Citywide Housing Study

City of Salem, Virginia

This study provides demographic, economic, household, and housing analyses outlining the shifting market dynamics across the City.

Roanoke Valley-Alleghany
REGIONAL
commission

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ACKNOWLEDGEMENTS

Roanoke Valley-Alleghany Regional Housing Stakeholder Group

Roanoke Valley-Alleghany Regional Commission Staff

Special Thanks To:

EXECUTIVE SUMMARY

RKG undertook an analysis of the City of Salem's housing market and compared key metrics to the Roanoke Valley-Alleghany Region (the Region) which is made up of the following localities: Alleghany, Botetourt, Craig, Franklin, and Roanoke Counties; the Cities of Covington, Roanoke, Roanoke, and Salem; and the Towns of Clifton Forge, Rocky Mount, and Vinton. This study provides demographic, economic, household, and housing analyses outlining the shifting market dynamics across the City of Salem. This study points to several challenges the City of Salem is facing as it works to address housing needs which include:

- The city's population has slowly grown over 50 years, with the age of elderly population increasing as well as those between the ages of 18 and 24 years old.

- Households composed of one- two-, and three-persons comprise a large share of households across the city and have grown in number over the last five years.

- The current supply of housing units is larger than the number of households in the city, leading to a vacancy rate of 9%.

- Across the City of Salem, employment in the major industry sectors is well paying and, on average, pay wages sufficient to purchase existing homes at median sales prices. Across the city, the median sales value of a home is around $172,890 which means to comfortably purchase a home a household needs an income of around $50,000 per year.

- Median rents in the city are increasing. In 2018, the median gross rent was $915, a 13% increase from 2013. The average rent for a single family home is around $1,200 per month and multifamily rents also averaged $1,200 per month.

- In the City of Salem, 15% of all households are considered cost burdened and 12% are considered severely cost burdened. This is slightly higher than the Region.

- The number of households that qualify for affordable housing outstrips the current supply, particularly for those households at or below 30% of area median income (AMI).

- Market demand and financial feasibility challenges make construction of new subdivisions or different types of housing difficult when factoring in topographic and infrastructure (water and sewer) challenges.

- Financial resources for housing programs are limited, forcing all levels of government to make decisions for how to prioritize funding sources.

To address some of these issues, RKG compiled a set of strategies each informed by a city-wide analysis, interviews and focus groups, and an assessment of existing housing resources and programs. Priority strategies the city should consider to address housing issues and opportunities include:

- Establish a residential rehabilitation program, potentially in partnership with a regional entity to provide funds for rehabilitating older homes.

- Continue to fund infrastructure projects that will improve, enhance, and unlock development sites and encourage rehabilitation and infill development in neighborhoods for residential uses.

- Ensure the preservation of existing affordable housing and look at regulations, financing, and incentives to boost the production of additional affordable housing options.

- Establish an affordable housing trust fund as a flexible funding tool for housing programs geared toward low- and moderate-income households in the city.

- Utilize zoning to allow or incentivize housing production with particular attention given to diversifying housing choices like missing middle housing options, neighborhood infill, downtown infill, and development of key parcels of vacant land.

- Work to establish a regional coordinating body or group for housing that can bring entities across the region together to work on housing regulations, financing, policy, and education.

CITY OF SALEM HOUSING STUDY
STUDY STUCTURE

This section of the study presents an overall introduction to the project, its purpose, and role in helping analyze and understand the housing market in the City of Salem and the Region.

Introduction

Across the City of Salem, and nationally, home prices have risen significantly over the last decade. The recovery from the Great Recession has led to a general uptick in homebuying and renting. In many markets, supply has not kept pace with demand, which is only expected to increase over time. Circumstances have occurred in which home values and rents have risen at a faster rate than wages in many communities, leaving families and individuals priced out of the housing market.

Housing affordability and price security are critical components for creating places where residents can live comfortably without feeling stretched financially. As housing prices and rents rise alongside most other monthly expenses, more and more households are having a difficult time adjusting to the rising cost of living. This creates a situation where households become cost burdened and are forced to spend more than the recommended 30% of their monthly income on housing-related costs. For many households, this can create a ripple effect where other monthly expenses are scaled back or cut out completely. Food, healthcare and wellness, transportation, and childcare are some of the basic household needs that can go unmet in the face of rising housing costs.

Understanding the economic landscape including industry composition and wages can help policymakers identify needs and direct the requisite resources towards priority areas. Across the City of Salem, economic opportunity varies as do incomes, but a central commonality is that housing is a fundamental need which also defines a community – a collection of households living area. Ensuring that housing is available and affordable to all income levels is critical for growing and sustaining communities.

This study, which was commissioned by the Roanoke Valley-Alleghany Regional Commission (RVARC), provides information on housing challenges within Salem and the Roanoke Valley-Alleghany Region.

Project Purpose

The goal of the City of Salem Housing Study is to analyze, identify, and prioritize needs and gaps in the rental and for-sale housing market. This study, convened by RVARC and conducted with the assistance of a Housing Study Stakeholder Group made up of key stakeholders, aims to paint a city and regional picture of the housing landscape through rigorous quantitative and qualitative data analysis and synthesis. The results will help decision makers adjust, add, or reconfigure existing programs and strategies to match the needs of current and prospective residents.

Role of Study

The City of Salem Housing Study is a compilation of city and regional analyses relating to demographics, socioeconomics, and housing. It identifies data points and highlights key findings. The purpose of the document is to allow policy makers at the local and regional level to understand the historical, current, and future challenges to housing across the City of Salem. The quantification of issues, especially those related to housing supply and demand, are important for imparting regional change. Please note that the terms "affordable", "obtainable" and "workforce" housing are generally used interchangeably throughout the document to describe housing that is within the economic reach of households with about average or below average incomes.

The study utilizes knowledge gained from extensive data analysis to examine the challenges facing the housing market. The study includes a land suitability analysis, which helps identify housing barriers and gaps, as well as a detailed housing strategy section in which strategies are identified that have the potential to overcome the identified challenges.

PRIOR PLANS AND KEY FINDINGS

Several housing studies, plans, and market studies have been completed across the Roanoke Valley-Alleghany region within the last five to seven years. This section of the study provides an overview of key findings from four prior housing studies that include:

- Alleghany Highlands Region Comprehensive Housing Analysis
- Botetourt County Market Analysis
- Ferrum Housing Needs Assessment and Housing Plan
- Route 419 Town Center Residential Market Study

Alleghany Highlands Region Comprehensive Housing Analysis

This study completed in 2019 for the Alleghany Highlands Region included several key takeaways from the analysis. The primary conclusion is the lack of new housing development is not related to housing demand, but instead housing supply. There is a potential housing market in the Highlands region but there is a lack of developers bringing new product to the market, much of which is predicated on the regional economy strengthening and growing.

The second conclusion is there are several available, publicly-owned development sites that could be used to accommodate both single family and multifamily housing for families and older adults. While public officials have recognized and supported plans for new housing development, there has not been a concerted effort to properly zone sites and ensure infrastructure is in place to facilitate development.

Lastly, there is a need for large employers in the area to assist in housing development strategies through a joint marketing effort. The region needs to work to ensure employees (new and existing) are aware of future housing opportunities and should conduct periodic surveys of employees around housing preferences to pass along to home builders in the area. This could help market the region to these employees, but also provide builders with a sense of market potential and pent-up demand.

Botetourt County Market Analysis

This study completed in 2019 for Botetourt County was intended to identify new housing opportunities for new employees who are projected to work in the county over the next 5+ years. Of the 1,200 new employees expected across the county, most are likely to have annual incomes at or below $45,000. Many of these workers will require rental housing and/or affordable housing, particularly those that comprise single-income households. The new home market in the county is at a price range of $250,000 and above which would exceed what a $45,000 income could support. The study also identified a severe lack of quality rental housing in the county, and limited housing options across the broader region. Key findings from this study include:

- The general lack of affordable housing, particularly rental housing, will limit the county's ability to attract new employees to live in the county.

- The county has limited land zoned for apartment unit development and current zoning density for multifamily housing is likely too low to attract developers and meet financial return expectations.

- There are few sites today that are readily available for apartment unit development, but several, with rezoning, that could serve the county's needs. Readying these sites is key to serving the county's housing needs.

Ferrum Housing Needs Assessment and Housing Plan

This study completed in 2020 for Ferrum was intended to provide a detailed description of the demographics, economics, and housing inventory of Ferrum and the surrounding area that impacts Ferrum. The findings from this study, included below, were then used to provide a recommended housing plan to be considered for implementation. Key findings in this study include:

- There is limited availability within the existing housing inventory with a shortage of units available to both owner and renter households at varying levels of affordability. Housing product should be diversified to include single family homes and multifamily buildings.

- Adopting a regional approach to housing solutions would benefit all involved. Many of the housing challenges around availability and affordability exist beyond the boundaries of Ferrum.

- A regional approach would also help to attract commuters to Ferrum and Franklin County. Local employers, chambers, economic development officials, and real estate professionals should work together to market the area to commuters.

- Prioritize efforts to develop/redevelop vacant sites and buildings, particularly those already served by infrastructure. Local government entities may want to develop a list of sites to market to the development community.

- Support housing that would allow senior residents to downsize into housing that would better accommodate their needs. This should include a mix of both rental and for-sale product such as apartments and condominiums.

- Support efforts to develop new single family housing and couple that with first-time homebuyer assistance programs.

Route 419 Town Center Residential Market Study

This study completed in 2016 was intended to identify the market potential and optimum market position for new housing units that could be developed within the proposed Route 419 Town Center area in Roanoke County. The study identified market potential for up to 500 units over a five to seven year absorption period. The recommendation of the study was to concentrate new residential development on the higher-density housing types which could be more easily integrated into the commercial development already existing in the study area.

The study recommended the split of the 500 units include 70% multifamily rental housing units, 14% multifamily condo units, and 16% single family attached units (townhomes). With this mix of housing types, the study recommended targeting empty-nesters and retirees, younger singles and couples, and traditional and non-traditional families. Price points were projected to be in range with what the county is already experiencing where 72% of all multifamily units would be priced below $1,500 per month. The study also recommended 80% of all for-sale units be priced at $250,000 or less.

The market position for the study area is predicated on a walkable town center design that can attract people, differentiate itself from other areas of the market, and command higher rent and sale prices. The town center area would not only need to be a walkable place, but also contain a mix of uses that would appeal to renters and buyers across the income and age spectrum. The study identifies the ability of walkable town centers to command a price premium of 35% on rental products and 15% on for-sale condos.

CITY OF SALEM HOUSING STUDY

DEMOGRAPHIC ASSESSMENT

This section of the study explores key data measures such as changes in population and population by age, changes in household composition, shifts in education levels, changes in household income, employment patterns, and changes to the industrial economy. These data points, and more, are used to evaluate the needs of today's residents and those who may choose to locate here in the future. The heart of this analysis is grounded in empirical data but is supplemented by knowledge gained from interviews with stakeholders described in more detail throughout the study.

Population

Between 1970 and 2010, the population of the City of Salem grew by 13%, rising from around 21,000 to about 25,500. Over the same period, the Region grew by 31%, indicating that Salem grew substantially slow than the Region. The gradual population growth coincided with national trends like suburbanization, which lead to many households leaving urban centers. Localities adjacent to the City of Salem, such as Roanoke County, have benefited from suburbanization and the changing economic landscape. Despite the challenges, the City of Salem has still consistently grown over the years.

Figure 1: Population Change
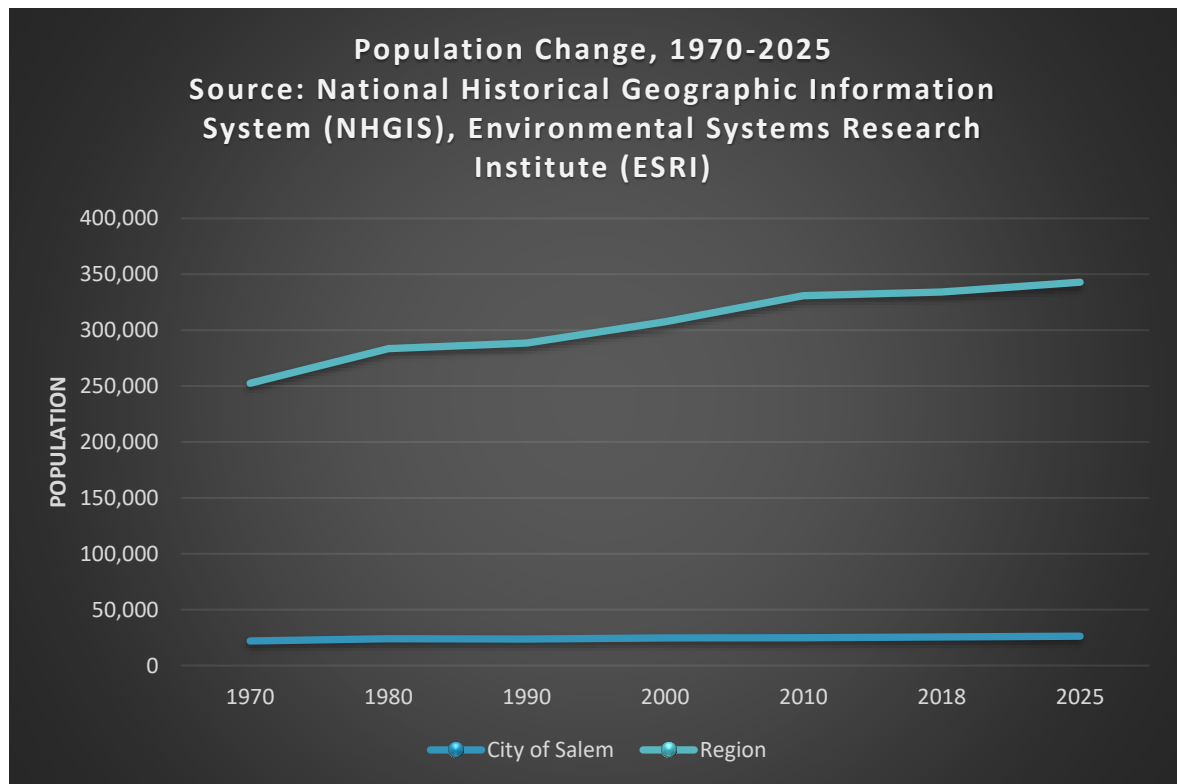
Over the last decade the city's population has remained stable but adding new residents each decade. As of 2018, the population was 25,519 which was 700 residents more than in 2010. During this time the Region increased its population by 3,241. Looking forward, the population of Salem is projected to increase by 3% between 2018 and 2025, or about 746 residents, a growth rate similar to the Region. To accommodate this new growth, Salem will need to consider how and where these new residents can be accommodated.

POPULATION CHANGE MAP

Road Type

— Interstate

— Primary

— Blue Ridge Parkway

▭ Roanoke Valley Study Region

▭ Administrative Boundaries

Water Bodies

Population Change
2013 - 2018

-20% or more

-10% to -20%

0% to -10%

0% to +10%

+10% or more

0   2.5   5   10 Miles

Sources: Roanoke Valley-Alleghany Regional Commission,
City of Roanoke, City of Salem, Roanoke County, Franklin County,
Virginia Geographic Information Network, Dept. of Conservation
and Recreation, Virginia Economic Development Partnership,
US Census American Community Survey 5-year estimates

Population by Age

Population by age is one way to look at the demographic makeup of a community and understand how changes in age and life stages may be driving demand for housing. Salem is experiencing an aging of its population through the attrition of middle-aged residents ages 35 to 54. These age cohorts are often important to a community's economy and housing market as they are of working age, may be more likely to own a home, and may have children in the school system.

Figure 2: Change in Population
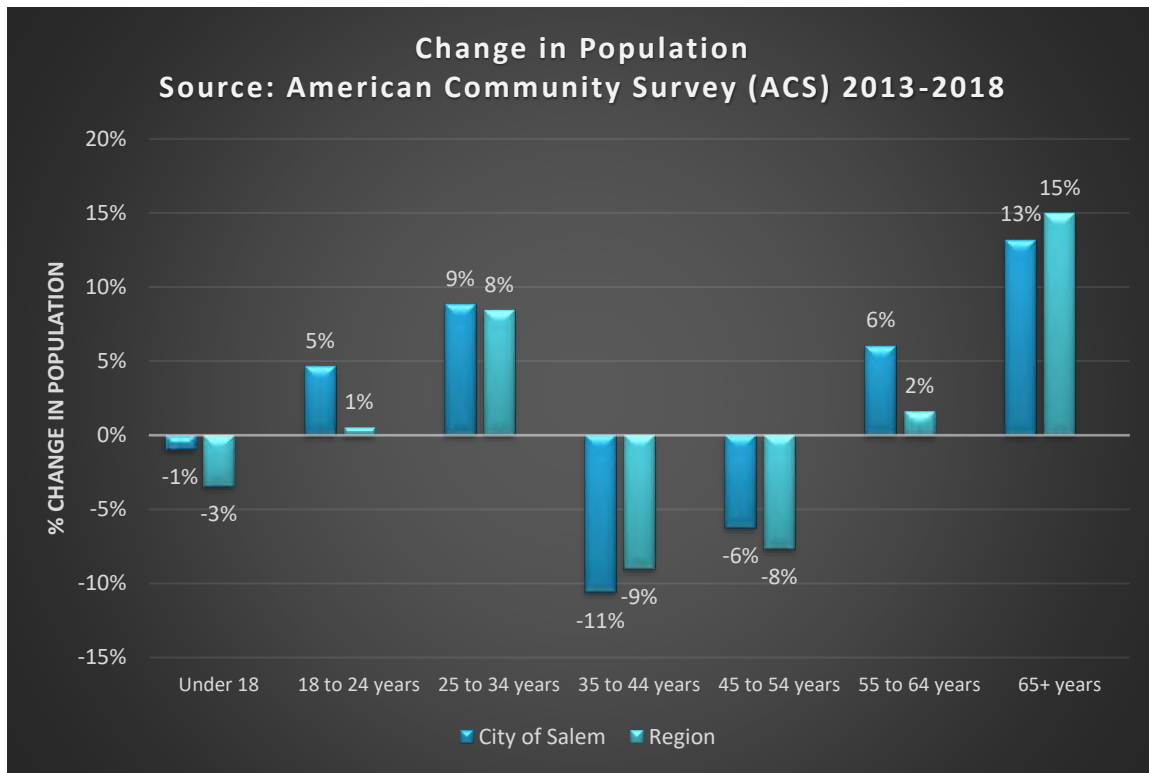
Between 2013 and 2018, the number of residents between the ages of 35 and 44 decreased by 11%, which is slightly more than the Region. This age cohort plays a significant role in the local economy, is active in the housing market, and may be entering or within family formation years. These households are important to not only the housing market, but also the local economy by helping support the local commercial/retail market through household spending.

A bright spot is the 18 to 24 year old cohort is growing faster than the Region. Between 2013 and 2018, the number of residents between the ages of 18 and 24 increased by 5% compared to 1% across the Region. The growth may be attributed to the attraction and retention of college-aged residents to the area's academic institutions.

