pipeline and affordable housing inventory data from the City of Salem Department of Planning and Community Development.

Note: The U.S. Census counts every resident in the United States by asking ten questions, whereas the ACS provides estimates based on a sample of the population for more detailed information. It is important to be aware that there are margins of error (MOE) attached to the ACS estimates, because the estimates are based samples and not on complete counts.

Chapter 1: Introduction and Summary of Key Findings

Purpose

The Salem Housing Needs Assessment is a report of the City of Salem Department of Planning and Community Development. This report is intended to assist the City in understanding current and future housing needs and will lay the groundwork for the City to prepare an updated Housing Production Plan to identify community goals and strategies for housing production.

The needs assessment provides a detailed description of the population and housing characteristics for the City of Salem.

This chapter provides a brief summary of the key findings that can help guide local policies and resource allocation to encourage creating more housing options in Salem, especially smaller units of deeply affordable rental housing.

Report Organization

This report is organized in three chapters as follows:

- Chapter 1 provides an overview of the purpose of the plan and key findings and can serve as an executive summary
- Chapter 2 provides a demographic profile of the community's residents.
- Chapter 3 provides an analysis of local housing conditions including housing supply, residential market indicators, and affordable housing characteristics.

Summary of Key Findings

KEY HOUSING NEEDS

Local policies and resource allocation including zoning tools, local initiatives, and direct assistance programs, can help the City address its most urgent housing needs. This analysis indicates that the most urgent housing needs in Salem are as follows:

1. More deeply affordable rental units that are affordable to households with extremely low income – at or below 30 percent AMI – and more rental units priced between \$500-\$950 monthly rent that are affordable for households at or below the City's median renter income (\$37,776)
2. Smaller housing units – both affordable and market rate – including single-room occupancy (SRO), studio, one-bedroom, and two-bedroom units as well as accessory dwelling units and service-enriched housing
3. More affordable ownership opportunities (including condos and single-family houses) with sales prices at or below \$240,000 (a price point affordable to households with the City's median household income)

4. Robust and widespread financial assistance to property owners for rehabilitation of older housing units occupied by low-moderate income (LMI) households including improvements for code compliance, safety, and energy efficiency to reduce utility costs
5. Partnerships and state assistance to preserve existing affordable housing units

Note: This assessment did not include an analysis of special needs including for individuals with disabilities and/or the need for supportive, transitional, and permanent housing for unhoused and at-risk individuals and families. These analyses should be included as part of the Housing Production Plan or other upcoming planning documents related to determining housing goals and strategies.

POPULATION TRENDS

- Salem's population decreased a total of about 12 percent between 1930 and 1990 (its lowest point in this period). Since that low, the population has increased but has not yet reached its 1930 peak.
- Projections indicate a continued population increase over the next twenty years that would surpass the 1930 population for the first time in the past 90 years.
- Salem one of the state's 28 "Millennial Peak" communities due to its high proportion of young adult residents, with an estimated 28 percent of the population between age 20 and 34.
- The largest estimated gain was in the population age 65+, which increased about 25 percent from about 13 percent of the total population in 2010 (5,342) to about 15 percent in 2018 (6,598).
- While the majority of Salem residents identify as white, the share of residents identifying as White alone fell from 76 percent in 2010 to about 71 percent in 2018. In turn, the population identifying as Hispanic/Latinx ethnicity and Black, Asian, or other races increased proportionally.

HOUSEHOLD TRENDS

- The number of households in Salem grew at a slower rate than population, which indicates that household size grew larger in that period (meaning more people, on average, are living together).
- Compared to statewide trends, Salem's average household size, although increasing, is relatively small. The majority (71 percent) of Salem's households consist of one or two people.
- Twenty-three percent of all households in Salem have at least one child age 18 or younger. Twenty-eight percent of all households have at least one person age 65 or older.
- Of non-family households, about 79 percent (6,661 households) are adults living alone, 27 percent (2,288 households) are older adults (65+) living alone. About 45 percent of total older adult households are living alone.
- Salem has a higher proportion of renters than the statewide proportion of households (37.7 percent of total households in the state rent). However, the share of renter households in Salem decreased from 53 percent (9,727 households) in 2010 to about 49.7 percent (9,060 households) in 2018 - a total estimated decrease of 667 households.
- According to 2018 ACS five-year estimates, the City of Salem's median income (all household types) is \$65,565 – significantly lower than the FY2020 regional Area Median Income (AMI = \$119,000)
- About 40 percent of Salem's households have incomes less than \$50,000, about 30 percent have incomes between \$50,000 and \$99,999, and about 30 percent have incomes at and over \$100,000.
- The 2018 median family income in Salem is an estimated \$80,694 and non-family is \$44,184. There is a more than \$36,000 difference between median family and non-family incomes in Salem.
- According to 2018 ACS five-year estimates, the median income for owner households in Salem was \$95,414 and the median income for renter households was \$37,776. Salem's homeowners have incomes over 2.5 times that of Salem's renters.

- About 49 percent (9,045 households) of total households in Salem have incomes below 80 percent AMI and may qualify for affordable housing as defined under the state’s Chapter 40B law.

HOUSING CONDITIONS

- Salem has 19,381 estimated housing units per the 2018 ACS, increasing from 19,130 in 2010.
- Salem’s estimated vacancy rates per the 2018 ACS were 1.0 percent for homeowner units and 3.8 percent for rental units – these rates are very low, indicating a constrained housing supply that can result in inflated housing prices.
- According to the City’s Department of Planning and Community Development, the City has had 490 new units built, 746 units under construction, and 360 units permitted between 2010 and 2020 (YTD Jan-Sept).
- Compared with housing units statewide, Salem has a more diverse mix of housing types with a substantially lower proportion of single-family houses and a larger share of units in two-family, three to four family, and other multi-family structures.
- There is a significant mismatch between the size of Salem’s housing units and the size of households. Salem has a significantly higher proportion of smaller households than smaller housing units. Larger units are generally more expensive in regard to not just mortgage or rent payments but also energy costs. This mismatch limits the availability of financially-attainable housing options for smaller households.
- Salem has a significantly intact historic building stock that contributes to the special character of the community’s built environment. As such, the City’s housing stock is significantly older, proportionally, than state’s housing stock. About 83 percent of the housing stock was built before 1979, which predate the Massachusetts Lead Law and may contain lead paint, which can pose health hazards.

AFFORDABLE HOUSING STOCK

- About 35 percent (6,450 households) of Salem’s households are cost burdened.³ Most of Salem’s cost burdened households, 92 percent or about 5,925 households, are low-moderate income (LMI) households.⁴ Cost-burdened households, particularly lower-income households, are likely to struggle to pay for other basic needs, such as food, clothing, health care, and transportation costs.
- The largest group (proportionally and absolutely) of most severely cost burdened LMI households in Salem are those that have extremely low incomes (at or below 30 percent AMI) – of all the estimated extremely low-income households in Salem (4,280 households), 61 percent (2,590 households) are estimated to be severely cost burdened.
- Salem’s LMI renter households have the highest levels of severe cost burden indicating a high need for more affordable rental housing. Of all LMI households estimated to be severely cost burdened in Salem, 67 percent are renter households and 33 percent are owner households.
- Most cost-burdened LMI households in Salem are smaller households including non-family, small family, and elderly non-family households. Note that many non-family households are people living alone. Again, this indicates a need for smaller, affordable units including single-room occupancy (SRO), studio, one-bedroom, and two-bedroom units.
- Between 2010 and 2018, while median single-family and condominium sales prices both increased about 44 percent, Salem’s estimated median household income only grew about 15 percent (not adjusted for inflation). Rising housing prices have far outpaced income growth.

³ Source: The most recent Comprehensive Housing Affordability Strategy CHAS data is based on the 2013-2017 ACS.

⁴ Note: “Low-moderate income households” consist of households with estimated household income at or below 80 percent AMI.

- For the median renter household in Salem, there is an affordability gap of about \$1,054 between what a household with this income could afford each month for rent and utilities and what the median rent is for a 2-bedroom apartment in Salem.
- According to the SHI, about 17 percent of the units listed on the SHI were set to expire in 2020 or prior.⁵ Taking these expiring units into account, would reduce Salem's SHI to 10.97 percent. About 6 percent (145 units) of total SHI units are set to expire in the next decade (2021-2030), which would further reduce the SHI to 10.21 percent. It is important to note that the percentage may reduce further upon release of the new 2020 Census count of year-round housing units.

⁵ This figure discounts for the Lincoln Hotel project due to the extension of the affordability term for the 62 units from 2018 to 2035.

Chapter 2: Demographic Profile

This chapter provides a demographic profile of Salem’s population including population growth trends, age, race and ethnicity, household size and composition, household tenure, and household income.

Population Trends

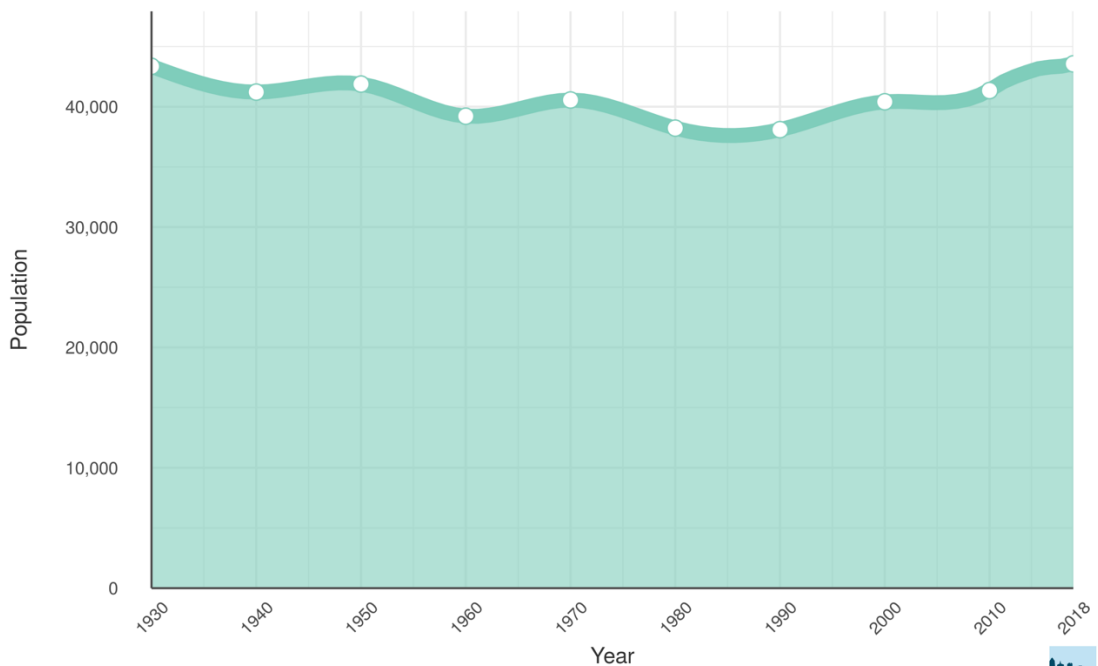
POPULATION GROWTH AND PROJECTIONS

According to 2018 American Community Survey (ACS) five-year estimates, Salem’s estimated population is about 43,302—an increase of 5 percent since 2010 and of 7 percent since 2000. As illustrated in Figure 1 below, Salem’s population has almost reached the City’s population level in 1930 (43,353). Since the 1930s, the City’s population declined overall and is slowly growing back to this previous level.

Salem’s population decreased a total of about 12 percent between 1930 and 1990 (its lowest point in this period). The 2018 estimates indicate that the population has increased to just under its 1930 high.