Figure 3: Projected Change in Population
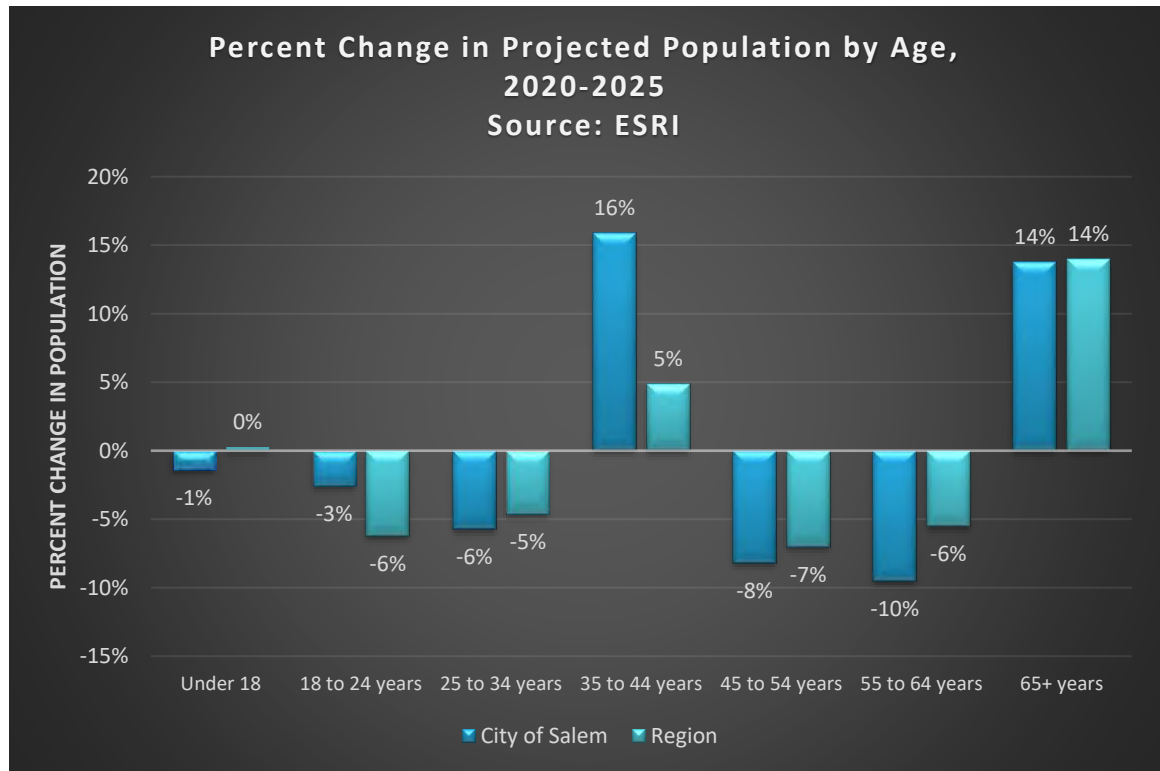
Population projections indicate senior residents (65 years and older) are expected to grow 14% between 2020 and 2025. The growth in the senior population will have an impact on the housing supply as many seniors may want to age in place so long as adequate housing supply is available which meets their needs. If not, it could result in a lack of housing turnover and tighten the available for-sale and rental supply. Additionally, the 35 to 44 age group is expected to grow by 16% which has the potential to increase demand for ownership units, as this group tends to be in peak family formation years.

Race and Ethnicity

The overwhelming majority of residents in the City of Salem (87%) identify as White. Approximately 7% of the population identify as Black, while those identifying as Asian and Other accounting for about 2% and 3%, respectively. The White population experienced a modest increase between 2013 and 2018, while the Black population declined by 9%. The greatest percentage change in population occurred in those identifying Other which saw an increase of 48%. While the percent change may be high, in absolute numbers the Other racial category accounts for about 476 individuals in total. Figure 4 shows the change in race from 2013 to 2018.

Figure 4: Change in Race
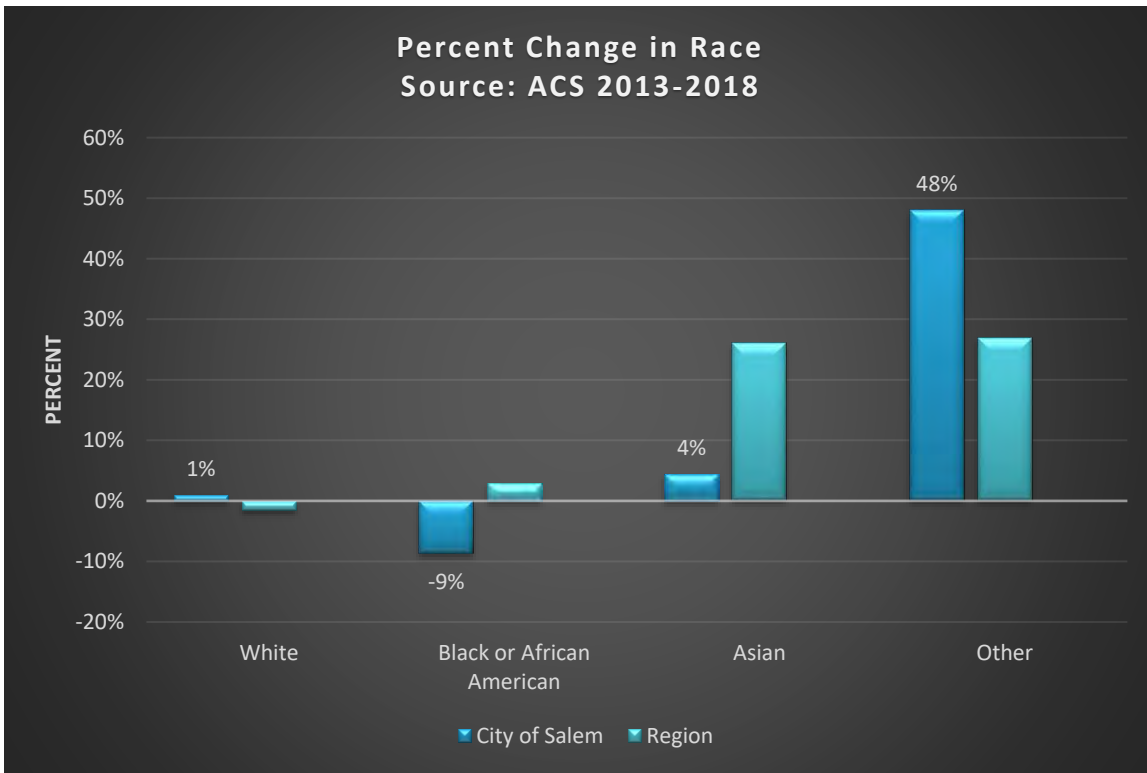
The city's Hispanic population rose by 26%, from 655 residents in 2013 to 827 in 2018. This change is much faster than the Region, which saw an increase of 16% over the same period.

Education

In comparison to the Region, the City of Salem has a smaller portion of its population with a high school diploma or less. Within Salem, 39% of residents have a high school diploma or less compared to 42% for the Region. Additionally, Salem outpaces the Region in the percentage of individuals who have completed bachelor's degrees or higher. Educational attainment is often associated with higher earnings which can translate to a greater ability to pay for housing costs.

Figure 5: Educational Attainment
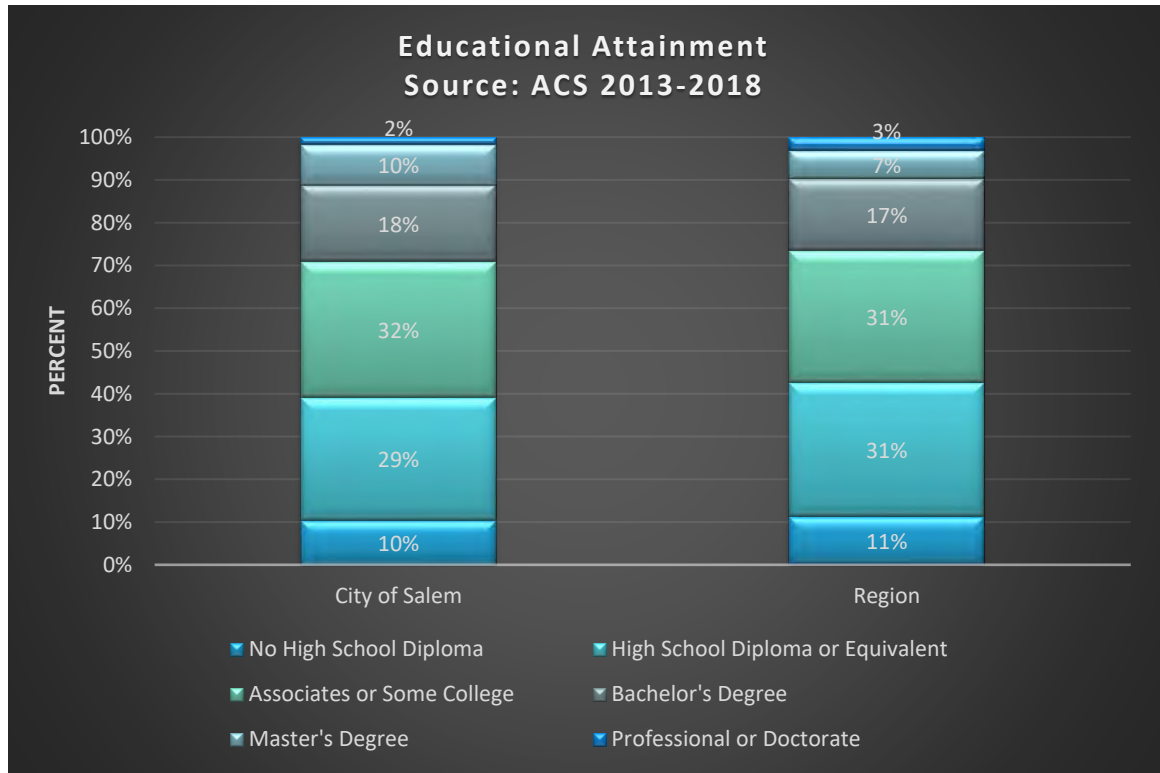
As the employment market changed over time, the skill sets needed for new employment opportunities required higher levels of education. Looking at changes in educational attainment over time shows Salem's population with master's degrees jumped by 14%. However, over the same period the percentage of residents with professional degrees dropped by 53%, indicating those households are leaving the City at a much higher rate.

Figure 6: Change in Educational Attainment
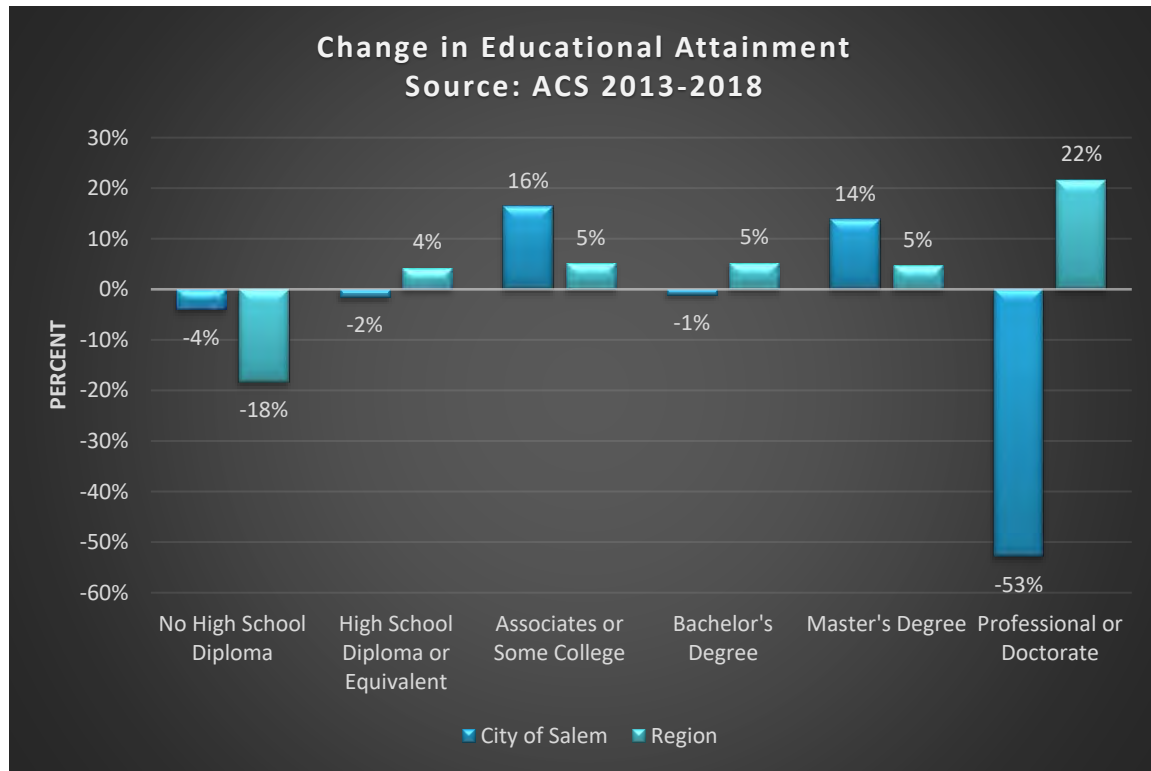
Disabled Population

Federal laws define a person with a disability as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such an impairment." The Census classifies disabilities in the following categories: those having a hearing or vision impairment, ambulatory limitation, cognitive limitation, and self-care or independent living situation.

In the City of Salem, 2,848 (12%) residents identified as having one or more of the Census defined disabilities. The largest concentration of disabled individuals can be found in the 35 to 64 age group which has 976 disabled individuals and accounts for 34% of all disabled individuals with a disability in the City of Salem. Figure 7 presents data on the disabled population by age.

Figure 7: Disabled Population by Age
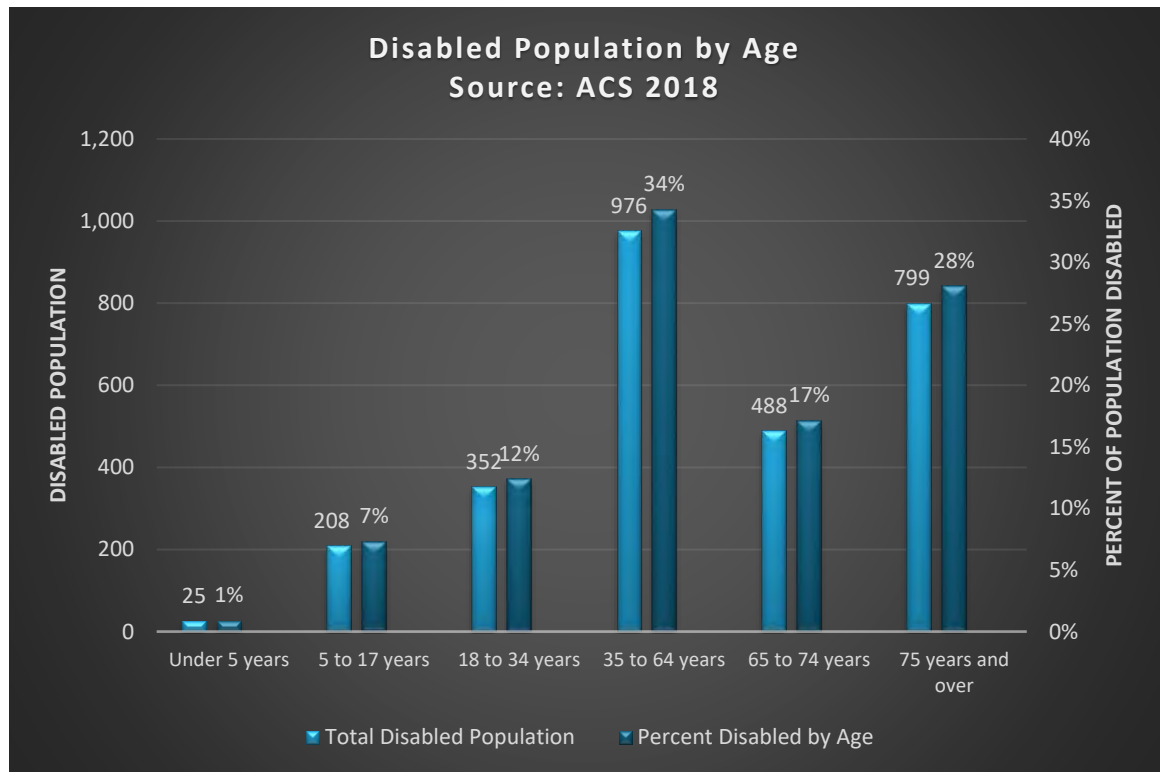
Not surprisingly, the senior population in the City of Salem shows many disabled individuals, with 1,287 individuals identifying as disabled. Of the senior population, 28% of individuals 75 years or older have disabilities. The senior population is of special concern as they tend to live on fixed incomes and have higher healthcare costs which may limit the amount of money they could spend on housing. Disability, in particular mental health disabilities, can make it difficult to earn enough to afford adequate housing. While those with disabilities can qualify for Supplemental Security Insurance (SSI) and Social Security Disability Insurance (SSDI), these programs alone may not prevent the disabled from experiencing housing instability.

The need for home accessibility and other services for people with disabilities in the City of Salem is critical given the large number of seniors and the fact that this age cohort is growing. Improved survival rates and increased longevity among persons with disabilities combined with an aging population and the inaccessibility of older homes are indicators of a growing need to locate services and housing within proximity to one another. Recognizing the housing and service needs these populations require is critically important. Disabled residents often rely on long-term care and wrap-around services. There may also be an unmet need for long-term care facilities to assist residents with disabilities.

Homeless Population

To understand the existing homeless population across the Region, data was obtained from the Department of Housing and Urban Development (HUD) which showed the number of homeless individuals and families, as well as the number of beds available in the jurisdiction. HUD data is a compilation of information provided by local Continuums of Care's (CoC) which are typically non-profit or governmental entities working on homelessness. The Blue Ridge Continuum of Care is a regional group working to end homelessness and includes the Blue Ridge Interagency Council on Homelessness (BRICH) which is the regional governing body of the CoC. The BRICH is comprised of non-profit and governmental entities serving the counties of Alleghany, Botetourt, Craig, and Roanoke, and the cities of Covington, Roanoke, and Salem.

The HUD data presents, in aggregate, information from Roanoke County, and the cities of Roanoke and Salem, and it is therefore not possible to separate information strictly for the City of Salem.

Based on Point-in-Time (PIT) data there were 276 homeless individuals in the area which encompasses Roanoke County, and the cities of Roanoke and Salem. There were 213 persons in households with only adults, which accounts for 77% of the homeless population. While households with children accounted for 23% of the homeless population, translating into a total of 63 persons. About 89% of the homeless population is sheltered, while only 6% remain unsheltered. Table 1 presents data on the homeless population.

Table 1: Homelessness Population in Roanoke County, and the City of Roanoke and Salem				
	Sheltered			
Homeless Categories	Emergency Shelter	Transitional Housing	Unsheltered	Total
Persons in households without children	183	0	30	213
Persons Age 18 to 24	14	0	0	14
Persons Over Age 24	169	0	28	197
Persons in households with at least one adult and one child	63	0	0	63
Children Under Age 18	37	0	0	37
Persons Age 18 to 24	2	0	0	2
Persons Over Age 24	24	0	0	24
Persons in households with only children	0	0	0	0
Total Homeless Persons	246	0	30	276
Source: BRICH Point in Time Data, 2020.				

Based on data provided by CoC's operating in the Salem area, there were a total of 726 beds available for homeless individuals, with 62% of beds found in emergency shelters and 38% of the beds located in permanent housing facilities. Based on the number of homeless individuals found

across the Roanoke region, the existing infrastructure to house the homeless is operating at less than half capacity.

Table 2: Homeless Housing Inventory in Roanoke County, and the City of Roanoke and Salem							
Unit Types	Family Units	Family Beds	Adult-Only Beds	Child-Only Beds	Total Year-Round Beds	Seasonal	Overflow/Voucher
Emergency, Haven and Transitional Housing	26	161	288	0	449	0	2
Emergency Shelter	26	161	288	0	449	0	2
Permanent Housing	29	48	133	0	277	0	0
Permanent Supportive Housing	17	8	94	0	198	N/A	N/A
Rapid Re-Housing	12	40	39	0	79	N/A	N/A
Total	55	209	421	0	726	0	2
Source: HUD Housing Inventory County Study, VA-502 Roanoke City & County, Salem Continuum of Care (CoC), 2019							

The Roanoke Region has been effective in preventing a rise in the number of unsheltered homeless. Data from the CoC showed a very low incident of unsheltered homeless with about 6% of the recorded homeless population going unsheltered, and of those unsheltered homeless, most refuse to engage in accessing resources. In many cases, multiple mental health barriers prevent individuals from obtaining and maintaining housing. Across the region there are non-profits target their resources to help alleviate the plight of the homeless population. Services are available which help transition the homeless population towards long-term stability.

Table 3: Homelessness by Race in Roanoke County, and the City of Roanoke and Salem				
	Sheltered			
Race	Emergency Shelter	Transitional Housing	Unsheltered	Total
Black or African-American	87	0	6	93
White	137	0	20	157
Asian	0	0	0	0
American Indian or Alaska Native	2	0	2	4
Native Hawaiian or Other Pacific Islander	0	0	0	0
Multiple Races	17	0	2	19
Total	246	0	30	276
Source: BRICH Point in Time Data, 2020.				

The PIT data from the Roanoke City Roanoke County, and City of Salem CoC showed that 34% (93 individuals) of all sheltered and unsheltered homeless individuals were Black/African American, while 57% (157 individuals) of the homeless population were White. The Region has a relatively small Black/African American population, which indicates that they are overrepresented in the homeless population.

Households

The Census Bureau defines a "household" as one or more people living in a housing unit and includes a variety of living arrangements. From a historical perspective, the City of Salem experienced a spurt of household growth, with the number of households increasing by 51% between 1970 and 2010, with much of the growth happening between 1970 and 1980. Like the population growth rate, household growth has slowed considerably over the last 10 years. This slow growth can be attributed to the changing economic conditions and housing preferences in the region.

Figure 8: Household Change
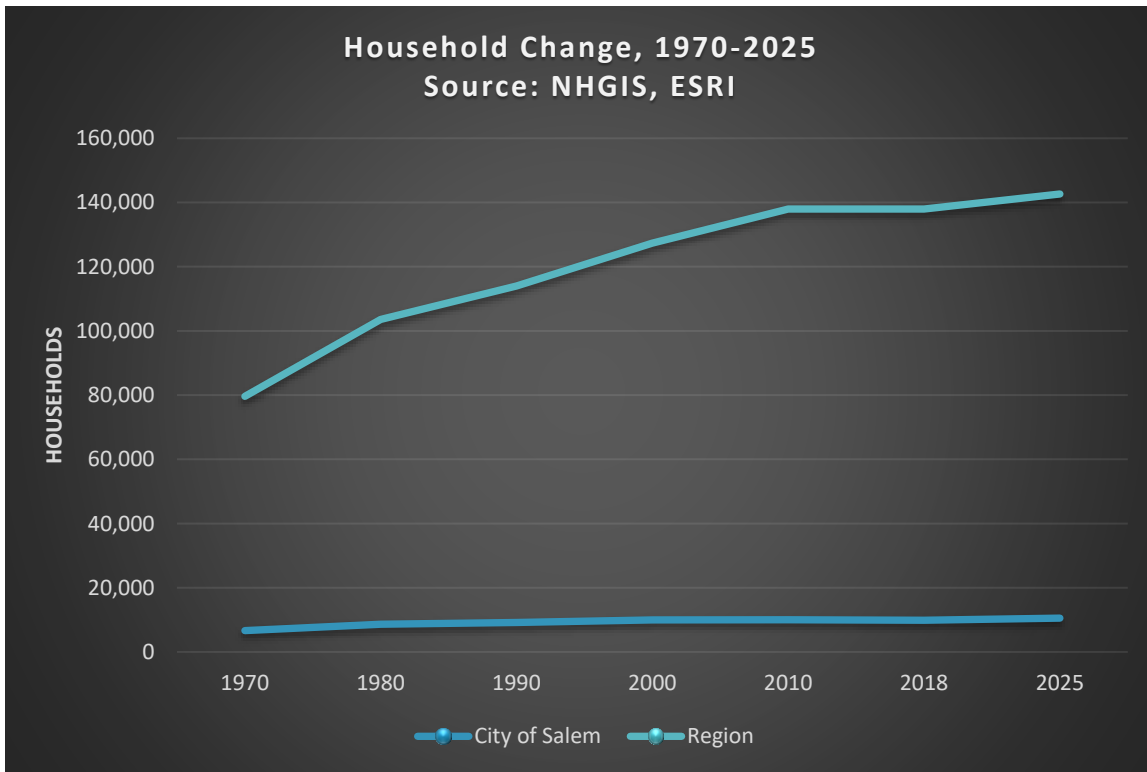
In 2018, the city had 9,881 households. Future projections show the city could add an additional 657 households (7%) by 2025.[1] These same projections show households region-wide also increasing by 3% over the next five years.

Table 4: Projected Total Households				
Community	2018 Estimates	2025 Projections	Change	% Change
City of Salem	9,881	10,538	657	7%
Region	137,942	142,643	7,701	3%
Source: ESRI, 2020				

[1] ESRI, 2020

HOUSEHOLD SIZE

Household size is an important consideration as it provides insight and an understanding of what types of housing units are needed to accommodate today's residents and those who may choose to locate here in the future. An example of this is a larger five-person household would require more bedrooms than a two-person household. Traditionally in the city, ranch style housing offers three bedrooms and one bathroom, which is enough for households of five or less. Apartments tend to have two- or three-bedrooms and are priced similarly, in some instances, to a mortgage payment for a single family home. Due to the pricing differential, non-family households comprised of roommates sometimes choose to rent single family homes because of the additional space.

According to the Census, households can be defined as either family or non-family. Family households are comprised of two or more related individuals where non-family households are comprised of unrelated people living together (such as housemates), and single individuals. In the City of Salem, most family households (77%) are comprised of two or three members. Most non-family households are single individuals which account for nearly 88% of non-family households.

Figure 9: Households by Type and Size
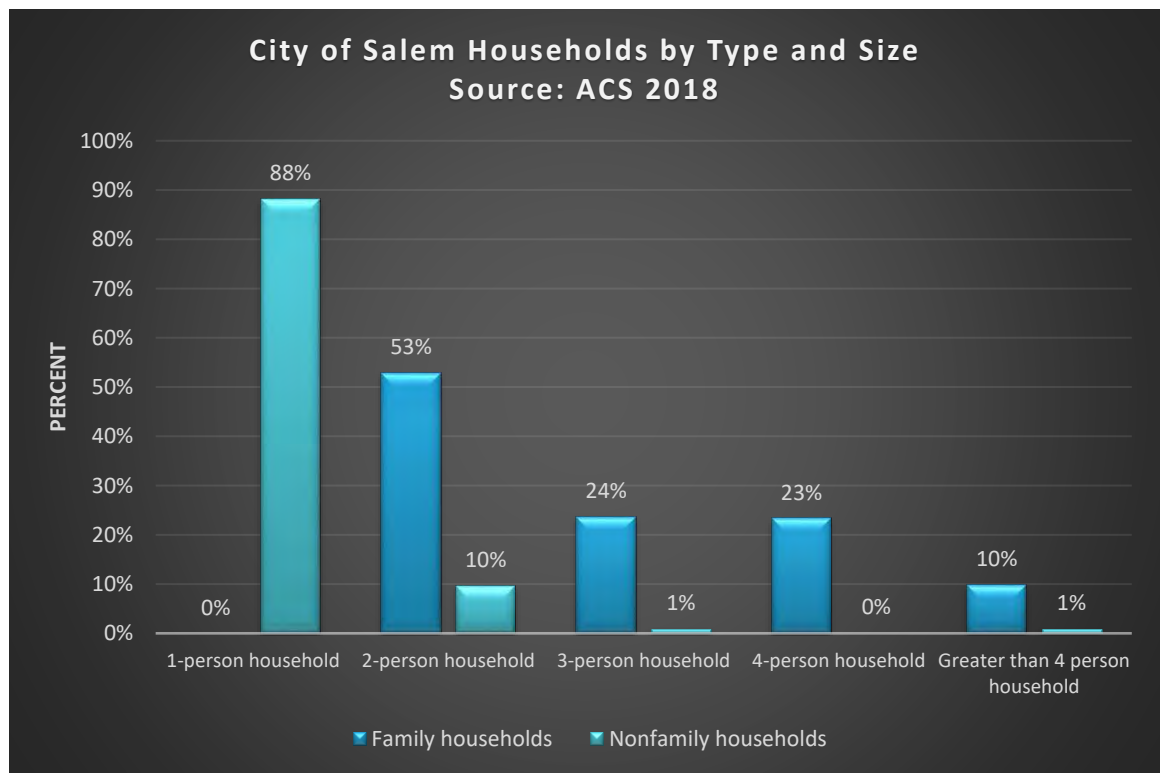
While many households in the City of Salem are one- and two-person households, some changes in household size have occurred over the past five years. Four-person family households decreased by 24% between 2013 and 2018, and 3-person family households have increased by 17% over the same period. Similarly, the number of non-family households with two persons declined by 277, a decrease of 43%. This may indicate a shift towards smaller household sizes both for

family and non-family households, with the implication that the total number of households will potentially grow.

ECONOMIC ASSESSMENT

Economic issues such as changes in income, employment, commuting patterns, and the overall economy are explored in this section of the study. Much of the analysis is grounded in data which is supplemented by knowledge gained from interviews with stakeholders described in more detail throughout this section of the study. The economic baseline analysis provides the context and history of the City of Salem to set the stage for the housing market analysis which follows.

Socioeconomics

INCOMES

Household income directly influences the ability of residents to secure housing that is affordable and available to them. Household income can influence housing prices if an influx of higher income households enters the market over time, or conversely, leave. As of 2018, the median household income in the city was $57,185, which was about $3,124 more than the Region's median income. This income differential is small from a housing affordability perspective, as the City of Salem's median income adds about $87 per month in purchasing power for a renter household when compared to the Region. It is important that over time incomes are compared to housing costs to ensure increasing price points do not over low- and middle-income households.

Figure 10: Median Household Income
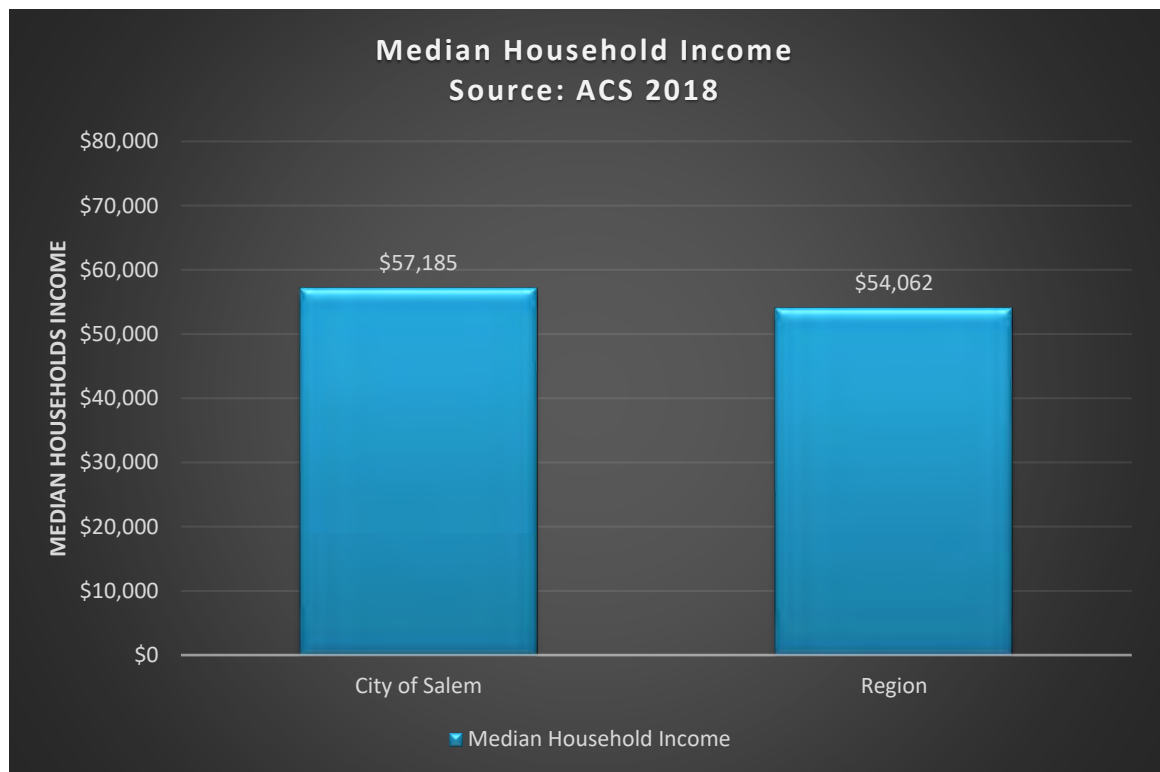
Cost burden, which is a circumstance where a household pays 30% or more of their income toward housing costs, is a reality for lower-income households across the city. Higher housing costs crowd out disposable income for other necessities such as food, healthcare, and transportation. About 27% of Salem households earn less than $35,000 a year, compared to 26% of households in the Region. While slightly more than the Region, the percentage of lower-income households in the City of Salem require proactive measures to ensuring safe and affordable housing for households at all income levels.

Looking at the distribution of households by income cohort over the last five years shows the city experiencing a loss of households with incomes below $75,000. Of households making less than $50,000, there was a 30% decrease within the cohort earning below $15,000 per year, and a 22% decline in households earning between $25,000 and $35,000 per year. While the city is losing households at the lower end of the income spectrum, it is gaining households earning more than $75,000 per year. The increase of higher income households can be explained in part by growth in higher paying industry sectors like Healthcare and Finance and Insurance. Employees in these sectors typically have higher levels of education and specific skills tied to the industry sector resulting in higher wages. Manufacturing is also shifting toward higher earning jobs as manufacturing processes become more advanced the sector requires employees with advanced degrees in engineering, management, and logistics to keep up with changes in manufacturing processes.

Figure 11: Change in Median Household Incomes
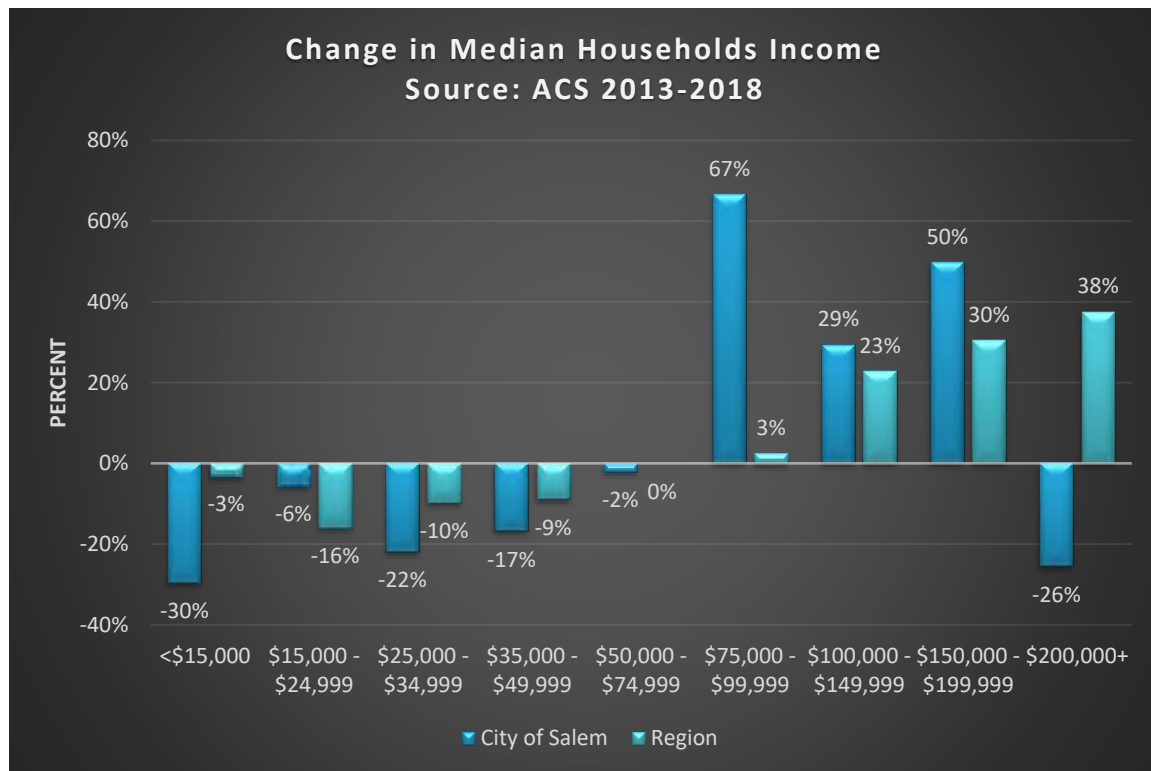
HOUSEHOLD INCOME CHANGE MAP
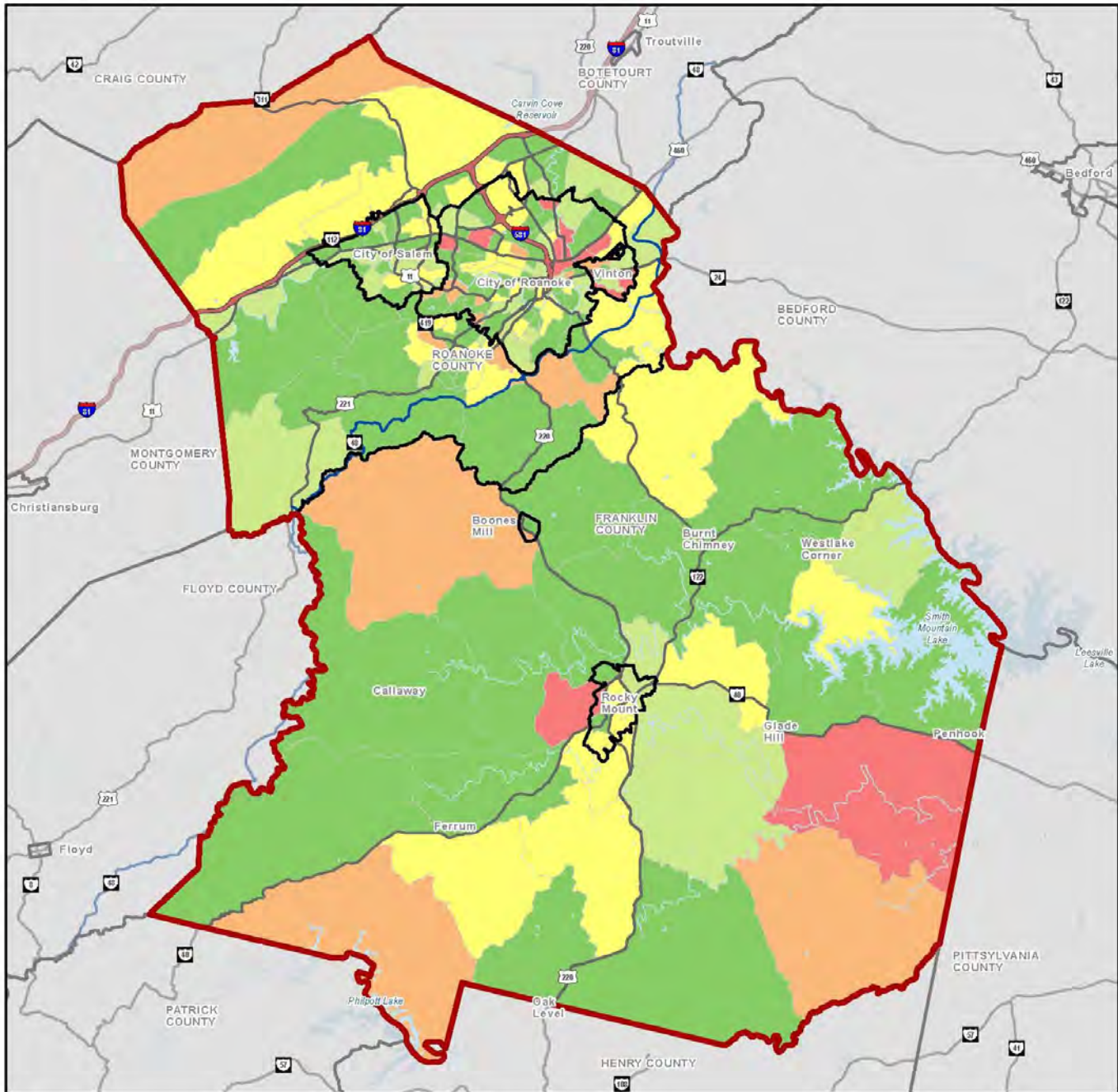
Road Type
- Interstate
- Primary
- Blue Ridge Parkway
- Roanoke Valley Study Region
- Administrative Boundaries
- Water Bodies

Median Household Income Change 2013 - 2018
- -$12,000 or more
- -$6,000 to -$12,000
- $0 to -$6,000
- $0 to +$6,000
- +$6,000 or more

0   2.5   5   10 Miles

N

Sources: Roanoke Valley-Alleghany Regional Commission, City of Roanoke, City of Salem, Roanoke County, Franklin County, Virginia Geographic Information Network, Dept. of Conservation and Recreation, Virginia Economic Development Partnership, US Census American Community Survey 5-year estimates

Modest growth of real incomes is a challenge both in the City of Salem and across the United States as a whole. The city saw median household incomes grow by 17% between 2013 and 2018, while the Region grew by 16%. As housing costs continue to rise, incomes must as well, or households will be forced to spend more on housing leaving less for other expenses.

Table 5: Growth in Median Household Income, 2008-2018	
Community	Growth Rate
City of Salem	17%
Region	16%
Source: ACS 2008- 2013, 2014-2018, B19013, "Median Household Income in the Past 12 Months", and RKG Associates, Inc.	

Looking forward, incomes in the City of Salem are projected to grow. Between 2020 and 2025, the median household income is projected to grow by 4%, slightly less than the Region's growth rate of 5%. As more employers paying higher wages enter the area and establish operations, opportunities for residents of the region to secure higher paying jobs will increase as well.