Figure 1. Salem Population Change (1930-2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Source: U.S. Census Bureau Population Estimates Program



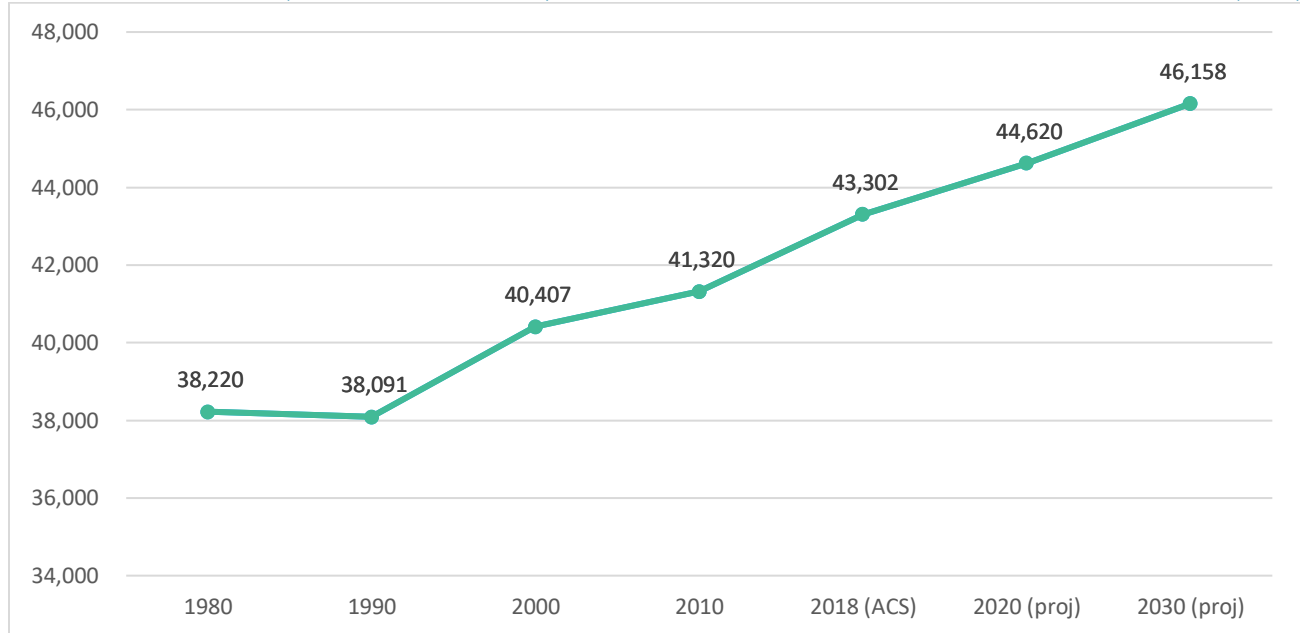
Note that the 2018 ACS estimates indicate that about 4 percent of Salem’s total population (1,770 people) are living in group quarters, including about 156 in nursing facilities and about 1,478 in college/university student housing (presumably for Salem State University).

Projections from the UMass Donahue Institute indicate a continued population increase over the next twenty years (Figure 2). These projections indicate that Salem’s population could increase to 44,620 by 2020 and 46,158 by 2030, both of which would surpass the 1930 population for the first time in the past 90 years.

Projections from UMass Donahue were released in 2015 using data from the previous decade. Most recent ACS estimates for 2018 align with the trend of UMass Donohue’s projections. The release of the 2020 Census and subsequent new population projections will provide a more accurate understanding of future change.

Figure 2. Salem Population Change and Projections (1980-2030)

Source: Decennial Census (1980, 1990, 2000, 2010); 2014-2018 ACS Five-Year Estimates; UMass Donahue Institute (2015)



AGE

Massachusetts Housing Partnership (MHP) identifies Salem as a “Millennial Peak” community – those that demonstrate a disproportionately large proportion of young adults (age 20-35).^{6, 7}

Salem has a high proportion of young adult residents, with an estimated 28 percent of the population between age 20 and 34.

According to the 2018 five-year ACS estimates, residents age 35 to 64 make up an estimated 37 percent of Salem’s population, and those age 65+ make up an estimated 15 percent of the population. Children and youth (under age 20) make up about 20 percent of the population.

⁶ Datatown, MHP.

⁷ MHP identifies 27 other communities as Millennial Peak communities, including Cambridge, Chelsea, Everett, Lynn, Malden, Medford, Somerville, Waltham, and Watertown.

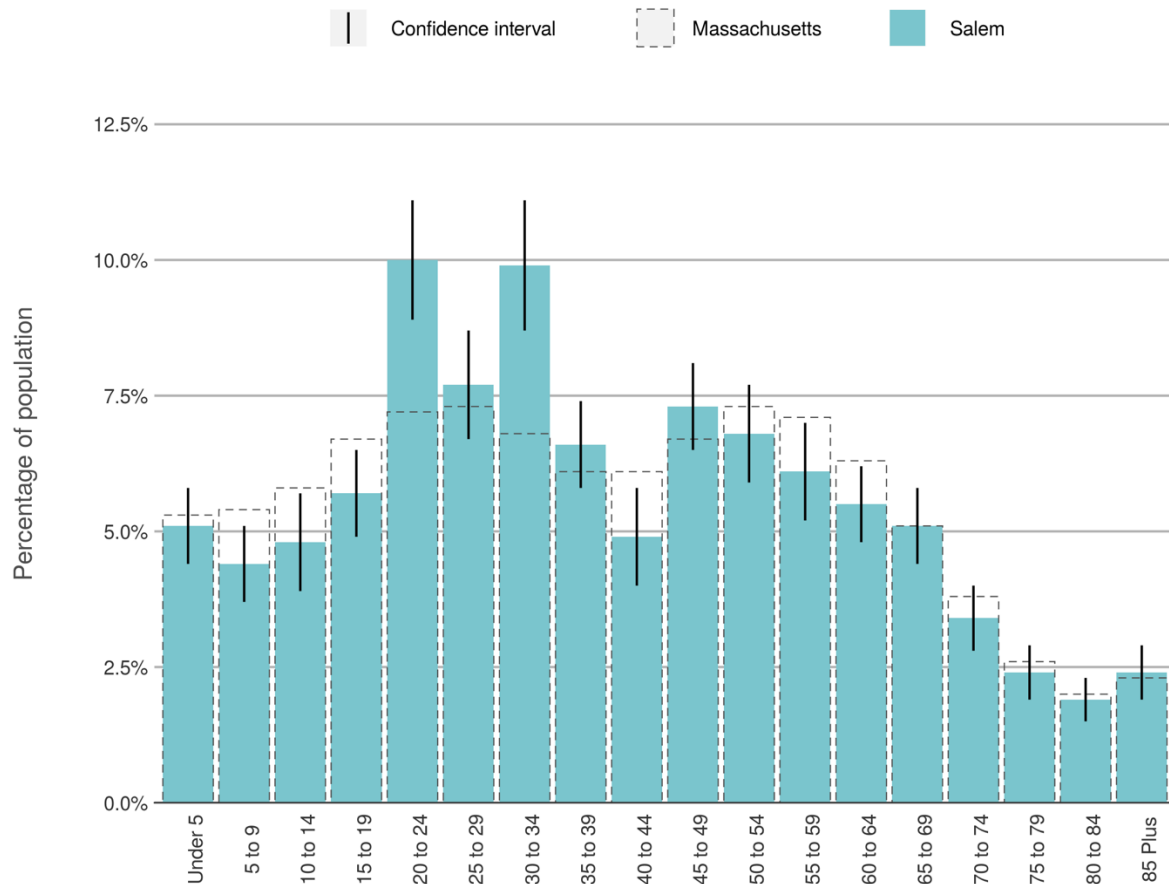
The largest estimated gain was in the population age 65+, which increased about 25 percent from about 13 percent of the total population in 2010 (5,342) to about 15 percent in 2018 (6,598).

The second largest estimated gain was in the population age 20-34 years, which increased about 21 percent from 24 percent of total population in 2010 (9,913) to about 28 percent in 2018 (11,953).

The largest estimated decline in share of population by age between 2010 and the 2018 estimate was population age 0-19 years, which declined by about 7 percent from 23 percent of total population in 2010 (9,333) to about 20 percent in 2018 (8,667).

Figure 3. Salem and Massachusetts Age Distribution of Population (2018)

Source: 2014-2018 ACS Five-Year Estimates) (MHP Datatown)



Source: U.S. Census Bureau: Decennial Census 1990-2010 & American Community Survey, 2014-2018 5-year estimates. Table S0101: Age and Sex



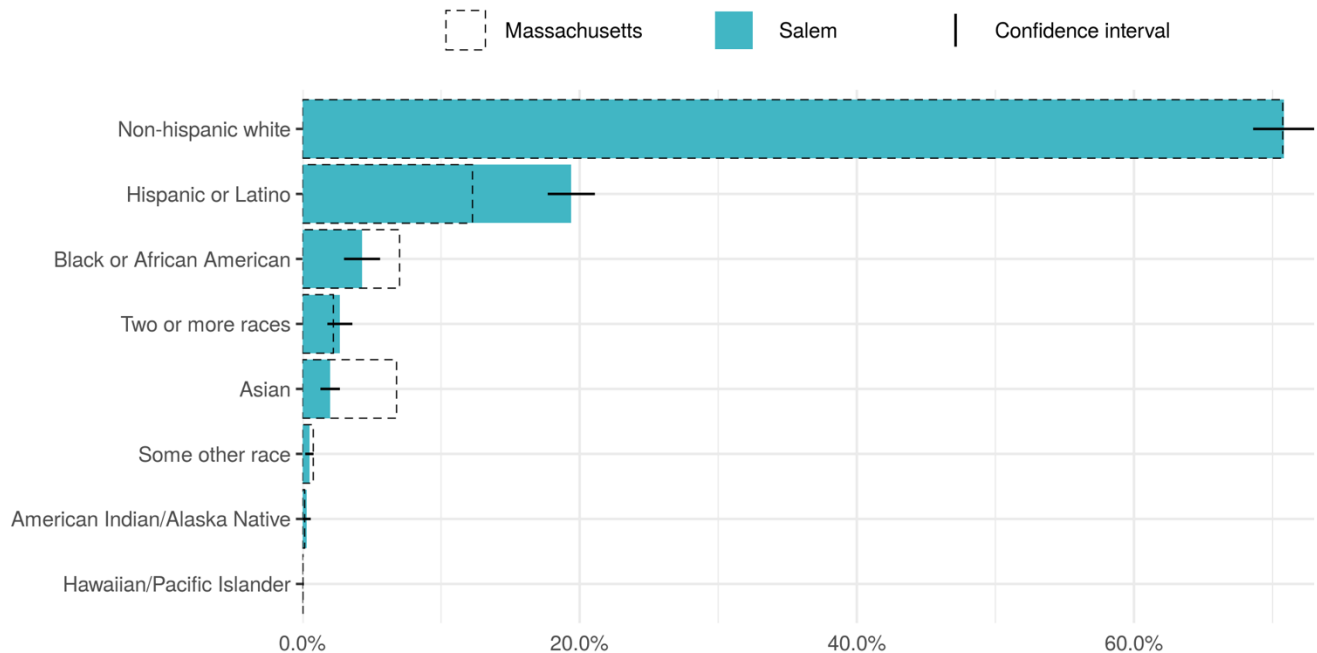
RACE AND ETHNICITY

Salem's resident population primarily identifies as Non-Hispanic White (71 percent) and about 19 percent identify as Hispanic/Latinx ethnicity, 4 percent as Black or African American, 2 percent Asian, 1 percent some other race alone, and 3 percent two or more races. Salem's share of Hispanic/Latinx residents is large in comparison to the state's overall ethnic composition. Salem's share of Black or African American, and Asian residents is low in comparison to the state's overall racial composition.