Table 6: Projected Median Household Incomes				
Community	2020 Estimates	2025 Projections	Change	% Change
City of Salem	$57,893	$60,254	$2,361	4%
Region	$53,448	$56,124	$2,676	5%
Source: ESRI, 2020				

WORKERS

In the City of Salem, there are a total of 18,258 jobs which is inclusive of both private and government employment.[2] Of that total, 18,258 people come from outside the city to work, while 2,361 live and work within the city. Aside from those working within the city, approximately 6,408 residents travel outside for employment, making it a net exporter of labor. The large number of people leaving the city for jobs can be explained by the proximity of large employers in Roanoke City, Roanoke County, and Franklin County.

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[2] OnTheMap, 2020

Figure 12: Worker Inflow and Outflow
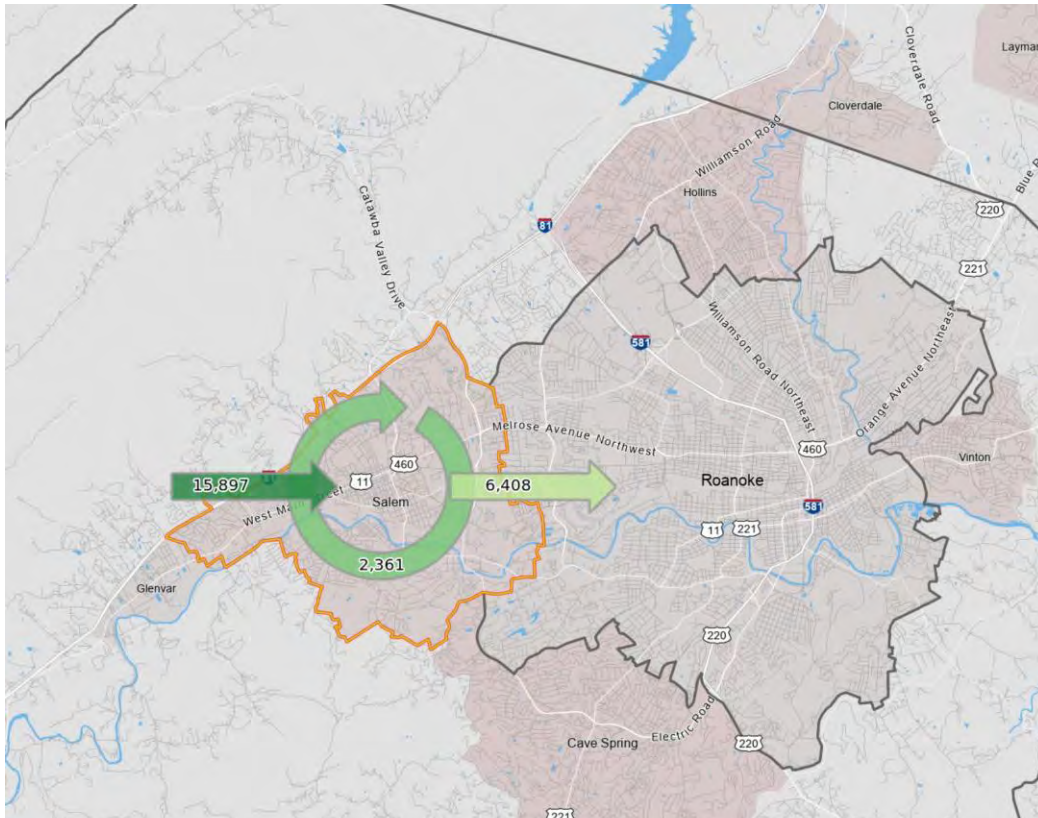
Understanding how many employees are in the city what types of employment opportunities exist can help explain some of the activity within the housing market. One of the key linkages between employment and housing is how many individuals are employed in an area and where they commute from. This is important because it reflects whether the city can attract and retain workers locally, and what role housing may play in workers being able to live and work in the city. If workers are also residents, then their disposable income gets circulated locally, otherwise the city may not capture that direct impact on the local economy. In contrast, when workers commute to an employment destination, much of their personal spending does not occur in the community where they work, but rather where they live.

Figure 13: Top Five Employee Capture Areas
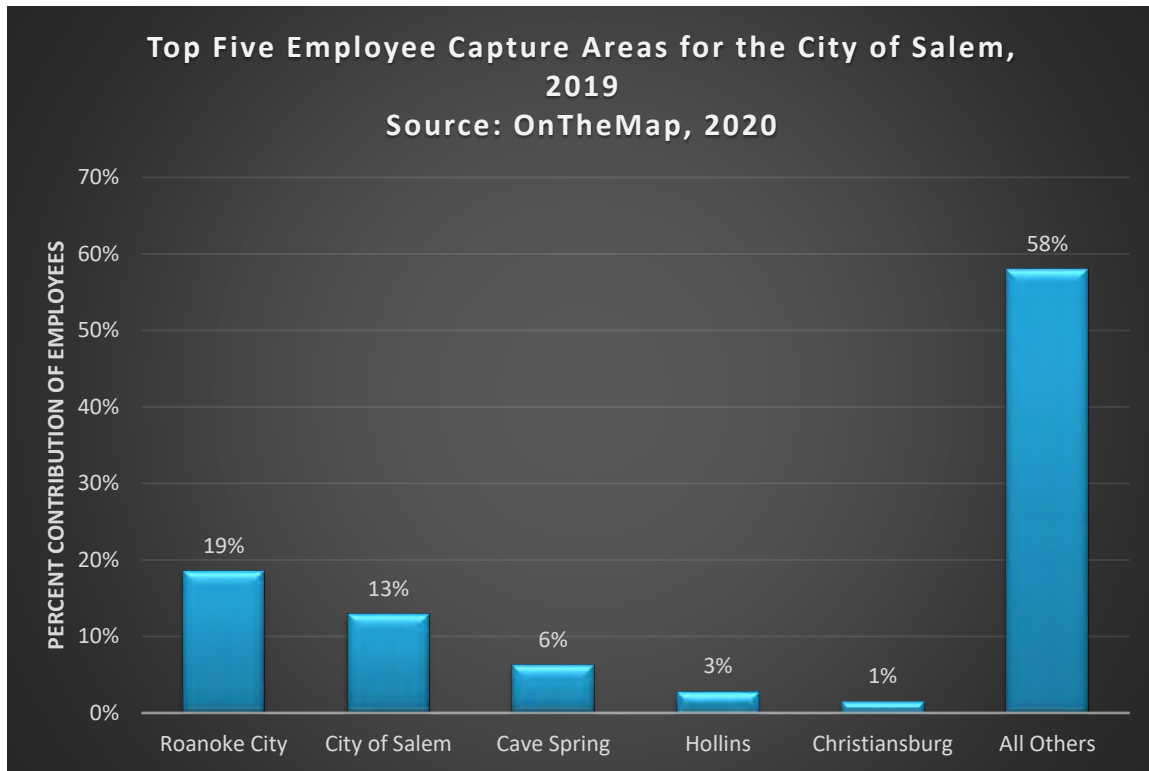
As mentioned previously, about 15,897 workers commute to the City of Salem. The vast majority live in communities adjacent to the city. Based on the data, about 3,020 individuals commute from Roanoke City for jobs in Salem, accounting for about 19% of the total non-resident workers.

Figure 14: Top Five Employment Destinations
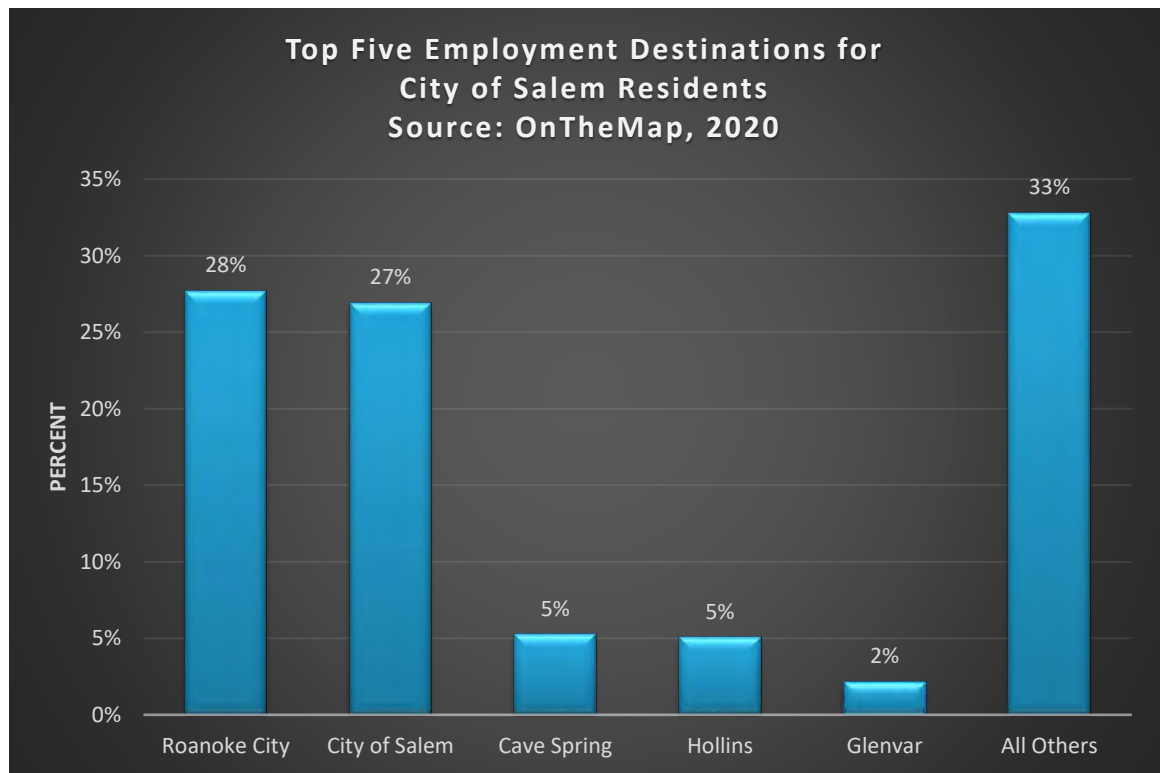
About 27% of residents live and work in the City of Salem indicating a strong employment base. The largest employment location outside of Salem is the City of Roanoke, which makes sense as it is one of the largest employment centers in southwestern Virginia with a diversity of employers such as universities, hospitals, and major corporations.

INDUSTRIES

In the City of Salem, employment is clustered in a few main industries. Figure 15 presents the top five employment sectors across the city. As a percentage of total employment, Government is the largest industry sector with 21% of all jobs. The second largest employment sector is Manufacturing, which accounts for 13% of all jobs. The Other category is made up of the remaining North American Industry Classification System (NAICS) sectors not in the top five job producing industries. This category accounts for 37% of the total employment in the city.

Figure 15: Top Five Jobs by NAICS Industry Sector

Top Five City of Salem Jobs by NAICS Industry Sector, 2010-2020
Source: Economic Modeling Specialists Intl. (EMSI), 2020
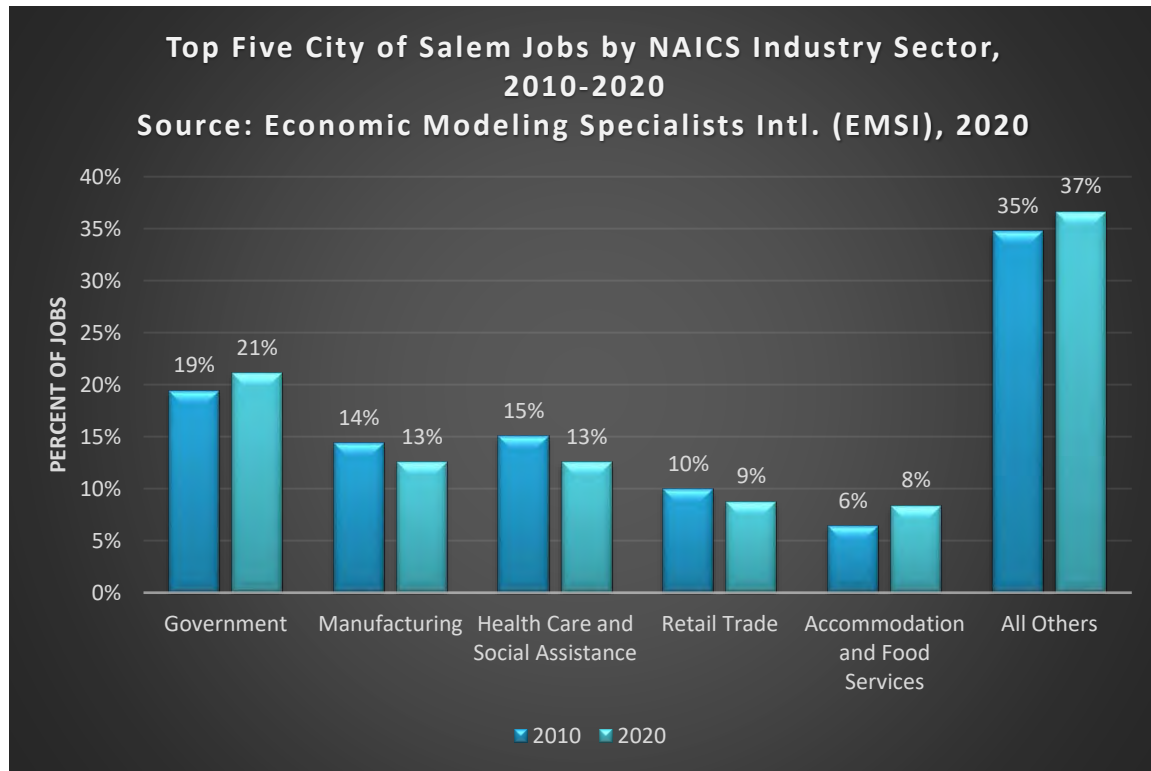
MAJOR EMPLOYERS

As indicated above, the City of Salem has a diversified employment base which helps bolster the economy and makes the city an attractive place for new residents and employers alike. The City of Salem has developed its own economy which relies more heavily on Health Care, Government, Education, and Manufacturing. These industries do offer good paying jobs for residents and non-residents alike.

The City of Salem has two large hospitals which serve the needs of residents and non-residents. The largest hospital and employer in the city is the Salem VA Medical Center which provides services to more than 78,000 eligible Veterans living in 26 counties and 13 independent cities of southwestern Virginia.[3] The hospital employs between 2,000 and 2,499 individuals across technical and non-technical roles.[4] The second hospital in Salem is the Lewis-Gale Medical Center. This hospital is part of a larger integrated network of care which includes four hospitals, six outpatient centers, two cancer centers and 700 physicians at more than 160 affiliated locations stretching from Alleghany Highlands and Rockbridge County to the Roanoke and New River Valleys.[5] In Salem, the hospital employs between 500 and 999 individuals across a variety of roles.

[3] https://www.salem.va.gov/about/index.asp

[4] https://salemva.gov/Departments/Economic-Development/Major-Employers

[5] https://lewisgale.com/about/

As indicated earlier, manufacturing firms contribute significantly to the employment base (13%) citywide. In recent years, specialized manufacturing companies have moved into the area, and rely on a highly trained local workforce. The city's largest manufacturer is Yokohama Industries, a manufacturer of tires, which employs between 500 and 999 workers. In 2011, the company invested $13 million to expand its operations and workforce.[6] Below is a listing of some of the largest local private manufacturing employers in the area:

- Yokohama Industries – 500 – 999 employees
- General Electric – 500 to 999 employees
- Integer – 300 to 499 employees
- Carter Machinery – 300 to 499 employees

Roanoke College is an independent, co-educational, four-year liberal arts college. Founded in 1842, it is the second-oldest Lutheran-related college in America. The college has nearly 2,000 full-time students and offers about 100 areas of study. The campus is located adjacent to downtown Salem and employs between 300 and 499 workers. Most students attending Roanoke College, 78%, live in on-campus housing which results in the city not having a sizable market for student housing.

The housing market in the city is influenced by these large employers because they provide jobs and potential career paths which enable households to gain economic stability and generate disposable income. With secure jobs, residents can engage in the housing market to make purchase and rental decisions based on their needs and wants. For example, households with higher incomes may choose to purchase larger homes, while lower income households may choose to rent single family homes or a unit in a multifamily building.

[6] https://roanoke.com/archive/yokohama-grows-in-salem/article_024f790d-a40d-502f-bd4e-137d1a11baeb.html

CHANGES IN INDUSTRY

City employment data between 2010 and 2020 shows that the top ten employment subsectors have grown by 333 jobs, with an average wage of $46,571. Sectors which experienced the largest growth were related to Accommodation and Food Services which saw an increase of 220 jobs, and Professional Services which saw an increase of 37 jobs. The large number of new jobs in the growing sectors offer opportunities to two-income households, allowing them to potentially earn more than the citywide median income of $57,185.

Figure 16: Top Ten Industry Subsector Increases, 2010-2020
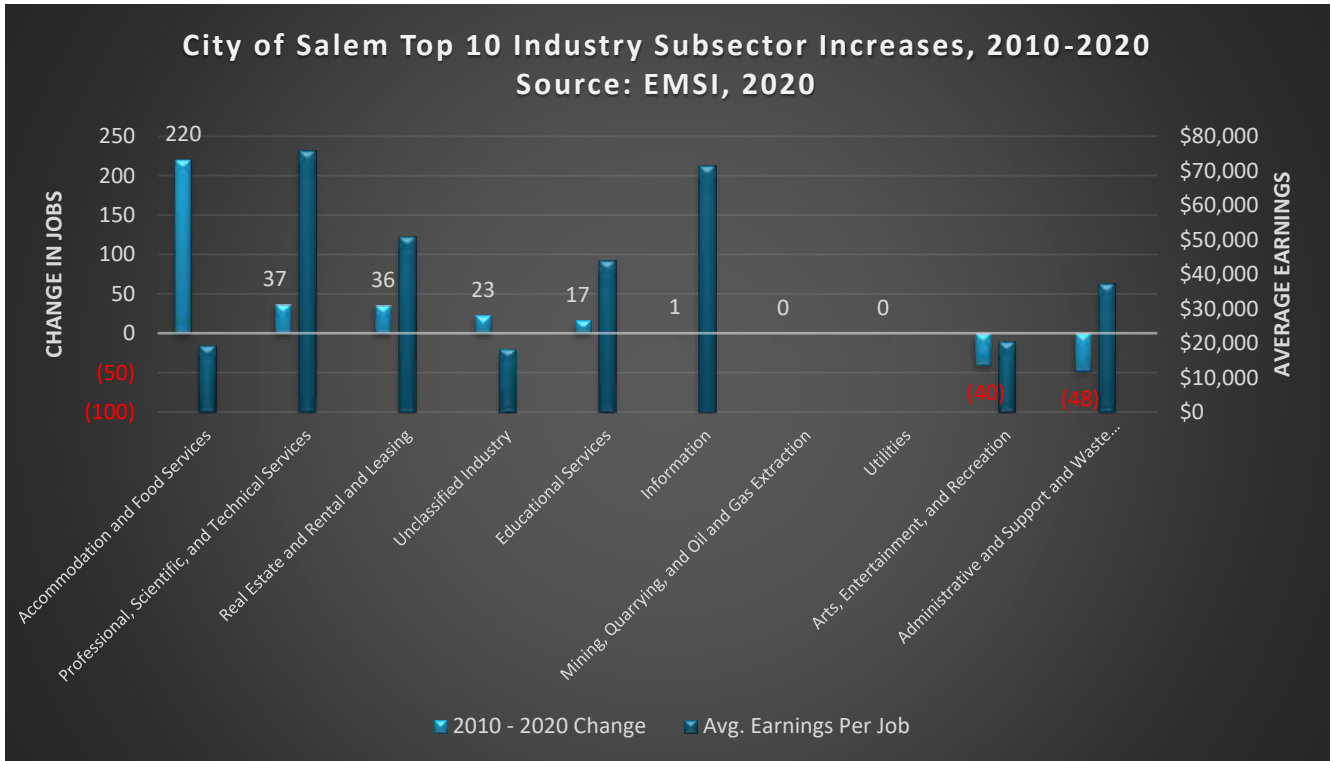
Between 2020 and 2029 the City of Salem is projected to see modest employment growth in Accommodation and Food Services (67 jobs), Wholesale Trade (49 jobs), Transportation and Warehousing (42 jobs), and Educational Services (35 jobs). Jobs in these industry sectors generally pay good wages, except for Accommodation and Food Services.