While the majority of Salem residents identify as white, the share of residents identifying as White alone fell from 76 percent in 2010 to about 71 percent in 2018. In turn, the population identifying as Hispanic/Latinx ethnicity and Black, Asian, or other races increased proportionally.

Figure 4. Salem and Massachusetts Population by Race and Ethnicity (2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Source: U.S. Census Bureau American Community Survey, 2014-2018 5-year estimates.
Table DP05: ACS Demographic and Housing Estimates



Household Trends

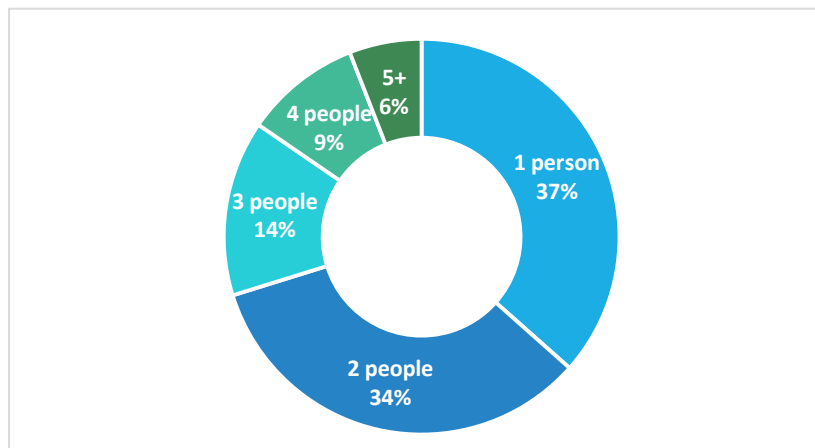
HOUSEHOLD SIZE

According to 2018 ACS five-year estimates, there are about 18,222 households in Salem—an additional 380 households since 2010 (about a 2 percent increase) and an additional 730 households between 2000 and 2018 (about a 4 percent increase).

The number of households in Salem grew at a slower rate than population, which indicates that household size grew larger in that period (meaning more people, on average, are living together).

Figure 5. Salem Household Size (2018)

Source: 2014-2018 ACS Five-Year Estimates



The average household size, according to the 2014-2018 five-year ACS estimates, was 2.3 people per household (pph) —increasing about 3.6 percent from 2.22 pph in 2010. The average household size in 2000 was 2.2 pph. Massachusetts average estimated household size per the 2018 ACS was 2.5 pph, in 2010 was 2.48 pph, and in 2000 was 2.5 pph.

Compared to statewide trends, Salem's average household size, although increasing, is relatively small.

Per the 2018 ACS estimates, the majority (71 percent) of Salem's households consist of one or two people. The remaining are three people or larger. Fourteen percent of households are three people, 9 percent are four-person households, and 6 percent are households with five or more people.

With an increasing population, decreasing household size would generate more demand for units, particularly smaller units, whereas increasing household size, such as Salem's case, would decrease demand for units. However, it is important to remember that many factors affect population change and household characteristics which cannot always be accurately predicted.

HOUSEHOLD COMPOSITION

Just over half of households in Salem are families (54 percent). Of family households, about 22 percent are married-couple households with children 18 years old or under, 17 percent are single-parent households with children 18 years old or under, and 61 percent are other family compositions.

*Twenty-three percent of all households in Salem have at least one child age 18 or younger.
Twenty-eight percent of all households have at least one person age 65 or older.*

Of non-family households, about 79 percent are adults living alone, 27 percent of non-family households are older adults (65+) living alone, and 21 percent are roommates or other non-family compositions. About 45 percent of total older adult households are living alone.

Compared to the 2013 five-year ACS described in Table 3 of the 2015 Housing Needs Assessment, household composition is largely consistent with about a 54 percent share of family households, about 77 percent of nonfamily houses were adults living alone, 30 percent of which were older adults (65+), and about 23 percent of households with children 18 years old or under.

Salem has a high proportion of single-parent households with children 18 years old or under, making up about 40 percent of all households with children. In Essex County, as a comparison, the share of single-parent households is about 33 percent. Although high, the share of single-parent households in Salem appears to have decreased from about 43 percent per the 2013 Five-Year ACS as reported in the 2015 Housing Needs assessment.

Table 1. Salem Family and Nonfamily Household Compositions (2018)

Source: 2014-2018 ACS Five-Year Estimates

Household Characteristics	City of Salem	
	Est.	%
Total Households	18,222	100%
Family Households	9827	54%
Married Couple with Children	2168	22%
Single-Parent with Children	1692	17%
Other Family	5,967	61%
Non-family Households	8,395	46%
Older Adult (age 65+) Living Alone	2,288	27%
Other Living Alone	4,373	52%
Roommates or Other Nonfamily	1,734	21%
Households with Youth (18 or younger)	4,216	23%
Households with Older Adults (65+)	5,040	28%

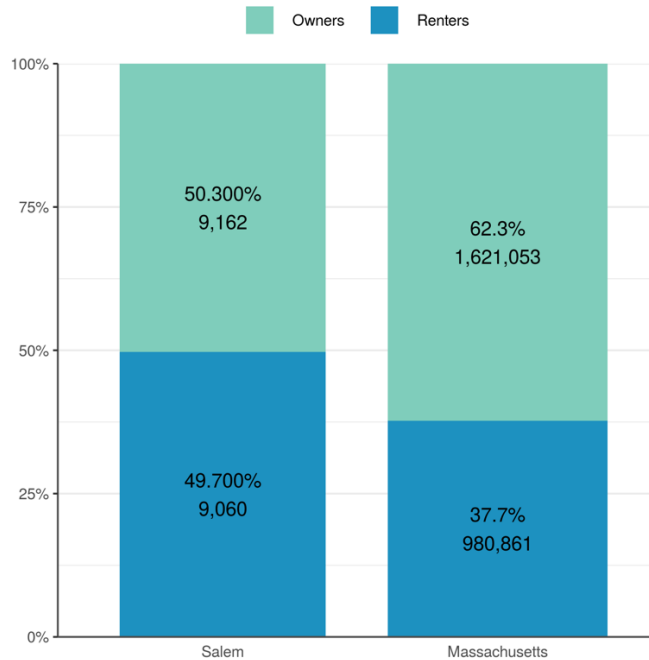
TENURE

About 50.3 percent of households in Salem own their home and 49.7 percent of households rent their home (2018 ACS). There are an estimated 9,162 owner households per the 2018 ACS.

Salem has a higher proportion of renters than the statewide proportion of households (37.7 percent of total households in the state rent). However, renter households in Salem decreased from 53 percent (9,727 households) in 2010 to about 49.7 percent (9,060 households) in 2018 - a total estimated decrease of 667 households.

Figure 6. Salem and Massachusetts Tenure Mix (2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Source: U.S. Census Bureau American Community Survey, 2014-2018 5-year estimates.
Table DP04: Selected Housing Characteristics



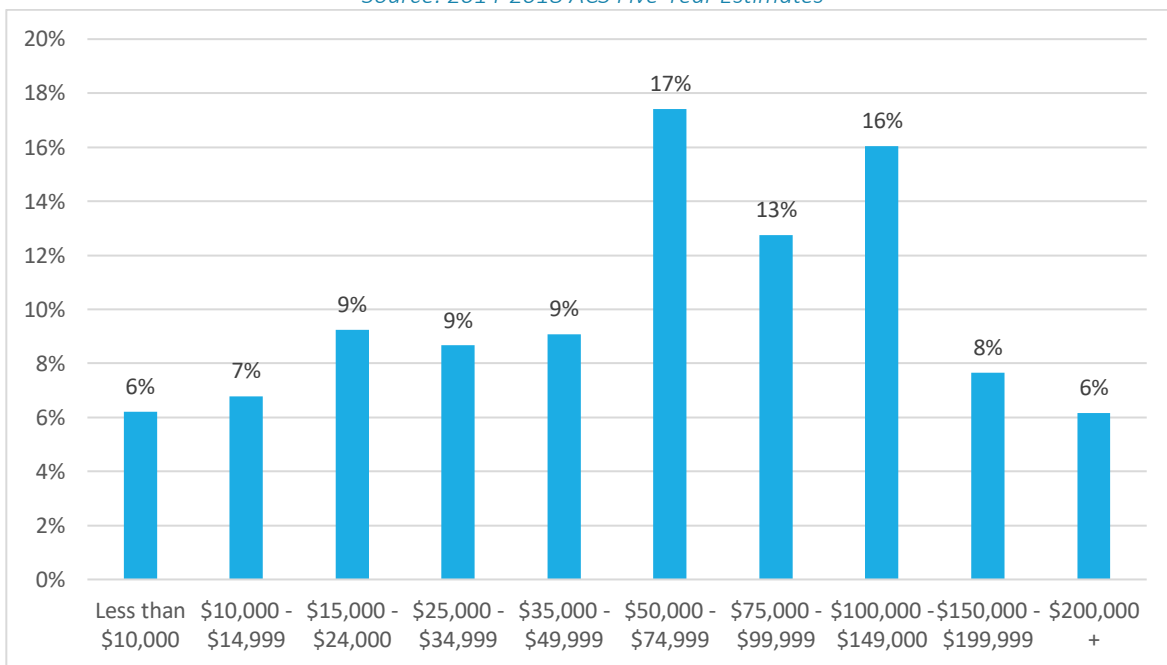
INCOME

According to 2018 ACS five-year estimates, Salem’s median income (all household types) is \$65,565 – significantly lower than the FY2020 Area Median Income (AMI = \$119,000).⁸ Between 2010 and 2018, estimated median household income grew about 15 percent from \$56,979 in 2010 to \$65,565 in 2018 (Note, however, that the 2010 median income in 2018 dollars, as adjusted for inflation, is \$65,177.95).

About 40 percent of Salem’s households have incomes less than \$50,000, about 30 percent have incomes between \$50,000 and \$99,999, and about 30 percent have incomes at and over \$100,000.

Figure 7. Salem Household Income Distribution (2018)

Source: 2014-2018 ACS Five-Year Estimates



Income by Household Type

Family households, on average, tend to have higher incomes than non-families because family households tend to have more people who are prime earners contributing to the household income. Non-family households tend to be smaller—often consisting of only one person—and they are more likely to be younger or older than the prime earning years (which is classified as roughly 45 to 65, depending on demographics).⁹

The 2018 median family income in Salem is an estimated \$80,694 and non-family is \$44,184. There is a more than \$36,000 difference between median family and non-family incomes in Salem.

⁸ Salem is part of the Boston-Cambridge-Quincy Metropolitan Statistical Area (MSA). AMI is the HUD Area Median Family Income, which is determined by the median family income for the Boston-Cambridge-Quincy MSA and informs income limits for affordable housing.

⁹ U.S. Census Bureau, “Median Household Income,” QuickFacts. <https://www.census.gov/quickfacts/fact/note/US/INC110218>.

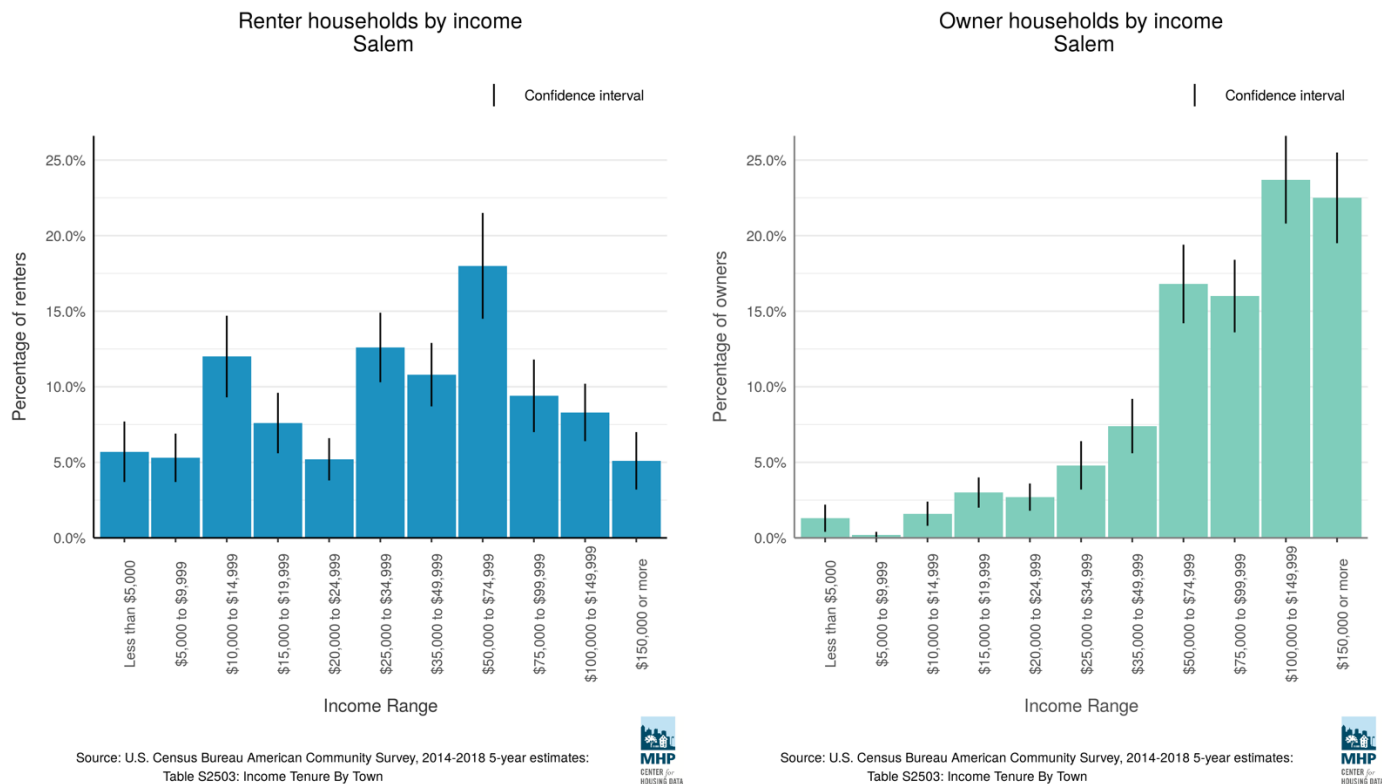
Income by Tenure

Households that own their home also tend to have higher incomes than renter households.

According to 2018 ACS five-year estimates, the median income for owner households in Salem was \$95,414 and the median income for renter households was \$37,776. Salem's homeowners have incomes over 2.5 times that of Salem's renters.

Figure 8. Salem Median Household Income by Tenure (2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Household Income Distribution per HUD Income Limits

Households with incomes at or below 80 percent AMI are considered low-moderate income (LMI) and may qualify for affordable housing as defined under the state's Chapter 40B law.

Just over half of Salem's households (51 percent, about 9,255 households) have incomes above 80 percent of the area median income (AMI) and about 49 percent (9,045 households) have incomes below 80 percent AMI.

Affordable housing units are often priced to be affordable for a variety of income levels for LMI households. There are an estimated 15 percent of total Salem households with incomes between 50 and 80 percent AMI, 11

percent with incomes between 30 and 50 percent AMI, and 23 percent with an income of less than 30 percent and considered extremely low income.

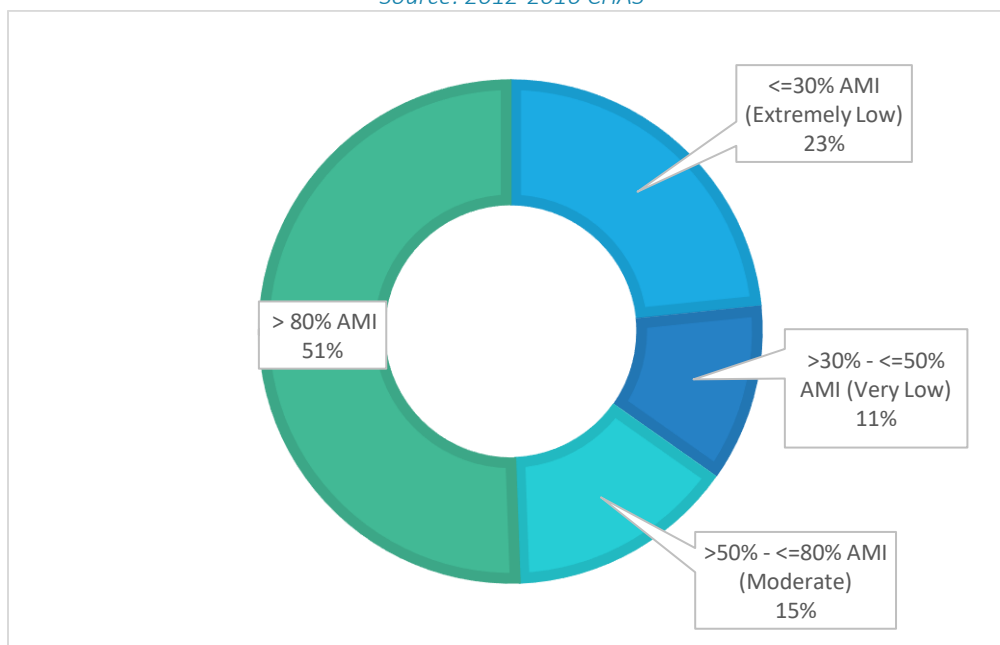
Table 2. Salem Family and Nonfamily Household Compositions (2018)

Source: 2014-2018 ACS Five-Year Estimates

FY2020 HUD Income Limits	HH Size (People per Household)			
	1	2	3	4
Extremely Low ($\leq 30\%$ AMI)	\$ 26,850	\$ 30,700	\$ 34,550	\$ 38,350
Very Low ($>30 - \leq 50\%$ AMI)	\$ 44,800	\$ 51,200	\$ 57,600	\$ 63,950
Low ($\geq 50\% - \leq 80\%$ AMI)	\$ 67,400	\$ 77,000	\$ 86,650	\$ 96,250

Figure 9. Salem Income Distribution per HUD Income Limits (2018)

Source: 2012-2016 CHAS



Chapter 3: Housing Conditions

This chapter provides a profile of Salem’s housing conditions including supply and vacancy trends, permitting activity, housing types, size, and age, housing affordability and household cost burden, home sale market and ownership affordability, rental market and affordability, and characteristics of Salem’s existing affordable housing stock.

Housing Supply and Vacancy Trends

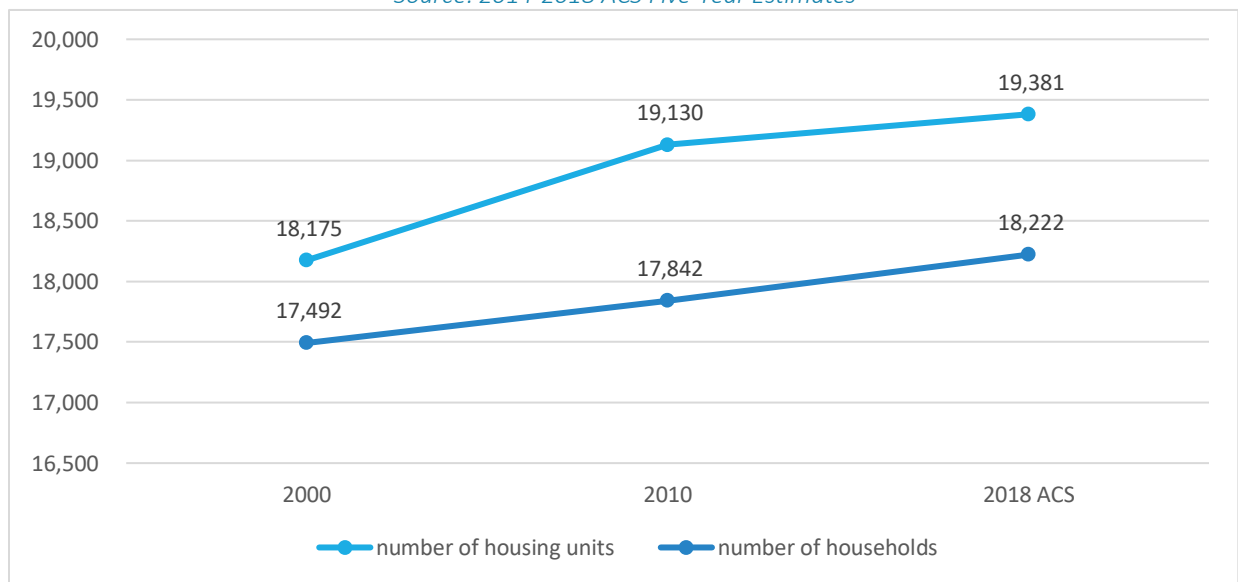
HOUSING PRODUCTION

While the population and housing growth between 2000 and 2018 in Salem were both roughly 7 percent, the household growth was lower at about 4 percent in this period as described in Chapter 2.

Salem has 19,381 estimated housing units, increasing from 19,130 in 2010.

Figure 10. Salem Housing Unit and Household Growth (2000-2018)

Source: 2014-2018 ACS Five-Year Estimates



VACANCY

Salem’s estimated vacancy rates per the 2018 ACS were 1.0 percent for homeowner units and 3.8 percent for rental units – these rates are very low, indicating a constrained housing supply that can result in inflated housing prices.

Vacancies are an essential measure of the state of the housing market. Vacant units represent the supply of homes that exceeds demand, which is related to economic trends. Vacancy rates are measured as a percent of total housing units.

A low vacancy rate can result in pressure on housing prices. A 2 percent vacancy rate for ownership and 6 percent for rental units are considered natural vacancy rates in a stable market.¹⁰ Throughout the state, rising housing prices are exacerbated by a systematically constrained housing supply.

Salem’s vacancy rates are significantly lower than the thresholds considered “healthy” for a stable housing market. A low vacancy rate indicates lack of supply compared with demand and can result in inflated housing prices.