Figure 17: Top Ten Projected Industry Subsector Increases, 2020-2029
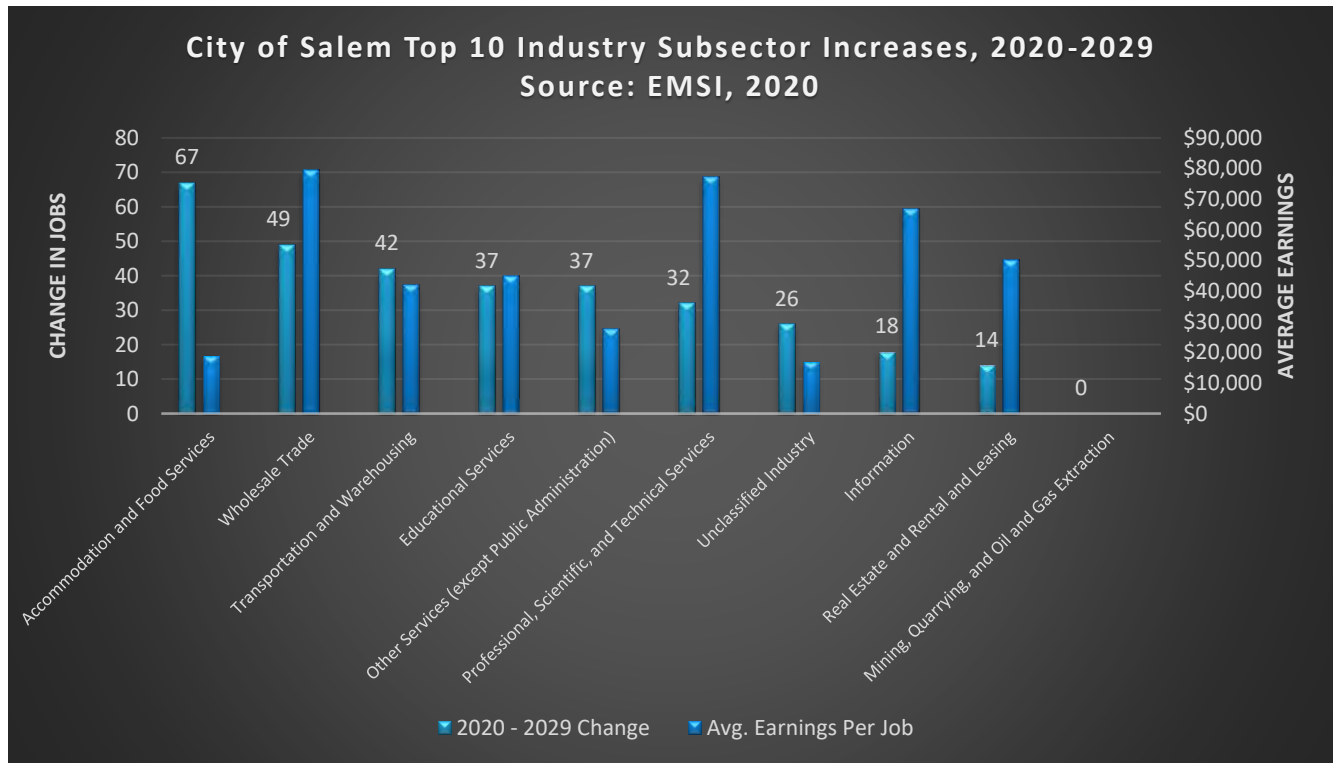
The largest losses are projected to occur in the Manufacturing sector, with a decline of 473 jobs and Retail which is expected to lose 202 jobs. The key difference in the future is that the average wage differential between the top jobs lost versus gained will expand. The average wage of top growth sectors is $46,097 while the average wage of the top declining sectors is $58,507. This may indicate that future employees in the city may have a greater challenge in securing housing as the wages of growing industries are less than the wages in industries which are declining.

INDUSTRY WAGES AND HOUSING AFFORDABILITY

While the city experienced employment growth over the last decade, incomes in some industry sectors are not sufficient to cover mortgage or rent payments without placing added financial pressure on the household. Across the city, the median sales value of a home is around $172,890, while the median gross rent is about $915 per month. Based on these metrics, several of the top industries (and growing industries) do pay average wages for which employees could afford these housing prices. It is worth noting though that within certain industry sectors there is vast wage disparity across occupations. For example, within the Healthcare industry you may have physicians earning over $200,000 but janitorial staff earning less than $30,000 a year. There are also industry sectors like Retail Trade or Accommodations and Food Services that do not pay average wages high enough to cover housing costs at today's median rent or sale price.

Table 7 illustrates the affordable home price and affordable rent by industry sector based on the average earnings within each sector. It is important to note these represent average earnings and not the earnings across different occupations within industry sectors.

Table 7: Housing Affordability Based on Top 10 Industry Sectors, 2020				
Industry	Industry Jobs	Average Earnings	Affordable Home Price	Affordable Rent
Government	4,583	$80,309	$297,183	$2,231
Manufacturing	2,776	$77,147	$285,480	$2,143
Health Care and Social Assistance	2,459	$67,103	$248,314	$1,864
Retail Trade	1,858	$33,654	$124,534	$935
Accommodation and Food Services	1,833	$18,804	$69,585	$522
Wholesale Trade	1,636	$79,392	$293,790	$2,205
Other Services (except Public Administration)	1,057	$27,508	$101,794	$764
Administrative and Support and Waste Management and Remediation Services	921	$37,274	$137,930	$1,035
Construction	896	$50,956	$188,560	$1,415
Professional, Scientific, and Technical Services	722	$77,091	$285,273	$2,141
Source: EMSI, and RKG Associates, Inc., 2020 Note: Rent payment accounts for utilities. Home price accounts for mortgage, taxes, and insurance.				

HOUSING MARKET ANALYSIS

The housing market analysis section describes the market characteristics associated with both owner-occupied and renter-occupied housing units in the City of Salem. This section contains a description of housing types, price points, and affordability in addition to other topics.

Citywide Housing Market

The City of Salem has 10,852 housing units of which 9,881 (91%) are occupied and 971 (9%) are vacant. Of the occupied housing units, 65% are owner-occupied, and 35% are renter-occupied. Housing development patterns have changed over time across the city as the population has grown. This citywide housing market analysis examines both the historical and current market conditions and uses that information to inform strategies for addressing future housing needs.

YEAR BUILT AND HOUSING UNIT GROWTH

The City of Salem's housing growth history shows slow growth over a few decades. Between 1970 and 2010, the number of housing units in Salem grew by 57%, rising from 6,900 to about 10,800. Over the same period, the Region grew by 82% indicating that growth in Salem has lagged. The slow growth in housing coincided equally slow growth in both population and households in the city.

Figure 18: Housing Unit Change
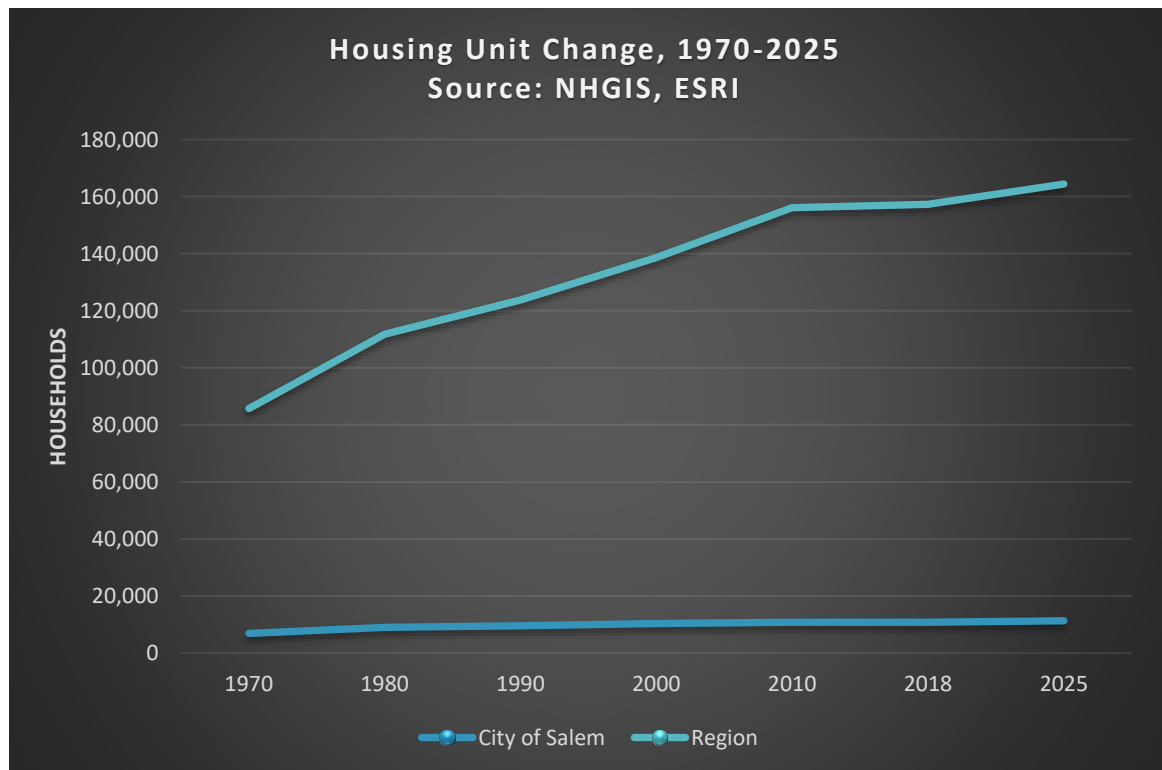
Salem experienced slow growth in housing units between the years 1970 and 2010 with 3,911 new housing units being built. Figure 19 shows the year built for housing units highlighting the large number of units constructed prior to 1980. In the City of Salem about 70% of housing units were built before 1980, compared to only 62% in the Region.

Figure 19: Year Built
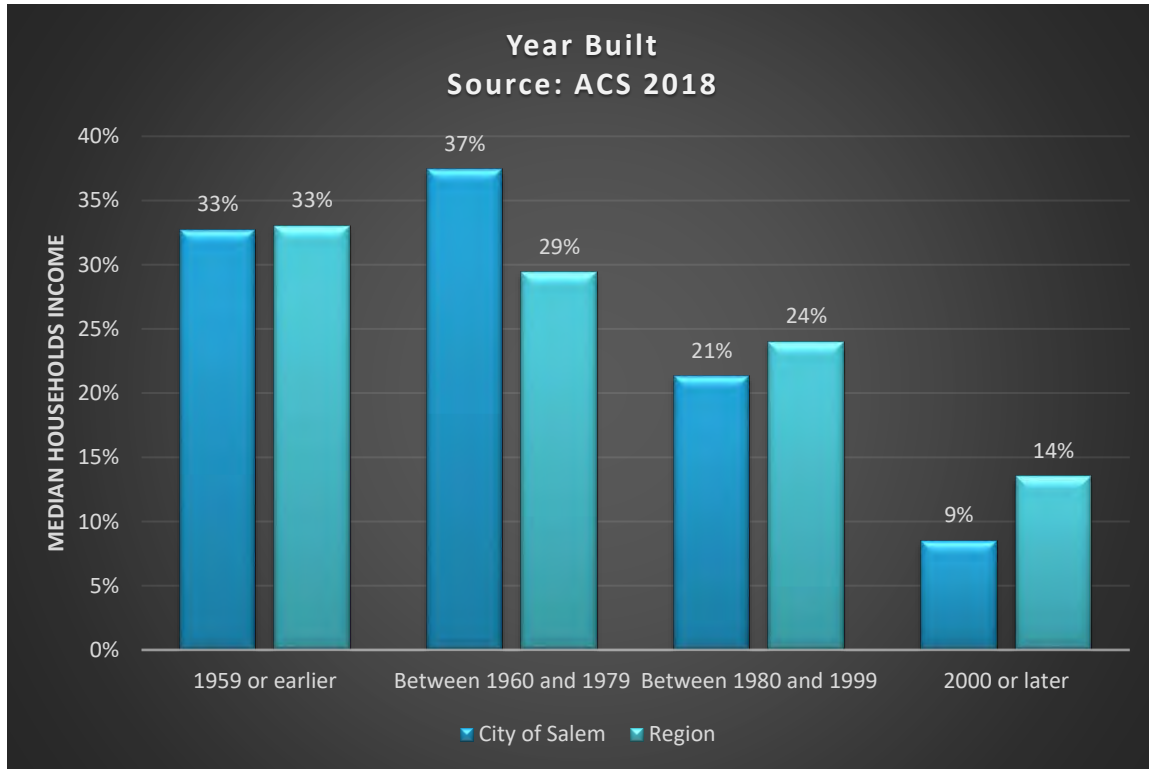
Building Permit Activity

On average, the City of Salem permitted an average of 28 new single family detached housing units per year since 2010.[7] Over the same period, the city did not issue a single building permit for multifamily units in duplexes, triplexes, quadplexes, and buildings with five or more units. In Salem, the largest number of single family permits were issued in 2017 when 43 housing units were built. Regionally, the number of building permits has far outpaced the city. Figure 20 shows the number of building permits in the City of Salem and the Region.

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[7] U.S. Census, 2020

Figure 20: Building Permits
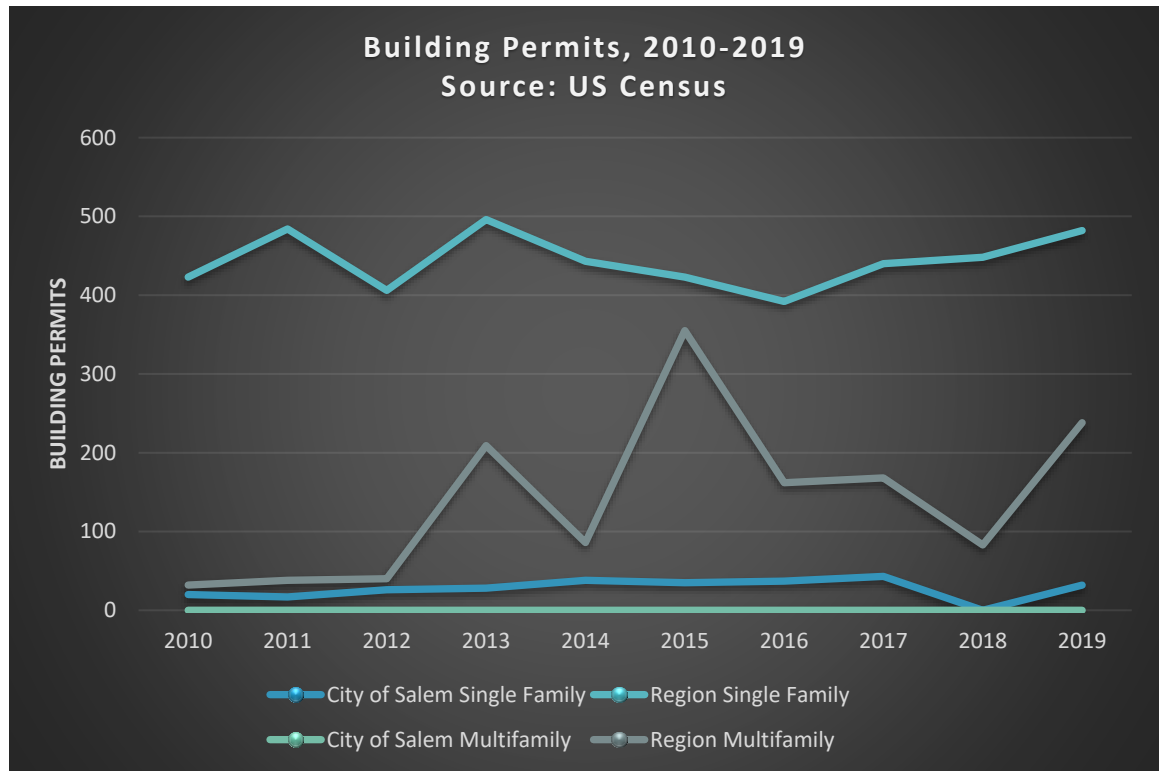
Housing Tenure

As of 2018, 59% of the city's occupied housing stock was owner-occupied while 32% is renter-occupied. The city's housing stock is skewed more toward ownership than the Region where only 60% of housing units are owner-occupied.

Table 8: Housing Tenure		
	City of Salem	**Region**
Owner-Occupied	59%	60%
Renter-Occupied	32%	27%
Vacant	9%	12%
Source: ACS 2014-2018		

Units in Structure

In Salem, most of the residential building stock is comprised of single family detached units. As of 2018, 76% of the city's residential stock was single family homes.[8] The second largest residential typology are multifamily homes with between 10 and 19 units in the structure, these account for 12% of all units across the city. The Region has a much lower percentage of multifamily homes than the city because the Region encompasses more rural areas like Franklin and Roanoke Counties which tend to have more single family and mobile homes.

The breakdown of units in structures changes drastically when comparing owner-occupied units to renter-occupied units. Within the City of Salem, 95% of owner-occupied units are single family

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[8] ACS 2014-2018

homes and only 1% are in structures containing two or more units, while 4% of units are mobile homes. Contrast this with renter-occupied units, where 40% are single family homes, 58% are in structures with two or more units, and mobile homes account for 2% of all rental units. As is typical for the rental market, housing diversity and choice is greater in the City of Salem for households looking to rent versus those looking to purchase.

Vacancy

The City of Salem's overall housing vacancy rate of 9% increased slightly from 2010 when the rate was 8%. Part of the City of Salem's housing market story can be told through the Census' Vacancy Table. Vacancy is defined by the Census across seven different categories which include:

- Units Actively Listed for Rent
- Units Rented, but Not Yet Occupied
- Units Actively Listed for Sale
- Units Sold, but Not Yet Occupied
- Units for Seasonal/Recreational Use
- Units for Migrant Workers
- Other Vacant

To calculate total vacancy across all categories in the City of Salem, the Census sums each category together and divides by the total number of housing units in the city. This vacancy rate provides an estimate of all housing units that are not occupied at the time the Census interview takes place regardless of whether the unit is actively being marketed or even habitable.

Figure 21: Overall Housing Vacancy
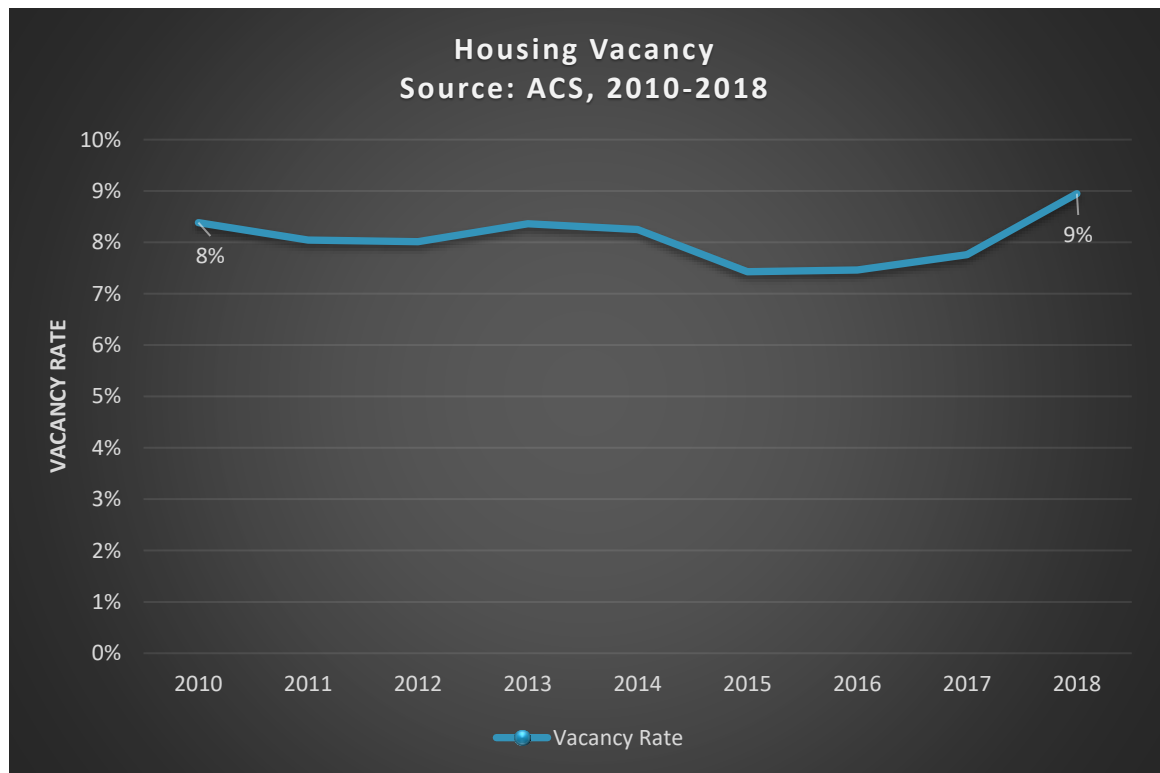
The Census defines "Other Vacant" using eleven categories with ones most pertinent to the City of Salem being: Foreclosure, Personal/Family Reasons, Legal Proceedings, Preparing to Rent/Sell, Needs Repairs, Abandoned/Possibly to be Demolished or Condemned. In 2018, 43% of all vacant units in the City of Salem fell under this category which equates to about 413 housing units. Figure 22 shows how the number of vacant units in four vacancy categories changed from 2010 to 2018.