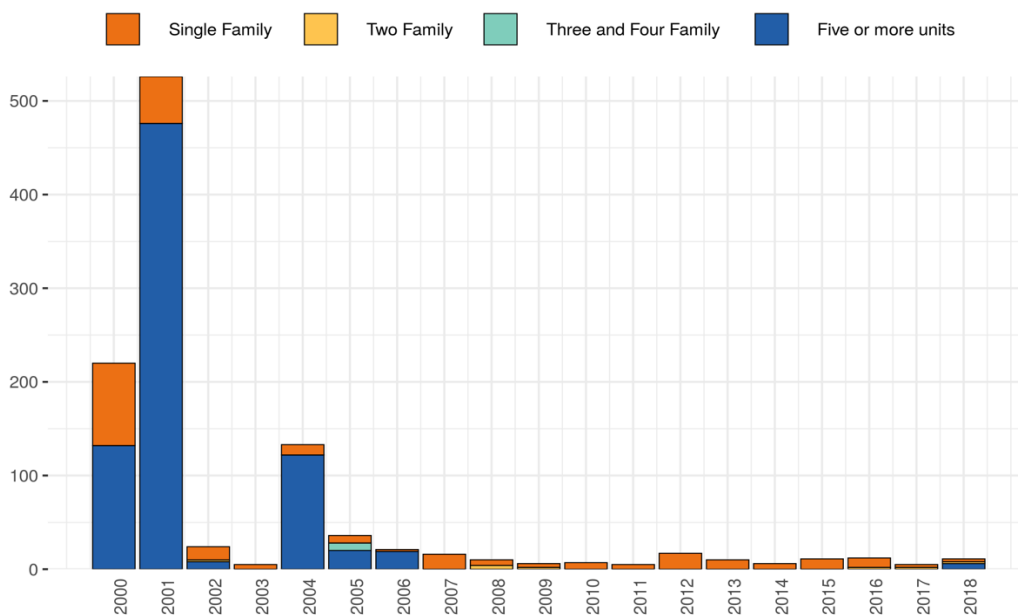
PERMITTING ACTIVITY

The Census’ Annual Building Permit Survey indicates that housing production has decreased significantly in Salem during the last almost two decades. Between 2010 and 2018, the Census indicates that the City of Salem issued residential building permits totaling 84 new units, of which 72 (86 percent) were single-family houses. Whereas in the prior decade (2000-2009), the Census indicates that the City issued permits totaling 997 new units, of which 204 (20 percent) were single-family houses. The largest number of units permitted in a single year since 2000 was in 2001 (526 units).

However, according to the City’s Department of Planning and Community Development, the City has had 490 new units built, 746 units under construction, and 360 units permitted between 2010 and 2020 (YTD Jan-Sept).

Figure 11. Salem Annual Housing Units Permitted by Building Type (2018)

Source: US Census Bureau Annual Building Permit Survey (MHP Datatown)



Source: U.S. Census Bureau - Annual Building Permit Survey (Reported and Imputed)



¹⁰ Source: The Greater Boston Housing Report Card 2019, November 2019, page 24.

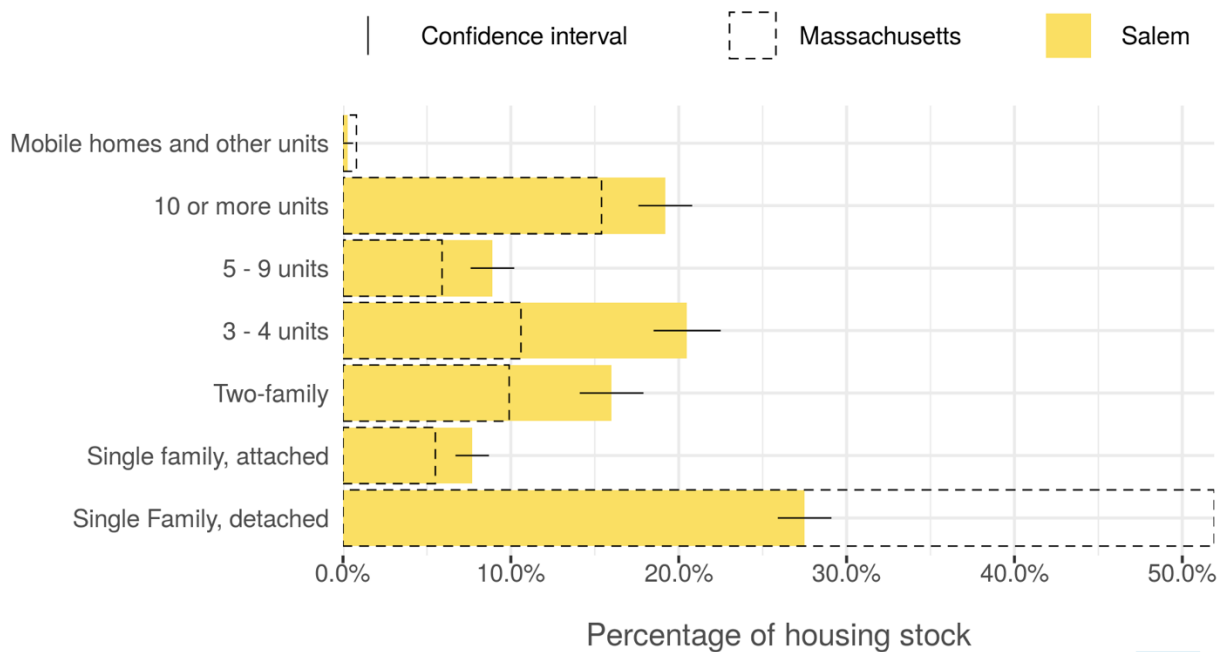
HOUSING TYPES

Of Salem's approximately 18,222 occupied housing units, there are an estimated 28 percent (5,138 units) that are single-family detached structures and 8 percent (1,497 units) in single-family attached structures (a.k.a. town houses). About 17 percent (3,160 units) of Salem's total occupied housing units are in two-family structures and 22 percent (4,064 units) in three or four-family structures. There are about 9 percent (1,673) of total units in five to nine family structures. About 21 percent of units (about 3,775) are in structures with ten or more units (about 5 percent of total units are in 10 to 19 unit structures; 7 percent in 20 to 49 unit structures; and 8 percent in 50+ unit structures). Less than half of one percent (0.4 percent) of total units are mobile homes, boats, RV, or other units.

Compared with housing units statewide, Salem has a more diverse mix of housing types with substantially lower proportion of single-family houses and a larger share of units in two-family, three to four family, and other multi-family structures.

Figure 12. Salem and Massachusetts Housing Units by Building Type (2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Source: U.S. Census Bureau American Community Survey, 2014-2018 5-year estimates
Table S2504: Physical Housing Characteristics for Occupied Housing Units



SIZE OF UNIT (BEDROOMS)

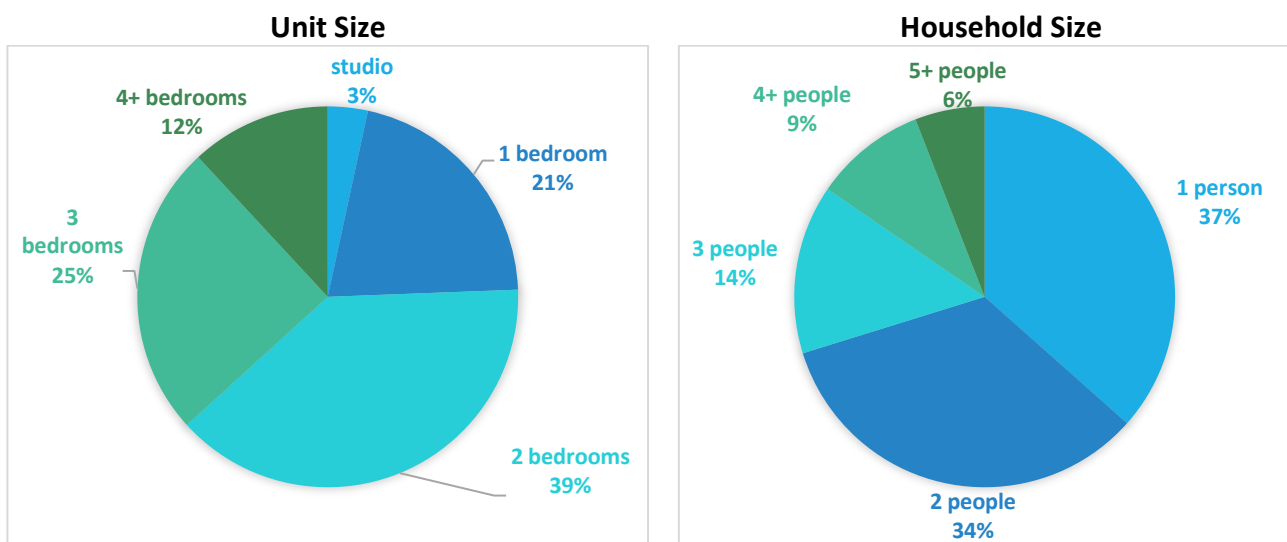
There is a significant mismatch between the size of Salem’s housing units and the size of households. Salem has a significantly higher proportion of smaller households than smaller housing units.

While 71 percent of Salem households consist of one or two people per the 2018 ACS estimates, only 24 percent of housing units are studios or one-bedroom units. An estimated 76 percent of housing units in Salem have two or more bedrooms, while 29 percent of Salem’s households consist of three or more people.

Larger units are generally more expensive in regard to not just mortgage or rent payments but also energy costs. This mismatch limits the availability of financially-attainable housing options for smaller households. Therefore, this analysis suggests a need for smaller housing units – particularly studio or one-bedroom units.

Figure 13. Comparison of Salem Household and Unit Sizes (2018)

Source: 2014-2018 ACS Five-Year Estimates



AGE OF HOUSING UNITS

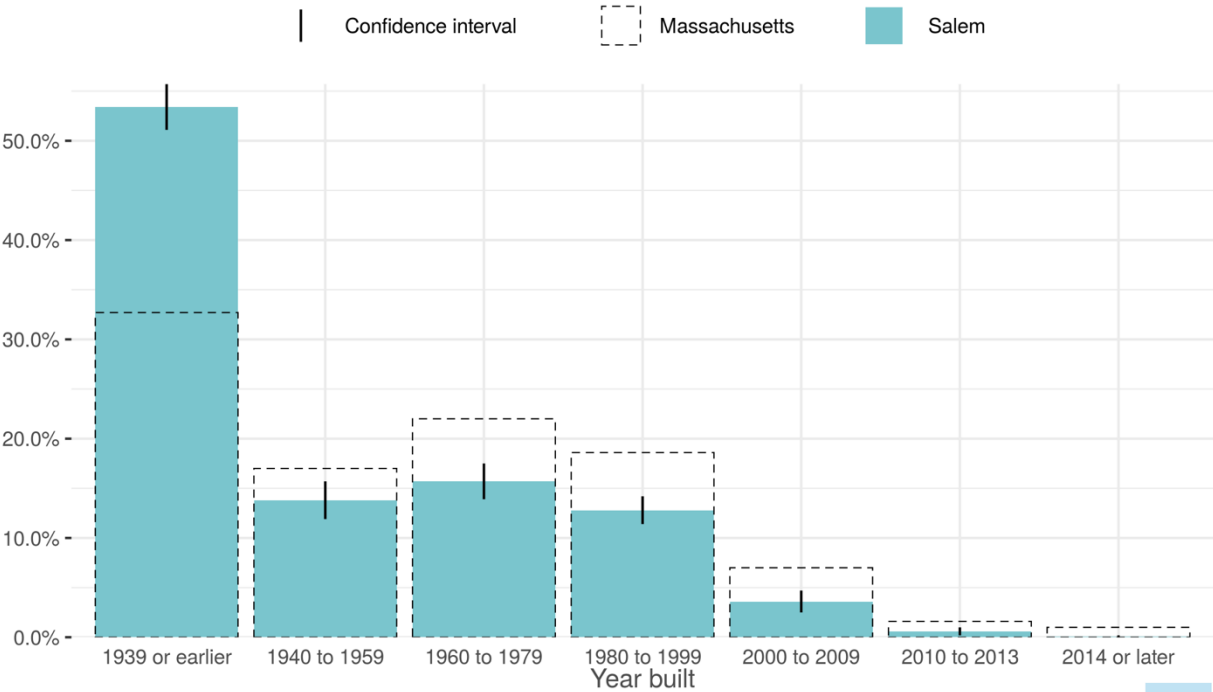
Salem has a significantly intact historic building stock that contributes to the special character of the community’s built environment. As such, the City’s housing stock is significantly older, proportionally, than state’s housing stock, with more than half (53.4 percent) of housing units built before 1940 and just about 8 percent built since 1990.

An older housing stock can indicate increased need for maintenance and repairs, hazardous materials (e.g., lead paint, asbestos, and lead pipes), and outdated systems, and may not be easily adaptable for people with mobility impairment. About 83 percent of Salem’s housing stock was built before 1979. These homes that

predate 1979 may contain lead paint, which can pose health hazards. The Massachusetts Lead Law requires the removal or covering of lead paint hazards in homes built before 1978 where any children under 6 years old live.

Figure 14. Salem and Massachusetts Housing Stock by Year Built (2018)

Source: 2014-2018 ACS Five-Year Estimates (MHP Datatown)



Source: U.S. Census Bureau American Community Survey, 2014-2018 5-year estimates
Table S2504: Physical Housing Characteristics for Occupied Housing Units



Housing Affordability

Housing affordability is a function of the cost of housing and the ability for residents to reasonably pay those costs. Federal and state affordable housing programs group households by income using area median family income (AMFI or AMI) as the benchmark. The AMI is calculated by the United States Department of Housing and Urban Development (HUD) based on the median income for the Metropolitan Statistical Area. In 2020, the AMI for the Boston-Cambridge-Newton MA HUD Metro FMR Area (which includes Salem) was \$119,000.

Housing practitioners recognize that reasonably affordable housing should cost no more than 30 percent of a household's income. Those who spend more than 30 percent of their income on housing are considered to be housing cost burdened.

According to the most recent available estimates, about 35 percent (6,450 households) of Salem's households are cost burdened.¹¹ Most of Salem's cost burdened households, 92 percent or about 5,925 households, are low-moderate income (LMI) households.¹² Cost-burdened households, particularly lower-income households, are likely to struggle to pay for other basic needs, such as food, clothing, health care, and transportation costs.

A household of any income could be housing cost-burdened, but those who fall within lower income brackets are more severely affected by the impacts of being cost burdened. For homeowners, housing costs include the monthly cost of a mortgage payment, property taxes, insurance, and condo fees, if applicable. For renters, it includes monthly rent plus basic utilities (heat, electricity, hot water, and cooking fuel).

COST BURDEN TIERS: MODERATE AND SEVERE

Cost-burdened households are divided into two tiers of need. Moderately cost-burdened households spend between 30 and 50 percent of their incomes on housing costs. Severely cost-burdened households spend more than 50 percent of their incomes on housing costs. Salem has roughly 40 percent of LMI households that are moderately cost burdened and 60 percent of LMI households that are severely cost burdened.

The largest group (proportionally and absolutely) of most severely cost burdened LMI households in Salem are those that have extremely low incomes (at or below 30 percent AMI) – of all the estimated extremely low-income households in Salem (4,280 households), 61 percent (2,590 households) are estimated to be severely cost burdened.

In comparison, there are about 640 households with very low income (30-50 percent AMI) who are estimated to be severely cost burdened and about 310 households with moderate income (50-80 percent AMI) estimated to be severely cost burdened.

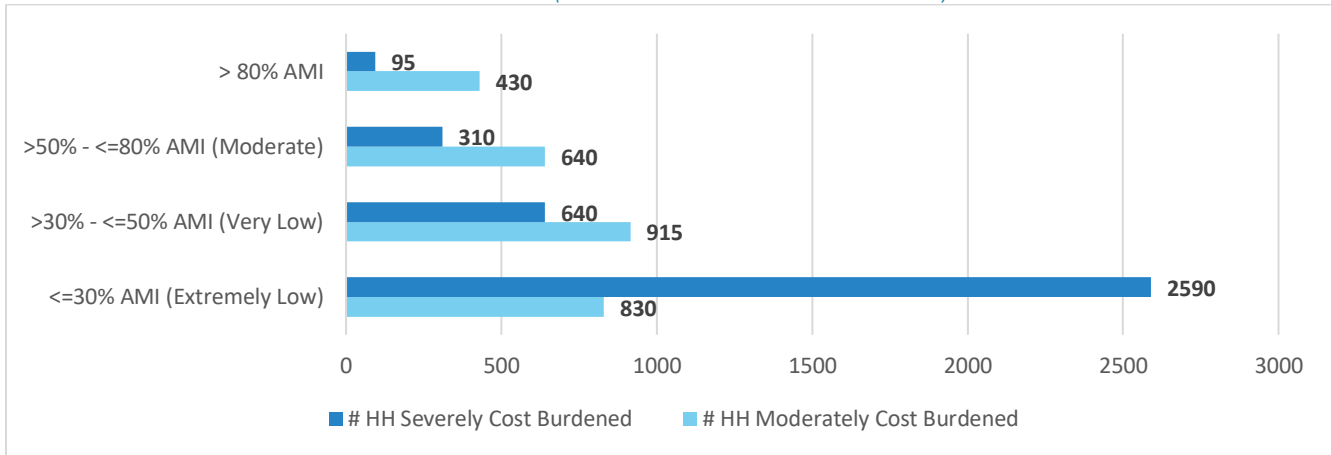
This analysis indicates that the greatest need for affordable housing in Salem is for rental units affordable to households with extremely low income – at or below 30 percent AMI.

¹¹ Source: The most recent Comprehensive Housing Affordability Strategy CHAS data is based on the 2013-2017 ACS.

¹² Note: "Low-moderate income households" consist of households with estimated household income at or below 80 percent AMI.

Figure 15. Salem Cost Burdened Households by LMI Income Category (2017)

Source: CHAS (2013-2017 ACS Five-Year-Estimates)



COST BURDEN BY TENURE

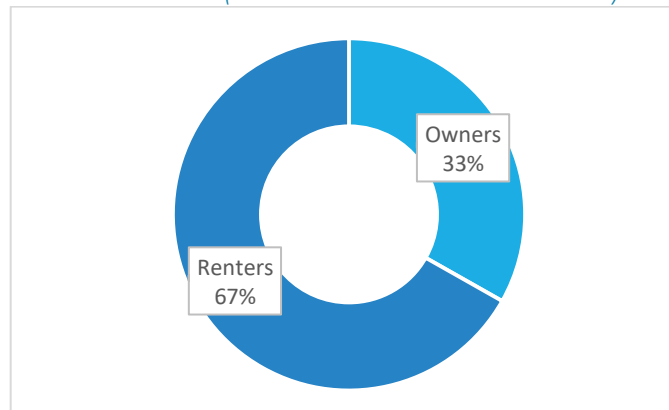
About 60 percent of all LMI renter households (4,225 households) in Salem are cost burdened and about 66 percent of all LMI owner households are cost burdened (1,890 households). Although the share of LMI cost burdened owner households is higher at 66 percent, the absolute number of estimated households of LMI cost burdened renters is significantly higher because there are significantly more LMI renters in Salem.

Of the LMI renter households, the most severely cost burdened are households with extremely low income – about 1,980 households extremely low-income households are estimated to be severely cost burdened (73 percent of all extremely low-income households).

Salem's LMI renter households have the highest levels of severe cost burden indicating a high need for more affordable rental housing. Of all LMI households estimated to be severely cost burdened in Salem, 67 percent are renter households and 33 percent are owner households.

Figure 16. Salem Severely Cost Burdened LMI Households by Tenure (2017)

Source: CHAS (2013-2017 ACS Five-Year-Estimates)



COST BURDEN BY HOUSEHOLD TYPE

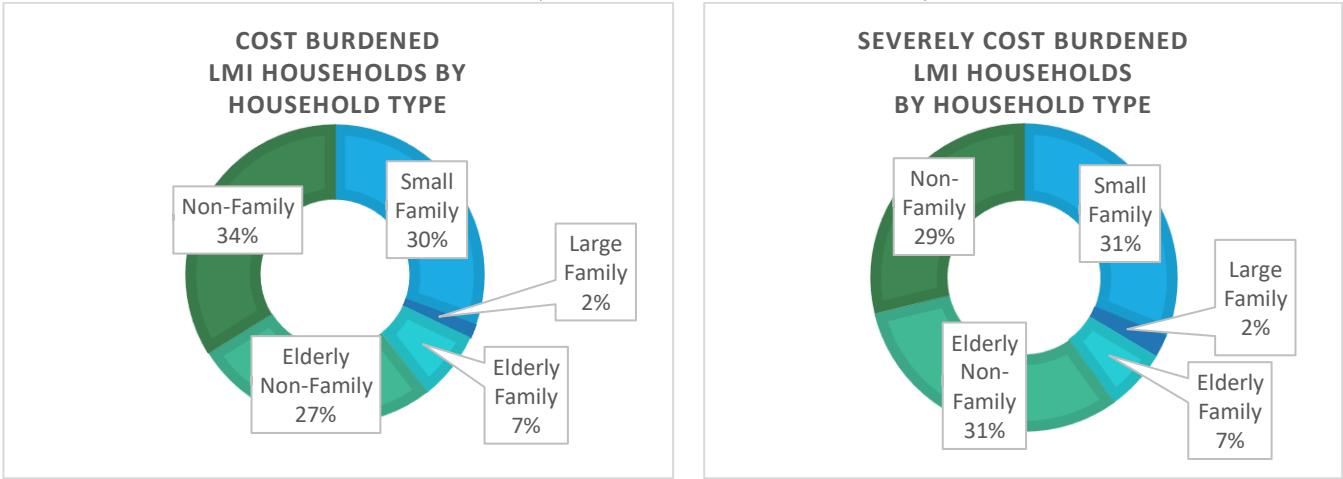
About 34 percent of Salem’s cost-burdened LMI households are non-family households (2,010); 30 percent are small family (1,804 households), 27 percent elderly non-family (1,585 households), 7 percent elderly family (445 households), and 2 percent large family (95 households). Likewise, Salem’s most severely cost burdened LMI households are also smaller households: non-family, small family, and elderly non-family.

Most cost-burdened LMI households in Salem are smaller households including non-family, small family, and elderly non-family households. Note that many non-family households are people living alone. Again, indicating a need for smaller, affordable units including single-room occupancy (SRO), studio, one-bedroom, and two-bedroom units.

Note, the HUD CHAS dataset defines small family as two-person households with neither person 62 years or over or three to four persons if any person is over 62. It defines large family as five or more persons and elderly as older adults ages 62 years or over.

Figure 17. Salem Cost Burdened LMI Households by Household Type (2017)

Source: CHAS (2013-2017 ACS Five-Year-Estimates)



HOME SALE MARKET IN SALEM

Between 2010 and 2020, median single-family prices in Salem increased 41 percent from \$290,000 to \$487,450 and condo prices increased 66 percent from \$226,000 to \$375,000 (not adjusted for inflation).

Between 2010 and 2018, while median single-family and condominium sales prices both increased about 44 percent, Salem's estimated median household income only grew about 15 percent (not adjusted for inflation). Rising housing prices have far outpaced income growth.