Over this eight-year period, the number of vacant units grew by 7%, or 66 units. Between 2010 and 2018, there was a 15% increase in the number of vacant rental units, while there was a 21% decrease in the number of for-sale units. This indicates a strong demand for ownership units and a softened rental market that may have been impacted by conversions of formerly owner-occupied units into rentals.

Figure 22: Vacant Units by Category
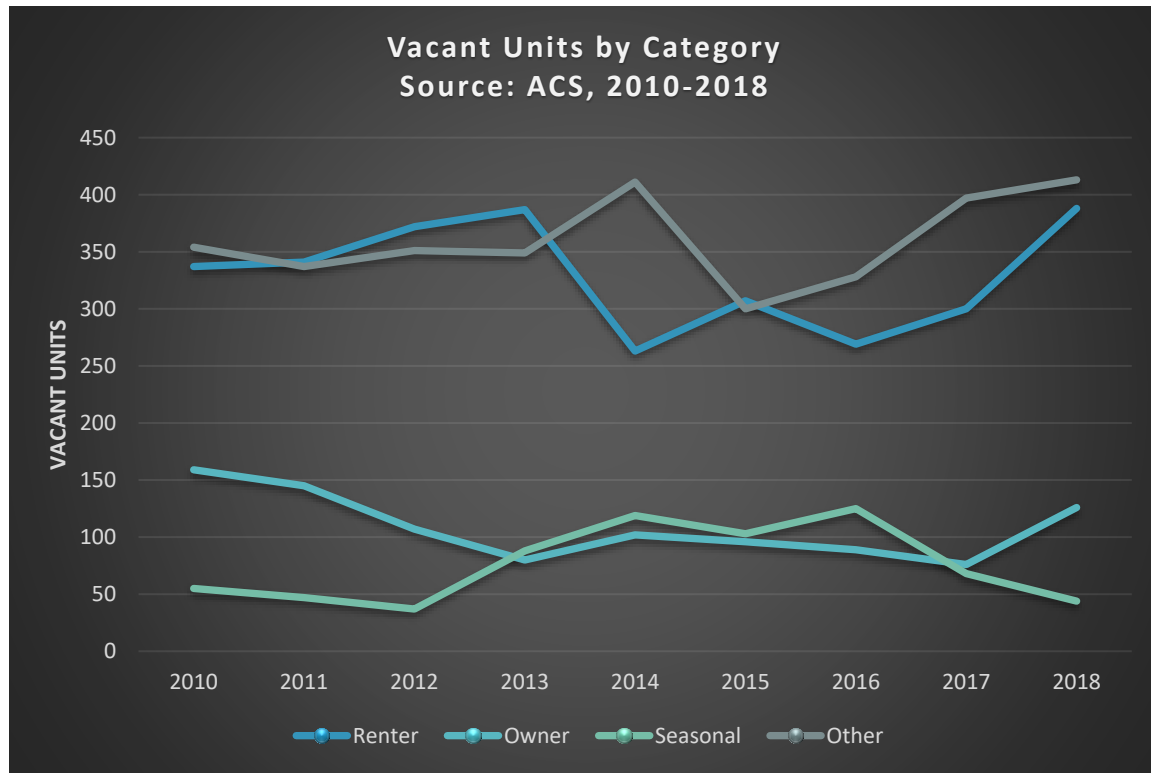
The second home market in the City of Salem is not particularly strong. As of 2018, only 5% (44 units) of all vacant units the City of Salem were classified as Units for Seasonal/Recreational Use. Much of the seasonal use homes in the Region are in Franklin County where about 56% of the homes are seasonal, especially those found around Smith Mountain Lake.

Owner-Occupied Housing Market

This section provides a more in-depth analysis of the owner-occupied housing market including supply, demand, and pricing across the city.

SUPPLY

As was noted earlier, owner-occupied units comprise 65% of the city's housing stock with 95% of units being single family homes, 1% in multifamily structures, and 4% of units in mobile homes. Compared to the Region where 6% of rental housing is in mobile homes, the city has less reliance on these types of units. Between 2013 and 2018, there was a loss of 184 owner-occupied housing units in the city, many of which were converted from ownership units to rental units.

Table 9: Housing Tenure, Owner		
Owner Occupied	City of Salem	Region
Single family	95%	92%
Multifamily	1%	2%
Mobile Home/RV/Other	4%	6%
Source: ACS 2014–2018		

Compared to the Region, the City of Salem has a slightly older housing stock with 65% of ownership units built before 1980, compared to 60% across the Region. This matches closely with the slow period of residential construction after 1970 when the city saw modest increases in housing units, households, and population. Many of the housing units built during that time were single family units, which tended to serve the needs of households at that time.

Figure 23: Year Built of Owner Occupied Housing Units
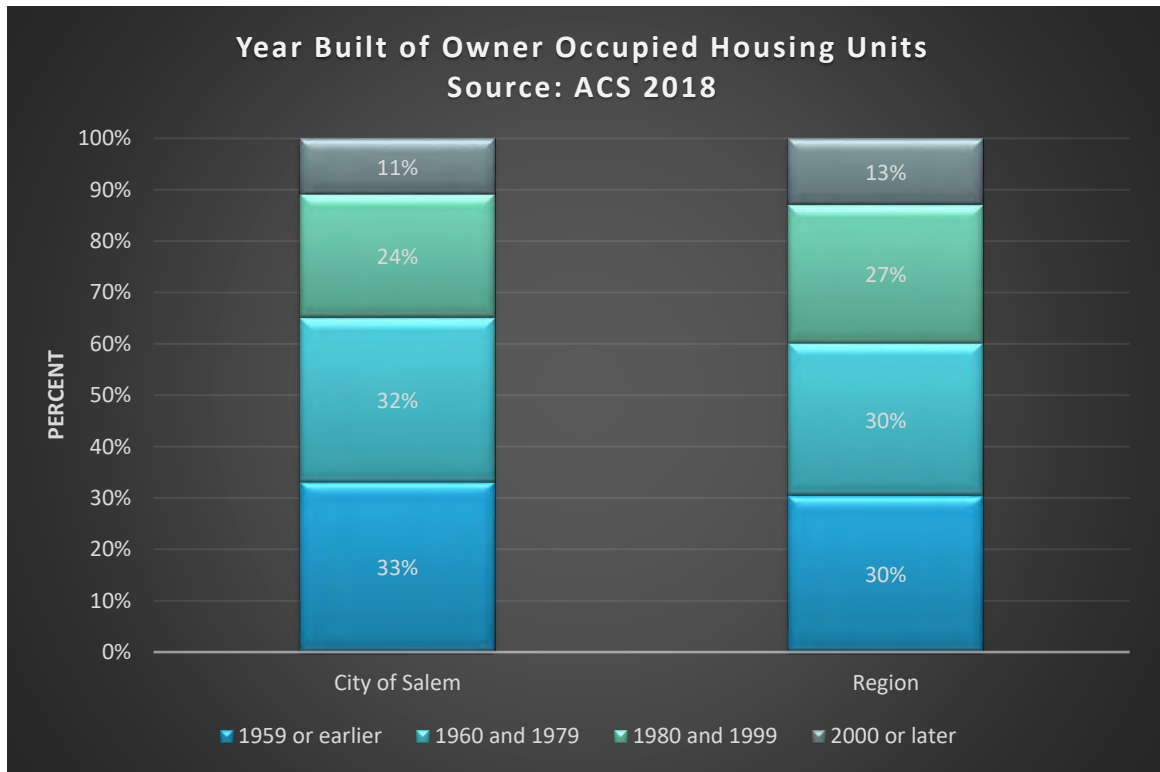
Pricing

In 2018, the median value of an owner-occupied housing unit in the City of Salem was $176,800.[9] That figure is up only 4% over the median value from 2013 of $170,300. While prices for owner-occupied units have risen, it is important to note that 37% of the city's owner-occupied housing stock is still valued at less than $150,000 indicating some homes are valued within the reach of households earning the median income. Figure 24 compares the number of owner-occupied

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[9] ACS, 2014-2018.

housing units by value range across the City of Salem and the Region. Generally, the City of Salem's housing stock is valued greater than the Region as it encompasses more rural areas.

Figure 24: Percent of Owner-Occupied Units by Value Range
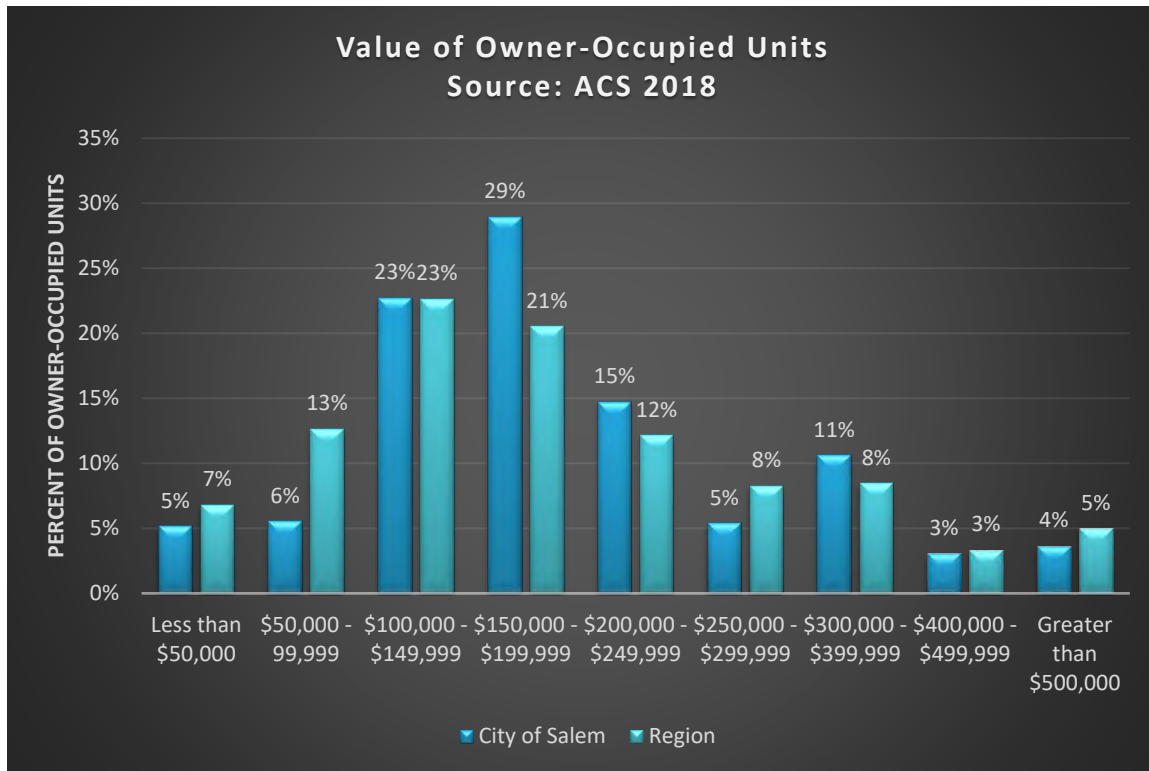
To provide accurate data on owner-occupied sales in the City of Salem, Multiple Listing Service (MLS) data for the period 2010 to 2019 was analyzed.[10] Over the ten-year period, there were about 2,692 sales with an average of 269 sales per year. The Great Recession impacted the city's ownership market dropping the total number of yearly sales as well as the median sale price of ownership units. Sale prices and total sales declined hitting a low in 2012 before the recovery began to take place. The median sales price between 2010 and 2012 dropped by 13% from $178,500 to $156,180. Prices, number of sales, and days on market have all improved since then.

RKG also looked at a comparison of sales for existing single family homes that sold versus brand new single family homes (ones that were built and sold in the same year) to better understand the price differential between the two. In 2019, new single family homes on average sold for 74% more than existing single family homes. The median sales price of a new home in 2019 was $300,875

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[10] MLS data provided by Roanoke Valley Association of Realtors.

compared to $172,890 for an existing home. Figure 25 shows median sales price for existing and new homes by year sold.

Figure 25: Sales Price
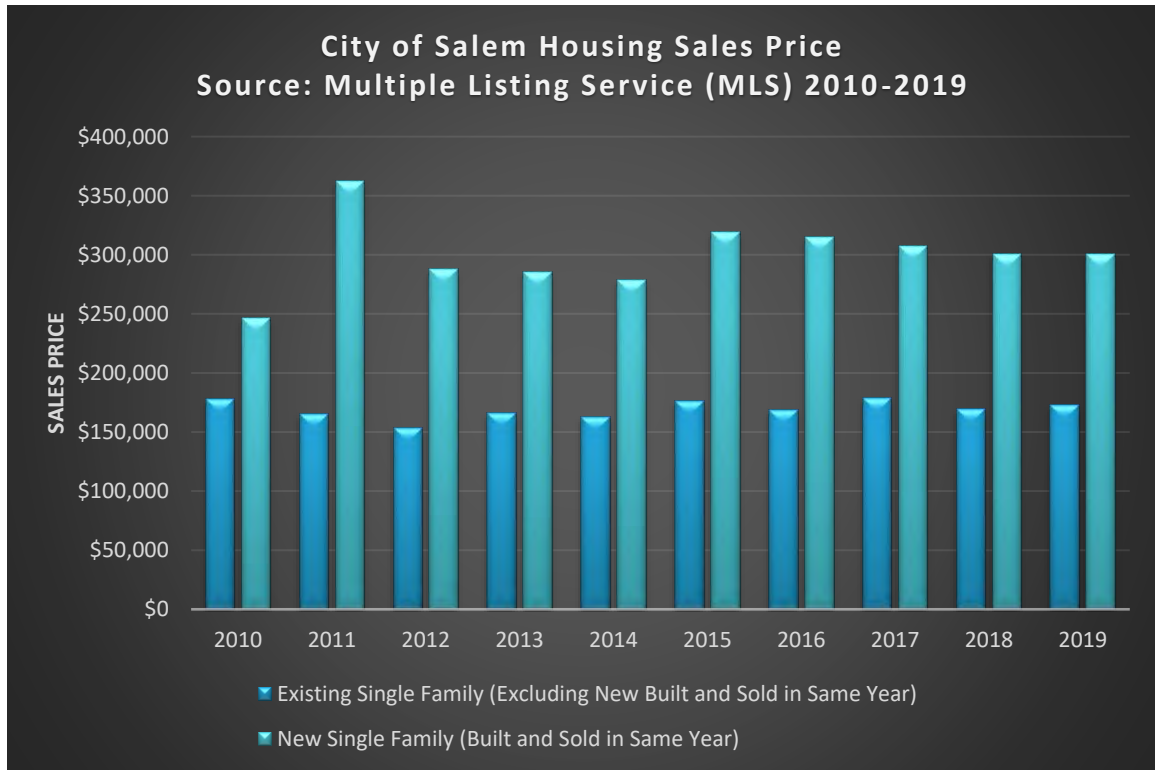
Homes built between 1970 and 2010 accounted for nearly 47% of all sales activity. Both the size and price of homes on a per square foot basis vary depending on the age of the structure. On a price per square foot basis, the median sales price of a home built between 1950 and 1970 was $84 per square foot, compared to $141 a square foot for homes built after 2010. This shows that older homes do not garner nearly the same price for a variety of reasons including overall size, potential rehabilitation needs, location or school district, and modernized layout and amenities.

The homes built in recent years are generally the same size as those built prior to the 1990's. Homes built between 1970 and 1990, averaged 2,093 square feet and sold for around $96 per square foot. Whereas between 2010 and 2019 homes averaged 1,956 square feet and sold for $141 a square foot.

The average days on market varies by product type with new homes taking longer to sell than existing homes, which is not surprising given the price differential between the two. Overall, the total days on market has declined since 2010 when on average it took an average of 46 days for a unit to sell compared to only 18 days in 2019.

Figure 26: Sale Price by Year Built
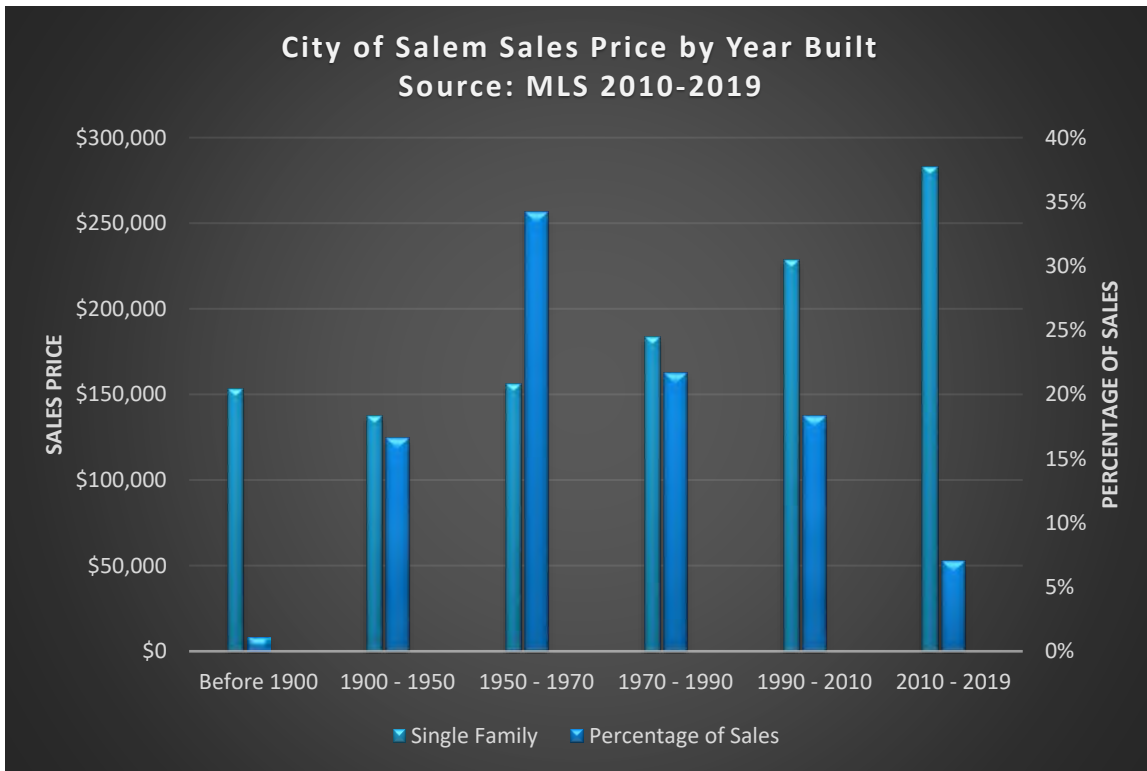
The maps on the following pages show the prices of homes sold between 2010 and 2020 at the regional level. The highest priced markets are across much of Roanoke County and around Smith Mountain Lake in Franklin County. Interestingly, the lowest concentrations of sales prices are in the incorporated cities and towns like Roanoke, Salem, and Rocky Mount. While there are pockets of higher priced neighborhoods in each of those locations, their overall sales values tend to be lower than those found in the counties. This may be explained by the older housing stock, desire for larger lots in the county, and real or perceived school quality.