Figure 18. Salem Median Single-Family Sales Price (2010-2020 YTD Jan-Aug)

Source: The Warren Group, Town Stats

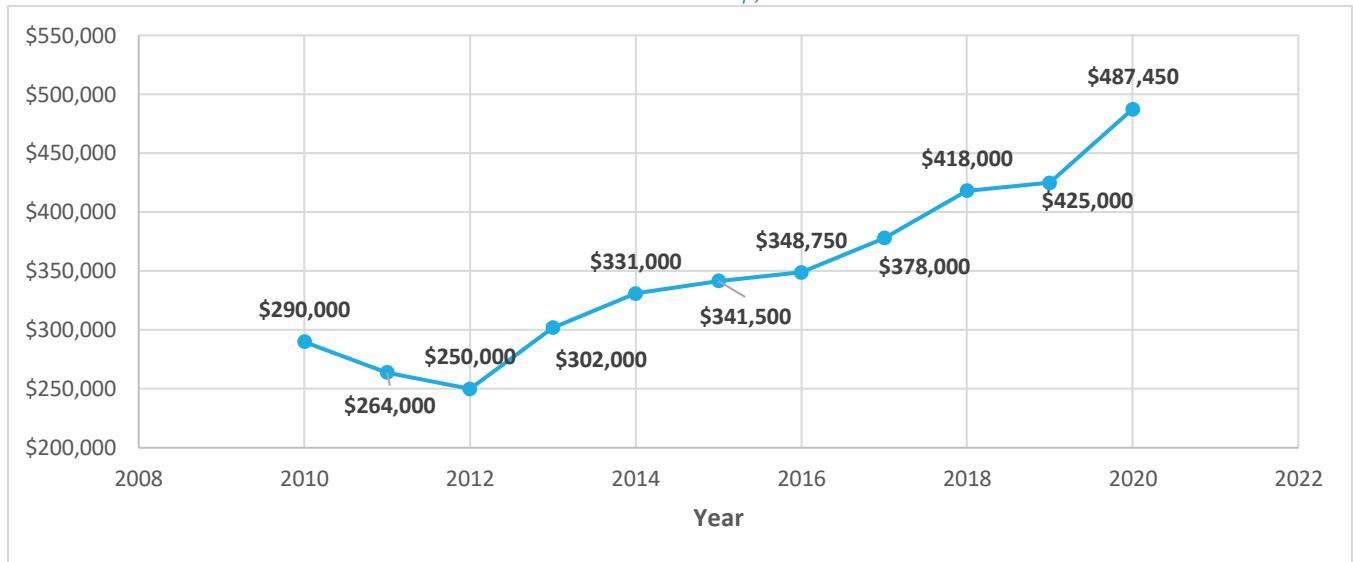
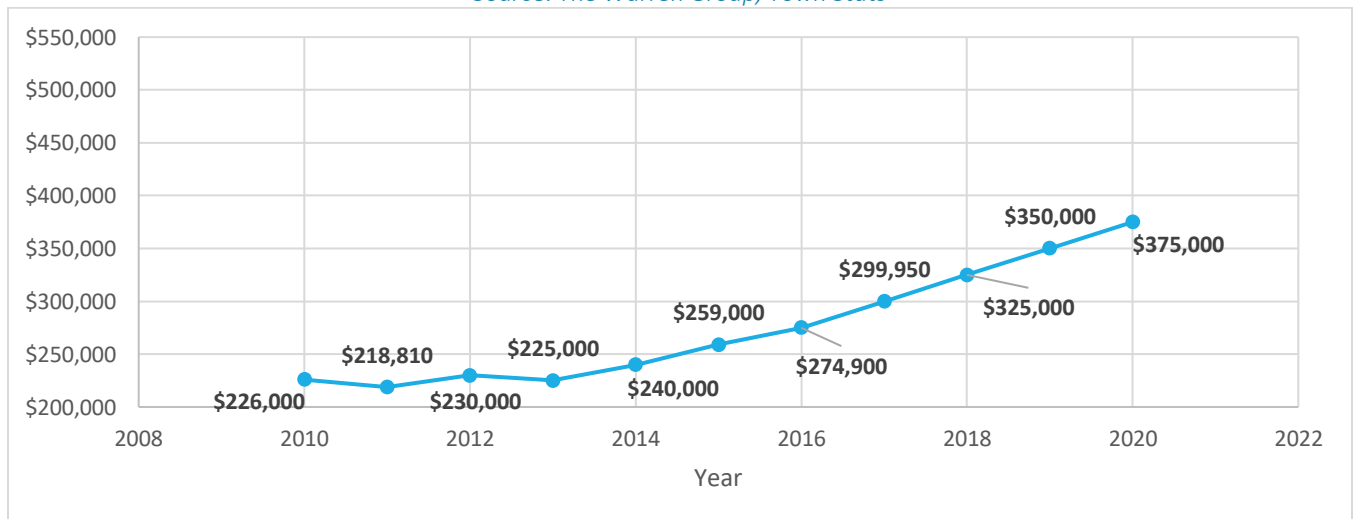


Figure 19. Salem Median Condominium Sales Price (2010-2020 YTD Jan-Aug)

Source: The Warren Group, Town Stats



OWNERSHIP AFFORDABILITY¹³

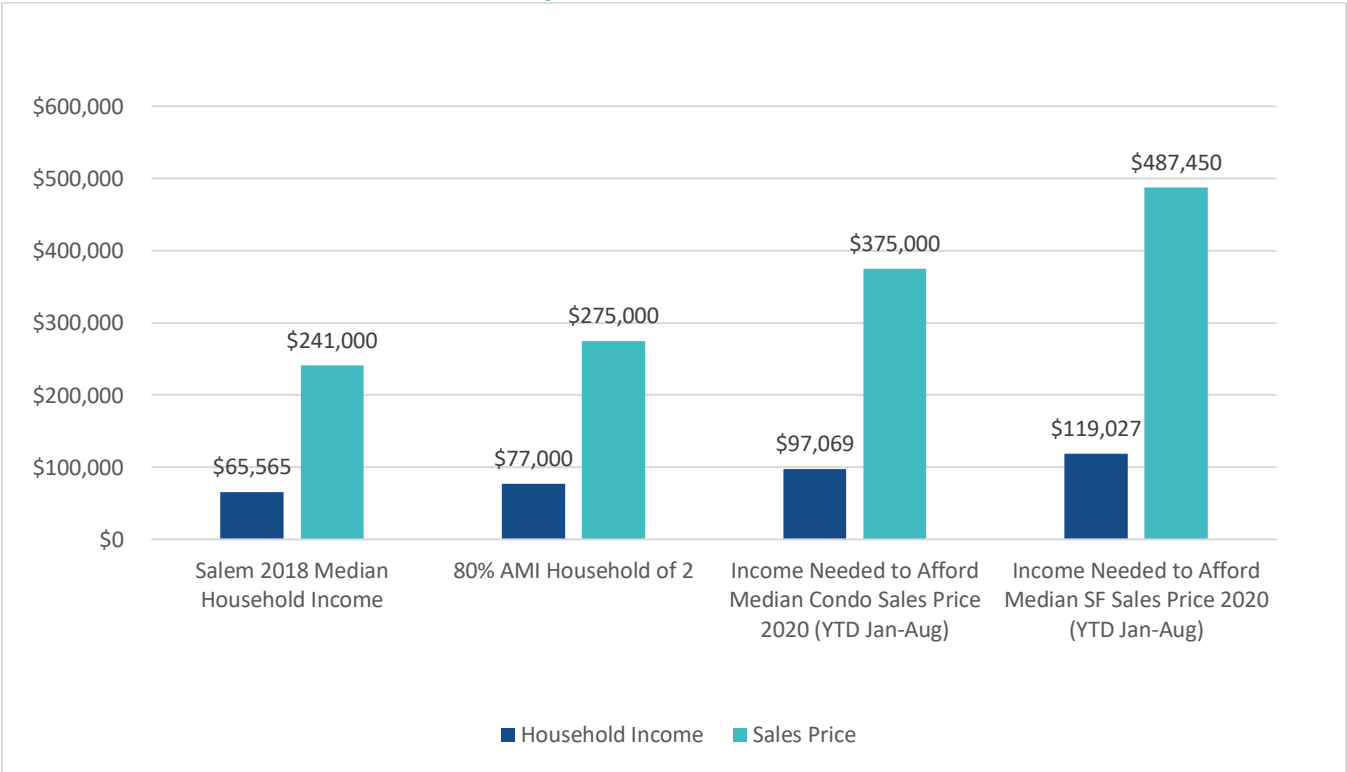
A household with the estimated 2018 Salem median household income (\$65,565) could afford to purchase a home selling for up to \$241,000. This is much lower than the 2020 median condominium and single-family sales prices in Salem (\$375,000 for condos; \$487,450 for single-family structures). A household of two people earning 80 percent of the area median income (\$77,000) could afford a home priced at about \$275,000, also far below the median condominium and single-family sales prices.

There is more than a \$246,450 gap between the median single-family sales price and what a Salem median income household could afford. A household would need to earn at least \$119,027 annually to be able to afford a home at the 2020 median single-family sales price and \$97,069 to afford a median condominium sales price.

This analysis indicates that there is a need in Salem for more affordable ownership opportunities (including condos and single-family houses) with sales prices at or below \$240,000.

Figure 20. Homeownership Affordability in Salem at Various Prices and Incomes

Sources: DHCD Sales Price Calculator, JM Goldson calculations using FY2020 Salem tax rate, assumes 30-year fixed mortgage, 10% down payment 3.12% interest rate, condo fees of \$200/month, housing costs at or below 30% gross household income.



¹³ These affordability calculations are based on the most recent data available. It is important to note that the various datasets used to calculate affordability change annually.

RENTAL MARKET IN SALEM

According to Rentometer, the average rent for a one-bedroom unit in Salem between Sept 2019 and August 2020 was \$1,658 and the median rent was \$1,500; the average rent for a two-bedroom was \$2,076 and the median was \$1,998. According to the ACS five-year estimates, the median gross rent for total rental units in Salem increased about 20 percent from \$1,027 in 2010 to \$1,237 in 2018.¹⁴

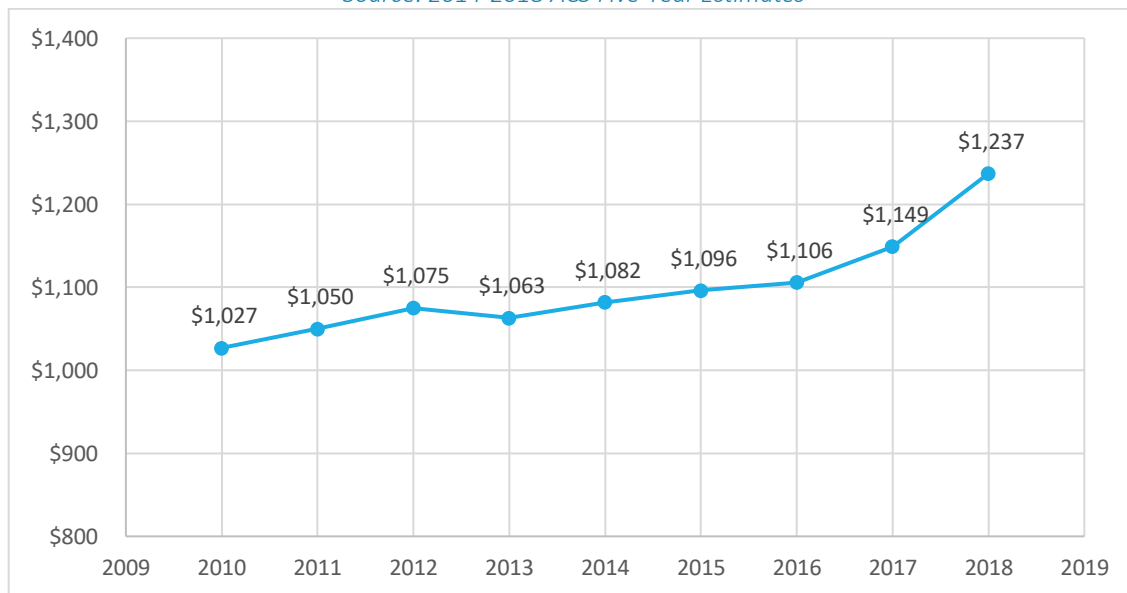
Table 3. Salem Rental Market Characteristics (Sept 2019-Aug 2020)

Source: Rentometer, 2020.

	1-Bed	2-Bed	3-Bed	4-Bed
Average Rent	\$1,658	\$2,076	\$2,201	\$2,619
Median Rent	\$1,500	\$1,998	\$2,200	\$2,500
# of Units for Rent Past 12 Months (Sept 2019-Aug 2020)	103	152	43	11

Figure 21. Salem Median Gross Rent (2010-2018)

Source: 2014-2018 ACS Five-Year Estimates



RENTAL AFFORDABILITY¹⁵

According to Rentometer, the median rent in Salem for a two-bedroom (the most widely available rental unit size in the past year) was \$1,998 and for a one-bedroom was \$1,500. A renter household earning Salem's median household income (\$65,565 per 2018 ACS estimates) would be cost-burdened¹⁶ paying the median rent for a two-bedroom—spending about 37 percent of their gross income on housing costs (however, note that the

¹⁴ Note these data sources use different methodologies for data collection – the ACS is based on a sample of households that self report their rent amount whereas Rentometer is based on rental listing prices. The ACS data is also older whereas Rentometer provides current year data (but not time series).

¹⁵ These affordability calculations are based on the most recent data available. It is important to note that the various datasets used to calculate affordability change annually. Calculations only account for gross/contract rent as there are no reliable resources that provide utilities estimates.

¹⁶ Households are considered to be cost-burdened if they are paying more than 30 percent of their income on housing costs.

median rent per Rentometer does not include utilities and therefore gross housing costs as a percent of income would be higher).

The cost burden is even more significant when considering Salem’s median renter household income of \$37,776 – a household at this income would spend about 63 percent of their gross income on the median two-bedroom rent alone, which crosses the threshold to severe cost burden, and about 48 percent of their gross income on the median one-bedroom rent (not including utilities).

For the median renter household in Salem, there is an affordability gap of about \$1,054 between what a household with this income could afford each month for rent and utilities and the median rent for a two-bedroom apartment in Salem. Salem has a significant need for more affordable rental units priced between \$500-\$950 monthly rent for households at or below the median renter income (\$37,776).

Table 4: Income Levels and Rent Affordable

Source: HUD FY20 Income Limits; Calculations by JM Goldson LLC

Income Level	One-Person HH	Gross Monthly Rent Affordable for One-Person HH	Two-Person HH	Gross Monthly Rent Affordable for Two-Person HH
AMI				
<= 30% AMI	\$26,850	\$671	\$30,700	\$768
30% - 50% AMI	\$44,800	\$1,120	\$51,200	\$1,280
50% - 80% AMI	\$67,400	\$1,685	\$77,000	\$1,925
Salem Median Renter HH Income	\$37,776*	\$944	x	x
Salem Median HH Income	\$65,565*	\$1,639	x	x
*Note The median incomes do not reflect a specific household size as these are estimate for median income for all renter household and all total households. For a point of reference, however, the average renter household size in Salem per the 2018 ACS is estimated to be 2.18 people per household.				

Affordable Housing Characteristics

AFFORDABLE UNITS

M.G.L. Chapter 40B establishes a goal that every Massachusetts community must work to provide affordable housing at a minimum of 10 percent of their overall housing stock. The Department of Housing and Community Development (DHCD) employs the state Subsidized Housing Inventory (SHI) to monitor each community's affordable housing stock. Housing units that count toward the SHI must be part of a subsidized development managed by a non-profit, public agency, or limited dividend organization; at least 25 percent of the development's units must be restricted to households earning less than 80 percent AMI and must maintain the affordable rent or sales price levels for at least thirty years.

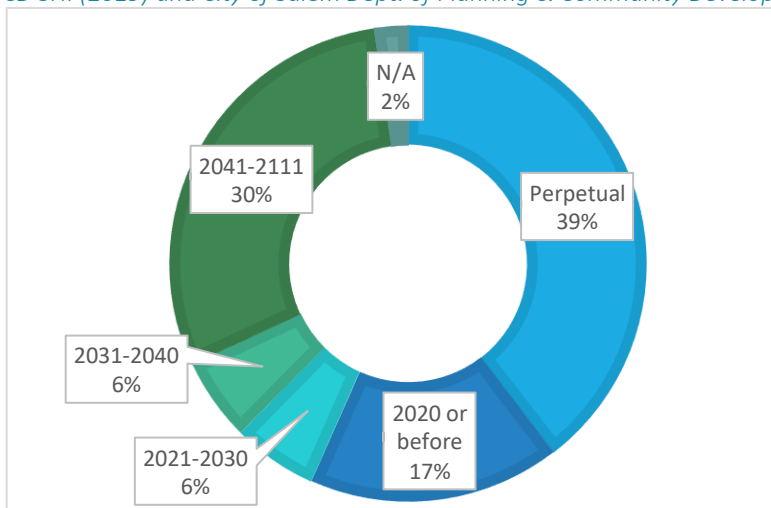
As of February 13, 2019 (the most recent SHI documentation from DHCD), Salem had 2,516 units included on the SHI, which is about 13.24 percent of Salem's total year-round housing units (18,998 according to the 2010 Census). The City's SHI exceeds the state's 10 percent affordability goal for the community. According to the City's Department of Planning and Community Development, all of the units listed on the SHI are affordable except for 100 rental units at Pequot Highlands.

Approximately 95 percent (2,396 units) of Salem's affordable housing stock are rental units and 5 percent (120 units) are ownership. Nine-hundred and ninety-five (995) affordable units on Salem's SHI (40 percent) have perpetual affordability restrictions.

According to the SHI, about 17 percent of the units listed on the SHI were set to expire in 2020 or prior.¹⁷ Taking these expiring units into account, would reduce Salem's SHI to 10.97 percent. About 6 percent (145 units) of total SHI units are set to expire in the next 10 year (2021-2030), which would further reduce the SHI to 10.21 percent. It is important to note that the percentage may reduce further upon release of the new 2020 Census count of year-round housing units.

Figure 22. Salem Affordable Housing Stock by Affordability Term

Source: DHCD SHI (2019) and City of Salem Dept. of Planning & Community Development (2020)



¹⁷ This figure discounts for the Lincoln Hotel project due to the extension of the affordability term for the 62 units from 2018 to 2035.

AFFORDABLE HOUSING DEVELOPMENT PIPELINE

There are currently 29 affordable units in the pipeline under consideration through the City's development review process and 60 affordable units under construction.

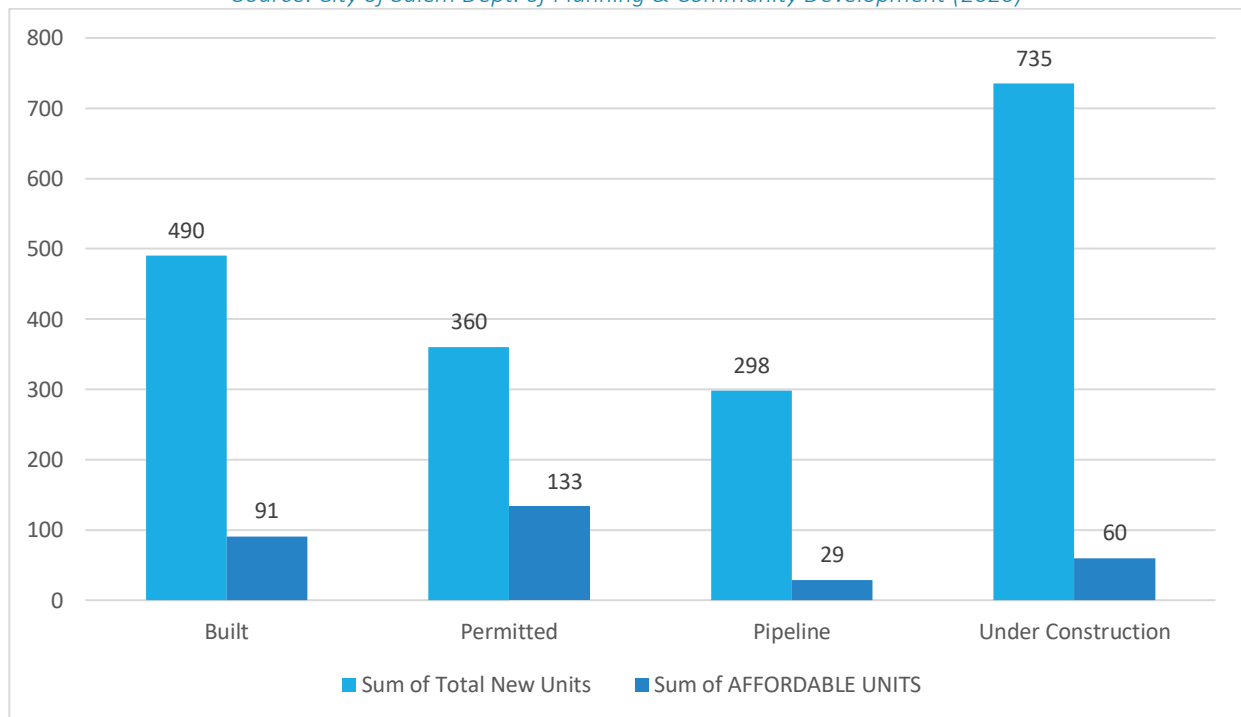
Table 5: Salem Market Rate and Affordable Housing Since 2010

Source: City of Salem Dept. of Planning & Community Development (2020)

Status	Total New Units	AFFORDABLE UNITS
Built	490	91
Permitted	360	133
Pipeline	298	29
Under Construction	735	60
Grand Total	1883	313

Figure 23. Salem Market Rate and Affordable Housing Since 2010

Source: City of Salem Dept. of Planning & Community Development (2020)



This analysis indicates that the 2020 year-round housing units, per the 2020 Decennial Census and for purposes of the state's SHI affordable housing goal, will increase, possibly as much as 490 units (however, note that this indicates new units constructed, and not net new unit gain).

Conclusion

This report provides a demographic profile of Salem’s residents and an analysis of the City’s housing conditions including housing supply, residential market indicators, and affordable housing characteristics. This report is intended to assist the City in understanding current and future housing needs and will lay the groundwork for the City to prepare an updated Housing Production Plan (HPP) to identify community goals and strategies for housing production.

An HPP is a state-recognized planning tool that establishes a strategic plan for affordable and mixed-income housing production. An HPP is based upon a comprehensive housing needs assessment and a detailed analysis of development constraints including public infrastructure capacity, environmental constraints, protected open space and historic resources, and regulatory barriers.

An HPP will help the City create policies, programs, and initiatives to address local housing needs and includes recommendations for zoning strategies, potential municipal and private development or redevelopment sites, and ways to further participate in regional collaborations.

More information about the state’s requirements for an HPP can be found here:
<https://www.mass.gov/service-details/chapter-40-b-housing-production-plan>