RVA HOUSING STUDY - HOME SALES 2010-2020

Road Type
- Interstate
- Primary
- Blue Ridge Parkway
- Roanoke Valley Study Region
- Administrative Boundaries
- Water Bodies
- Conservation Land

MLS Sales 2010-2020
Sale Price (CPI-Adjusted)
- $100,000 or less
- $100,000 to $150,000
- $150,000 to $200,000
- $200,000 to $250,000
- $250,000 to $300,000
- $350,000 or more

0   2.5   5   10 Miles

Sources: Roanoke Valley-Alleghany Regional Commission, City of Roanoke, City of Salem, Roanoke County, Franklin County, Virginia Geographic Information Network, Dept of Conservation and Recreation, Virginia Economic Development Partnership, Roanoke Valley Association of Realtors Multiple Listing Service

CITY OF SALEM, VIRGINIA - HOME SALES 2010-2020
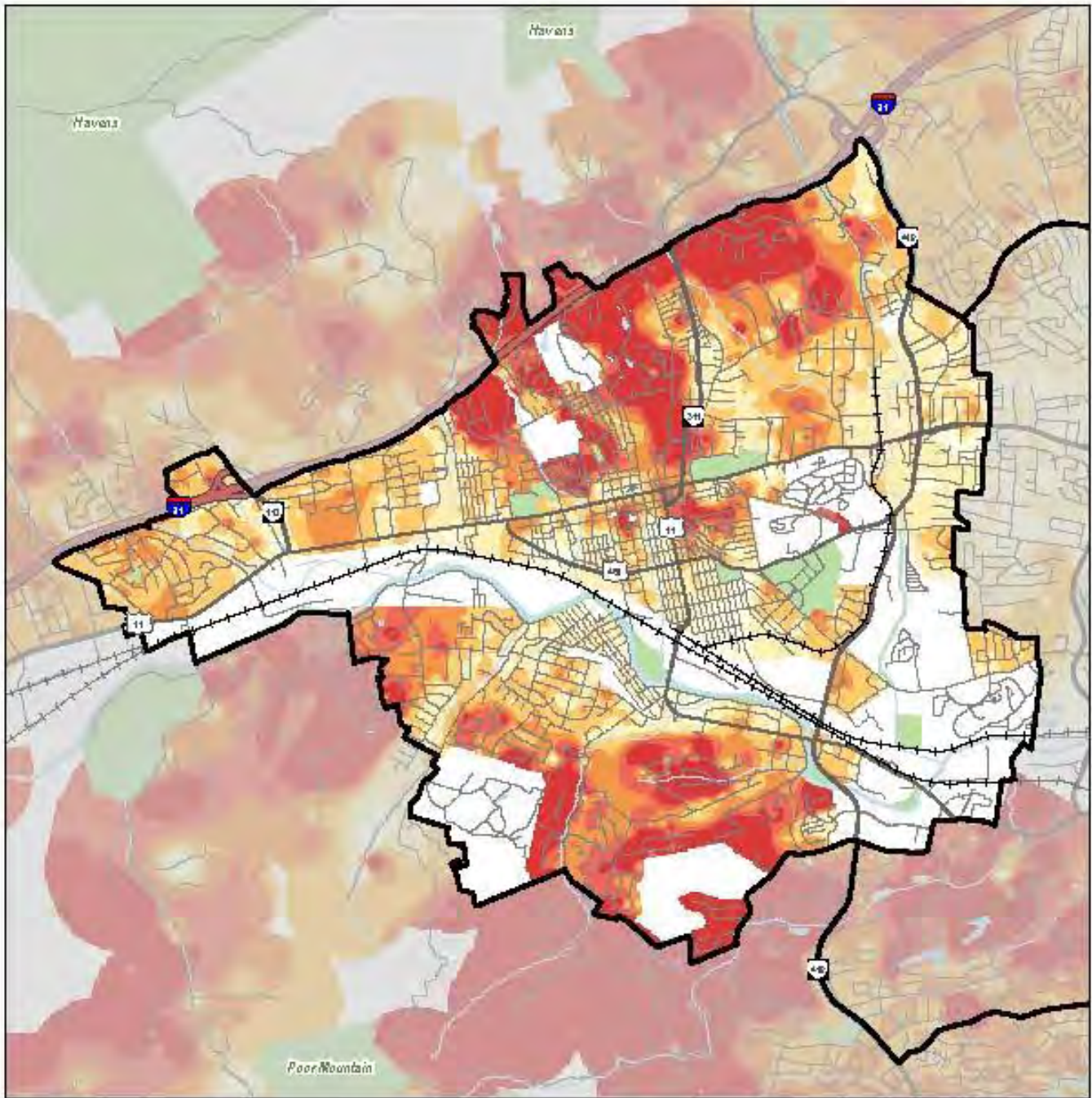
Road Type
- Interstate
- Primary
- Secondary
- Local
- Railroad
- Roanoke Valley Study Region

Administrative Boundaries
Parks and Conservation Land
Water Bodies
Rivers

MLS Sales 2010-2020
Sale Price (CPI-Adjusted)
- $100,000 or less
- $100,000 to $150,000
- $150,000 to $200,000
- $200,000 to $250,000
- $250,000 to $300,000
- $300,000 or more
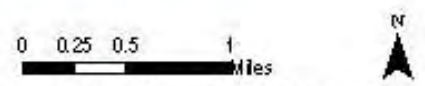
0   0.25   0.5   1
Miles

N

Sources: Roanoke Valley-Alleghany Regional Commission,
City of Roanoke, City of Salem, Roanoke County, Franklin County,
Virginia Geographic Information Network, Dept of Conservation
and Recreation, Virginia Economic Development Partnership,
Roanoke Valley Association of Realtors Multiple Listing Service

SECOND HOME MARKET

While the Region attracts nature lovers, retirees, and those looking for more space and recreation opportunities, the second home market in the City of Salem is not as strong as the Region. As indicated earlier, only 5% of vacant housing units are classified as Seasonal which accounts for only 44 units. While some homeowners may choose to own second homes in the city, the total number of seasonal units does not distort pricing associated with the year-round housing market. As mentioned above, the median sales price in 2019 was only $172,780 for an existing home. The price points found in the City of Salem are significantly lower than those found in true second home markets such as Smith Mountain Lake, where units can easily sell for $500,000.

Renter-Occupied Housing Market

This section provides an analysis of the renter-occupied housing market including supply, demand, and pricing across the city.

SUPPLY

In 2018 only 35% of the city's households were renters, with 40% of rental units in single family homes, 58% in multi-unit structures, and 2% of units in mobile homes. Compared to the region where only 52% of rental units are in multi-unit structures, the City of Salem has a larger reliance on these types of units as they offer different housing choices, price points, and lower maintenance than single family homes.

Table 10: Housing Tenure, Rental		
Renter Occupied	City of Salem	Region
Single family	40%	44%
Multifamily	58%	52%
Mobile Home/RV/Other	2%	4%
Source: ACS 2014–2018		

The rental housing stock across the city is older with only about 24% of rental housing units built after 1980. This compares to the Region where 31% of rental units were built after 1980. Older rental units may require greater maintenance and could result in less than ideal conditions for tenants.

Figure 27: Rental Structures by Year Built
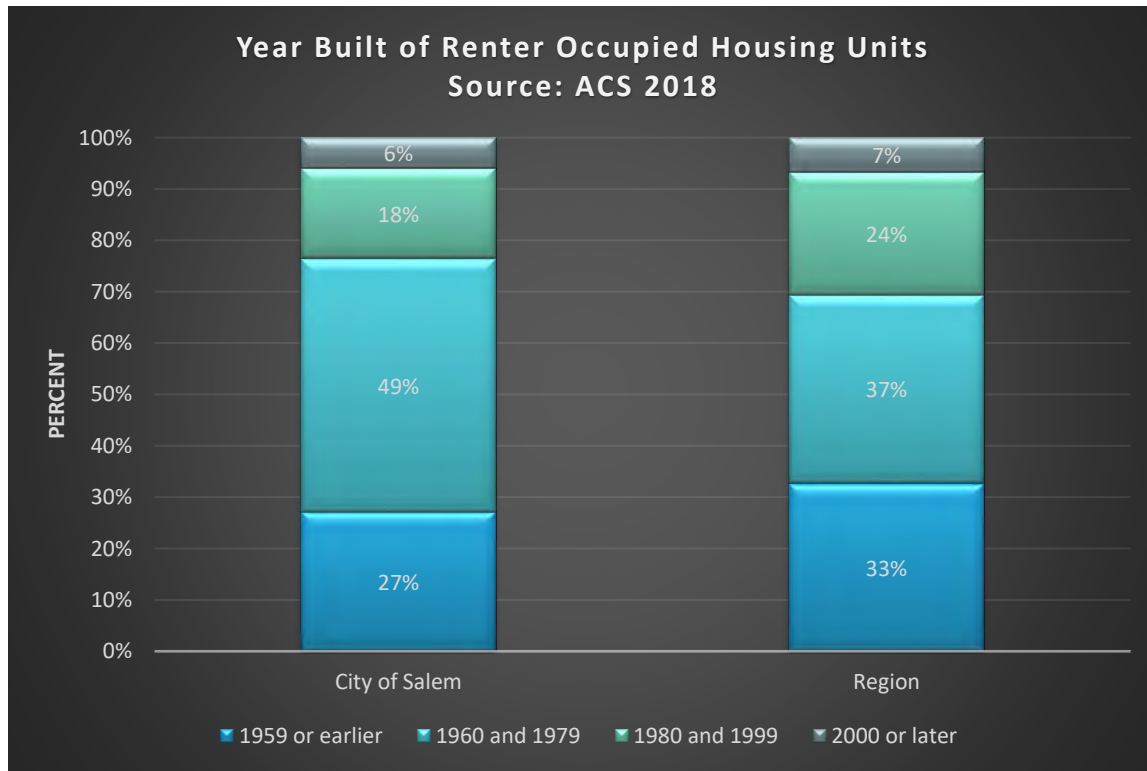
Pricing

In 2018, the median gross rent in the city was $915 which was an increase of 13% from 2013.[11] Gross rent is a measure of the monthly contract rent plus an estimated average utility cost paid by the renter. Utilities factored in include electric, gas, water, sewer, and fuel. Figure 28 shows the change in gross rent between 2013 and 2018 by price range. The number of households paying rent at the very low end (less than $500 a month) has declined by 54%, while the number of households paying moderate rents (between $1,000 and $1,499 a month) has grown by 56%. The trend toward higher monthly rent payments has implications for lower income households in the form of cost burdening and an inability to afford rent.

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[11] ACS 2013 and 2018.

Figure 28: Change in Gross Rent
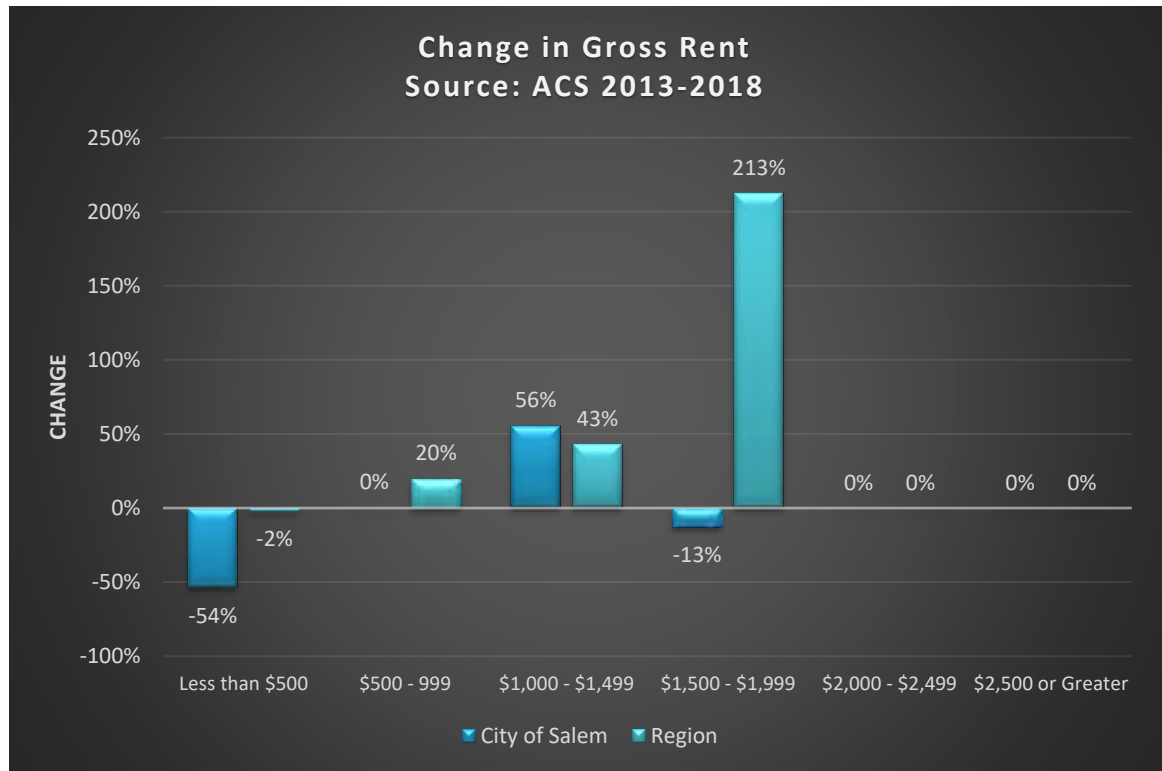
A recent scan of rental listings showed the average rent for a single family home to be around $1,200 per month, while rents in multifamily buildings also averaged $1,200 per month.[12] Rental prices in the larger apartment complexes vary significantly depending on the location, quality, and amenities offered.

Affordable Rental Units

In addition to market rate rental units, there are three apartment complexes in the city which have income restricted affordable units. As of 2020, the city has 372 low income rental apartment units, of which 106 of the tenants receive rental assistance.[13] The median rent in these units is $836. Rental assistance comes in the form of the Section 8 Voucher program which is administered by STEP, Inc. and Virginia Housing. These vouchers are targeted to low-income households, generally those at or below 30% of area median income (AMI). The maximum amount a vouch pays on behalf of a low-income tenant for a two-bedroom is between $847 and $1,035 a month.

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[12] Apartments.com, November 2020.

[13] https://affordablehousingonline.com/housing-search/Virginia/Salem

Future Housing Demand

The population of the City of Salem is projected to grow by 746 new residents between 2018 and 2025, a 3% increase. To accommodate this new population growth, RKG Associates developed a methodology for calculating the number of new households based on the increase in population and translated to estimates for future housing demand. RKG assumes that future household composition and housing tenure will follow a similar pattern to today and uses household sizes and tenure splits to allocate future household growth.

To accommodate the increase in population projected for 2025, RKG estimates the city may need to produce an additional 657 housing units above what exists today. This assumes current housing vacancy rates continue to hold steady. RKG also assumed that the split between owner and renter households would remain at its current split of 65% owner-occupied and 35% renter-occupied. Under these assumptions, RKG projects the city would need to add another 427 owner-occupied housing units and 230 renter-occupied units.

Table 11 shows the allocation of households by household size for the projected new households across the city. This allocation assumes that trends will remain constant out to the year 2025. For example, in 2018, 34% of all households were 1-person and 36% were 2-person. These percentages are applied in the same way to the total households projected for 2025 which results in 462 additional 1- and 2-person households over the next five years. Since 3, 4, and 5+ person households comprise a lower percentage of Salem's household composition those percentages are lower than 1- and 2-person households.

Table 11: 2030 Projections if 2018 Household Composition Held Constant		
Household Size	Households	% of Total
1-person household	223	34%
2-person household	239	36%
3-person household	98	15%
4-person household	55	8%
5-or-more person household	42	6%
Total	657	100%
Source: ESRI, ACS 2013, 2018, RKG Associates		

Table 12 shows the breakdown of owner and renter households by household size. With housing tenure held at the 65/35 split based on 2018 data, there is a projected need for an additional 427 owner-occupied housing units and 230 renter-occupied housing units through the year 2025. The new households are skewed toward 1- and 2-person households which are the two predominant household size categories in the City of Salem as of 2018.

Table 12: 2030 Projections if 2018 Household Composition Held Constant				
Household Size	Owner Households	Total% of Renter	Renter Households	Total% of Renter
1-person household	118	28%	105	45%
2-person household	169	40%	69	30%
3-person household	69	16%	29	12%
4-person household	38	9%	17	7%
5-or-more person household	31	7%	11	5%
Total	427	100%	230	100%
Source: ESRI, ACS 2013, 2018, RKG Associates				

Based on the projection data, the City of Salem will need to consider how to increase the production of smaller units to accommodate the increase in 1- and 2-person owner-occupied households. Based on the number of vacant units, the city could encourage the rehabilitation units as one way to help facilitate the production and preservation of housing. Part of the city's housing strategy will also need to focus on diversifying product type including some production of larger-scale multifamily housing to accommodate renter households.

NATIONAL TRENDS

This section describes national trends in demographics such as population and household growth, as well as trends in both owner- and renter-occupied housing. The trends related to housing include an examination of issues affecting housing types, price points, and affordability. This section also discusses the relationship of national trends to those seen in the City of Salem.

Population

The population of the United States has grown by 7% over the last decade, rising from 310 million to nearly 330 million. This population growth is driven in part by overall longer life expectancies, population reproduction rates, and immigration. The growth in population impacts the demographics associated with the housing market.

Figure 29: Population Growth in the United States
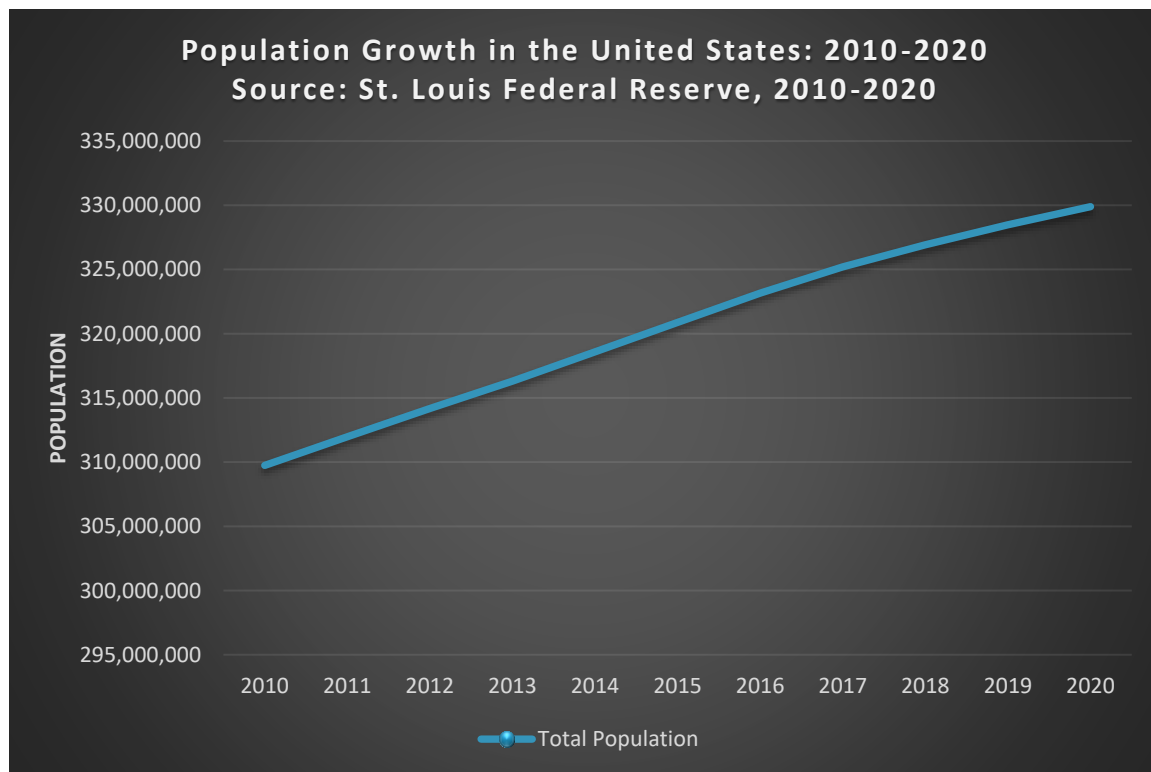
The City of Salem has seen modest population growth over the last 50 years. Between 1970 and 2010, the population of the City of Salem grew by 13%, rising from around 21,000 to about 25,500. However, this population growth has leveled off with the population only growing by 1% since 2010. Even with a slow population growth, the demographic changes occurring in the city impact the housing market.

Households

The number of households in the United States has increased by 11 million over the last decade. In 2020, there are 129 million households, an increase of 9% over 2010. The growth in households is driven by demographic changes within household composition. Households can be classified as family or non-family, with non-family households being defined as unrelated individuals living together, either through partnership or a roommate type situation. Over the last decade the growth in non-family households is nearly three times that of family households. Between 2010 and 2020 non-family households grew by 17%, rising from 39 million to 45 million, compared to family household which grew by 6% over the same period. The change in household composition is partially a result of a changing social structure (e.g. delayed marriage, longer life expectancy) as well as the economics associated with housing. Housing prices and rents have escalated in recent years, such that non-family households are formed so that they can afford housing. This generally occurs in highly urban areas where the cost of housing is substantial relative to incomes.

Figure 30: Households in the United States
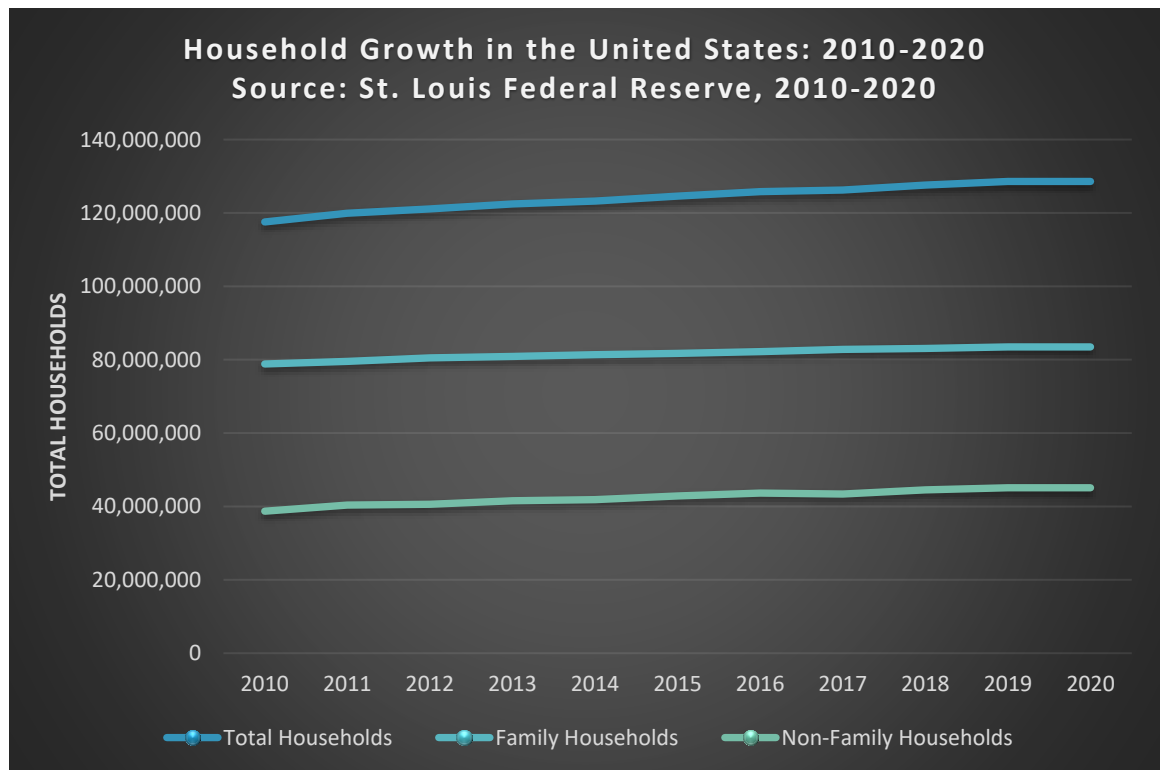
In the City of Salem, the total number of households has remains nearly unchanged over the last five years. However, when looking at changes within family and non-family households, patterns similar to national trends exist. In the City of Salem non-family households grew by 3% while family households declined by 2%. This shows that the city will need to adapt to its housing strategies to meet the needs of the growing non-family segment.

Housing Units

The number of housing units in the United States has increased by 9 million over the last decade. In 2020, there are 140 million housing units, an increase of 7% over 2010. The growth in housing units is driven by demographic demand as total households are increasing. This growth in housing units also coincides with the recovery from the Great Recession, and the expansion of both the economy and monetary policy (i.e. low interest rates). This period also coincided with the revitalization of many cities, where dense housing development help transform underdeveloped areas.

Figure 31: Housing Unit Growth in the United States
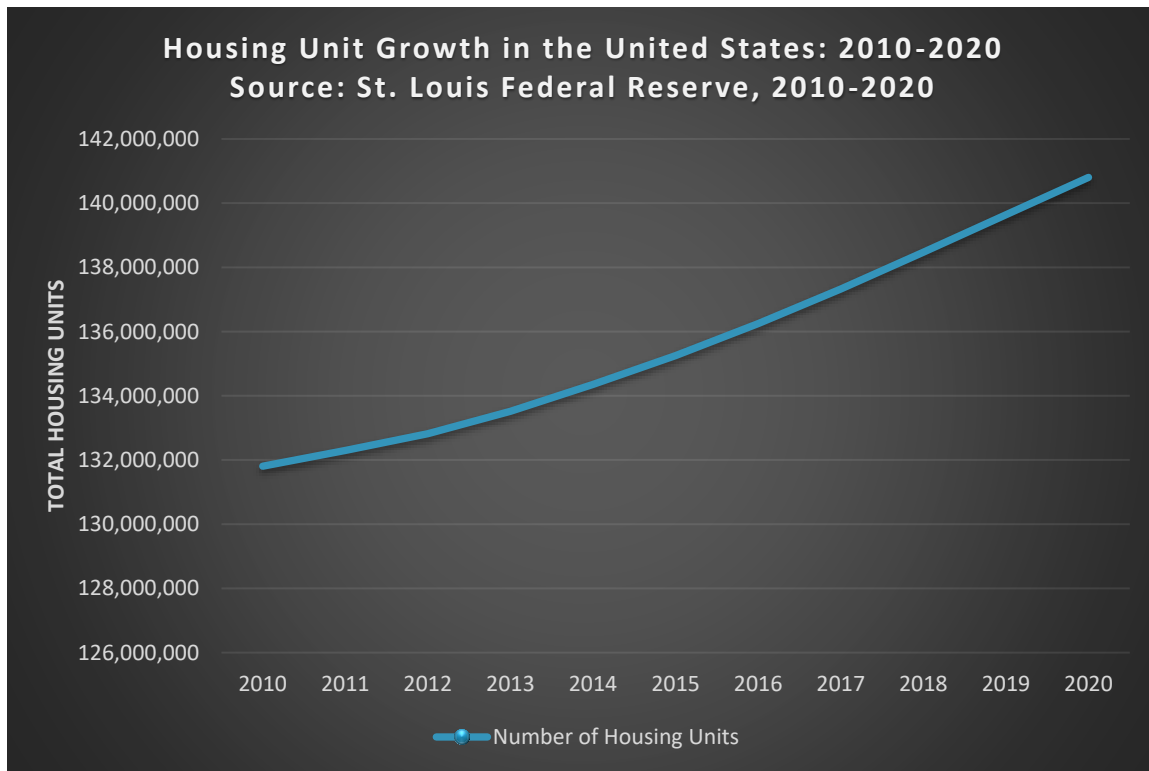
The City of Salem has not experienced much housing unit growth over the last decade. Across the city, the total number of housing units stayed essentially the same between 2010 and 2018. However, based on the analysis preceding this section, demand for housing in the City of Salem remains strong, as prices have risen over the past decade.

Single family Market

Across the United States single family home prices have escalated substantially since the Great Recession. Key contributing factors include demographic changes, low interest rates, lack of supply, and a lag in new construction which has resulted in increasing prices. Since 2010, home prices have risen by 49%, or $101,000 nationally. In 2016, the national median sale price eclipsed $300,000 for the first time. The continual growth in home prices creates challenges for many households across the nation as the median home price is now out of reach for households at or

below the nation's median income. During the same 10-year period, median household income grew by only 19%, or $10,800, indicating homes prices are rising faster than wages.

Figure 32: Median Sales Prices of Homes Sold in the United States
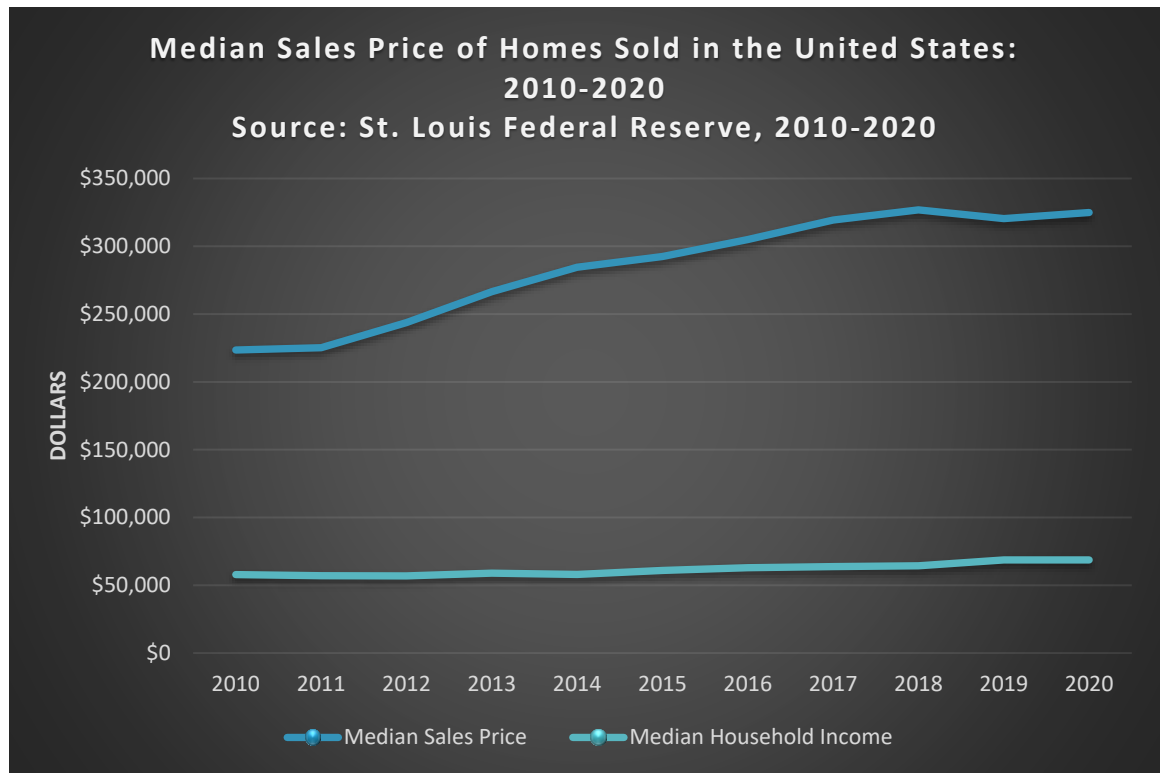
The City of Salem experienced a similar trend of home prices outpacing growth in incomes. Home prices have increased across the city with a median sales price of around $172,780 which is within reasonable reach of what a household earning the median income could afford. Like the issues at the national level, the City of Salem has seen a change in demographics as well as market dynamics which have limited the amount and type of housing being built. These changes include an increasing senior population who tend to age-in-place which limits housing turnover in marketplace, and a lack of multifamily developments which enable different types of households to attain affordable housing.

Multifamily Market

Like the national for-sale housing market, the multifamily rental market has also seen prices escalate since the Great Recession. Since 2010, rents nationally have risen by 43%, or $422 per month. The continued growth in rent is a perennial challenge for renter-households as there is a higher propensity of lower-income households and cost burdened households comprising the renter market versus the owner market. As rents continue to climb, added financial burdens on renter households force a reallocation of household income from other spending categories like food, transportation, and healthcare over to housing. Contributing factors to increasing prices in rental housing include demographic and economic changes placing more renters in the market,

regulatory barriers for new construction keeping supply low, and high costs of construction requiring higher rents in certain markets.

Figure 33: Median Rents of Multifamily Units in the United States
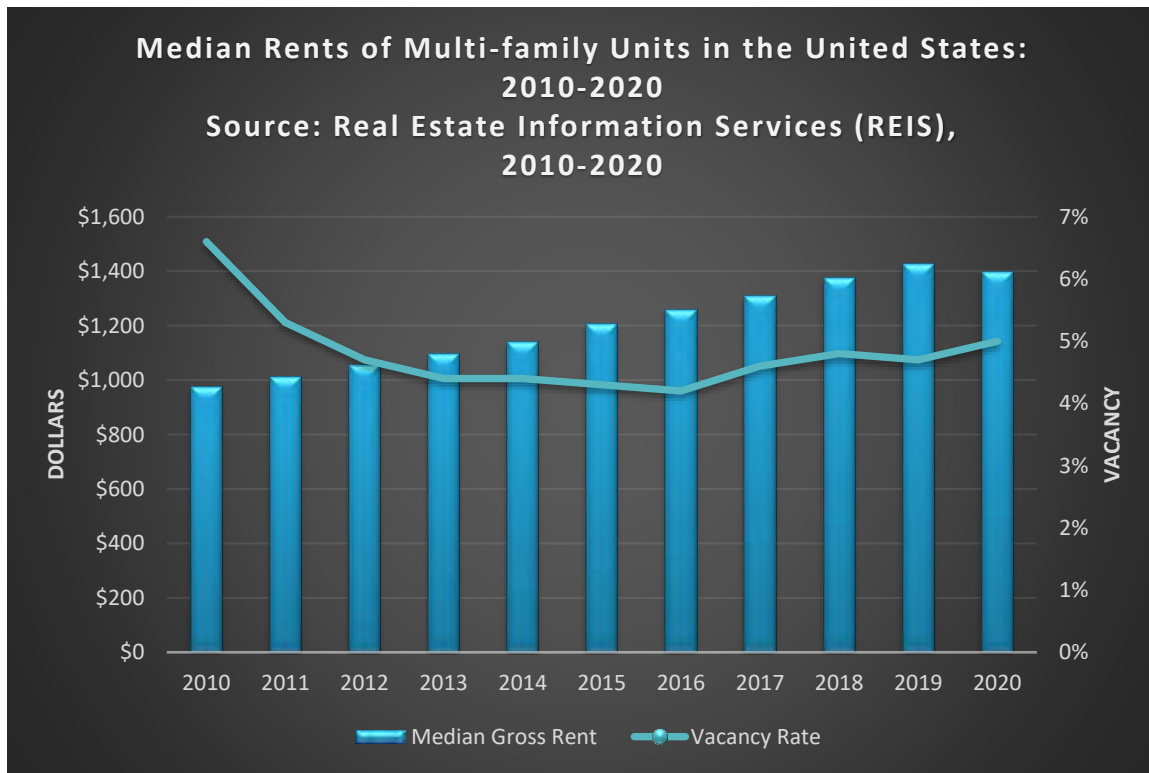
Compounding the problem in the rental market are low levels of vacancy across the board. Vacancy rates have remained close to 9% over the last 10 years. Low vacancy levels push rental prices upward as greater competition develops amongst households looking to secure available units. In the city, the average rent for a single family home is around $1,200 per month, while rents in multifamily buildings averaged $1,200 per month. The multifamily sector is a relatively large component of the rental market as multifamily units account for 58% of all rental units.

Affordable Housing Market

Access to affordable housing across the United States is a pressing issue. The production of truly affordable housing units has lagged demand for such units. There are a variety of reasons for this occurrence, primarily a lack of funding for affordable housing at the Federal and State levels, the competitive nature of tax credits as a key source of financing, regulatory barriers regarding density at the local level, and the long-term financial feasibility of constructing and operating affordable units without subsidies. Since 2015 rents of affordable units have risen by 14%, or $113 nationally. The continued rent growth has the potential to increase the number of households experiencing cost burdening impacting our lowest income households and households most vulnerable to displacement and homelessness.

Figure 34: Median Rents of Affordable Units in the United States

Figure 34: Median Rents of Affordable Units in the United States
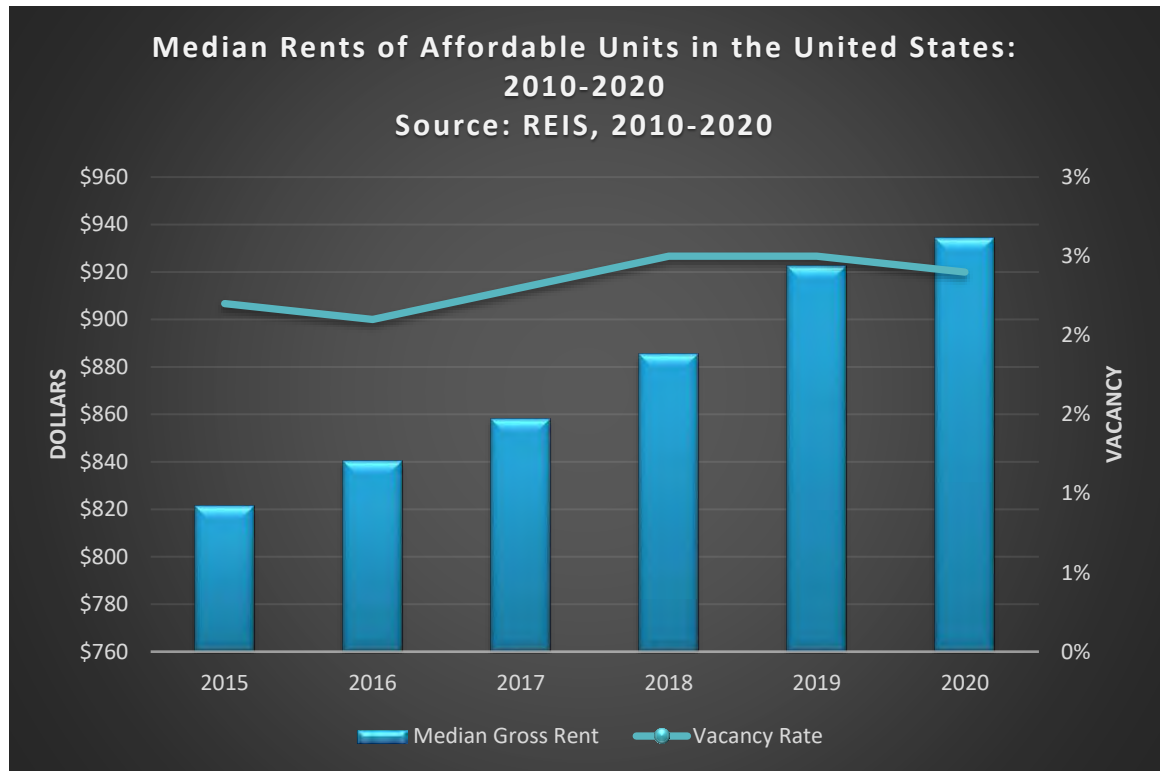
Compounding the problem in the affordable rental market are low levels of vacancy across the board. Lower vacancy levels and the lack of new affordable housing create competition amongst households looking to secure available units. Waiting lists for affordable housing and housing vouchers have become longer in many markets as more households apply for the few units that may turnover each year.

HOUSING MARKET GAPS

This section explores key housing market gaps based on the demographic analysis and owner and renter market analysis. Gaps focus on the type of housing that may be needed in the City of Salem going forward and the price points that appear to be underserved in today's market.

Low- and Moderate-Income Limits and Affordable Housing Costs

Most communities have some modestly priced housing that is more affordable to low- and moderate-income households: small, older single family homes that are naturally less expensive than new homes; multifamily condominiums; or apartments that are leased for lower monthly rents. This type of affordable housing often stays affordable where the market will allow it and redevelopment or rehabilitation pressures are not as high. In the city today, there is a mix of housing at a variety of price points some of which is income restricted and others that are at a price point that is affordable to low- and moderate-income households.

Permanently affordable housing for low-income households provides protection from higher price increases than those households could otherwise afford. These units remain affordable because their resale prices and rents are governed by a deed restriction that lasts for many years, if not in perpetuity. There are other differences, too. For example, any household – regardless of income – may purchase or rent an unrestricted affordable unit, but only a low- or moderate-income household is eligible to purchase or rent a deed restricted unit. Both types of affordable housing meet a variety of needs. The primary difference is that the market determines the price of unrestricted affordable units, while a recorded legal instrument determines the price of deed restricted units.

Low and moderate incomes are based on percentages of the U.S. Department of Housing and Urban Development (HUD) Area Median Family Income (HAMFI) and adjusted for household size. Table 13 illustrates HUD's income breaks for the City of Salem studying income limits by household size and the maximum housing payment that is affordable in each tier.

Table 13: HUD Income Limits	Persons in Family							
FY 2020 Income Limit Category	1	2	3	4	5	6	7	8
Extremely Low (30%) Income Limits ($)	$16,100	$18,400	$21,720	$26,200	$30,680	$35,160	$39,640	$44,120
Very Low (50%) Income Limits ($)	$26,850	$30,700	$34,550	$38,350	$41,450	$44,500	$47,600	$50,650
Low (80%) Income Limits ($)	$42,950	$49,100	$55,250	$61,350	$66,300	$71,200	$76,100	$81,000

For example, in the City of Salem, if the household income for a three-person household did not exceed $55,250 that household could qualify for a deed restricted affordable unit. Maximum housing payments are typically set by HUD at no more than 30% of household income, or in this case $1,381 per month. The income limitations and maximum payment thresholds ensure that households are not unduly burdened with housing expenses.

Affordability Analysis

Rapid growth in housing prices coupled with slow growth, if not declines, in incomes contributes to a housing affordability problem known as housing cost burden. HUD defines housing cost burden as the condition in which households spend more than 30% of their gross income on housing. When low- or moderate-income households are spending more than 50% of their income on housing costs, they are severely housing cost burdened.

Figure 35: Housing Cost Burden
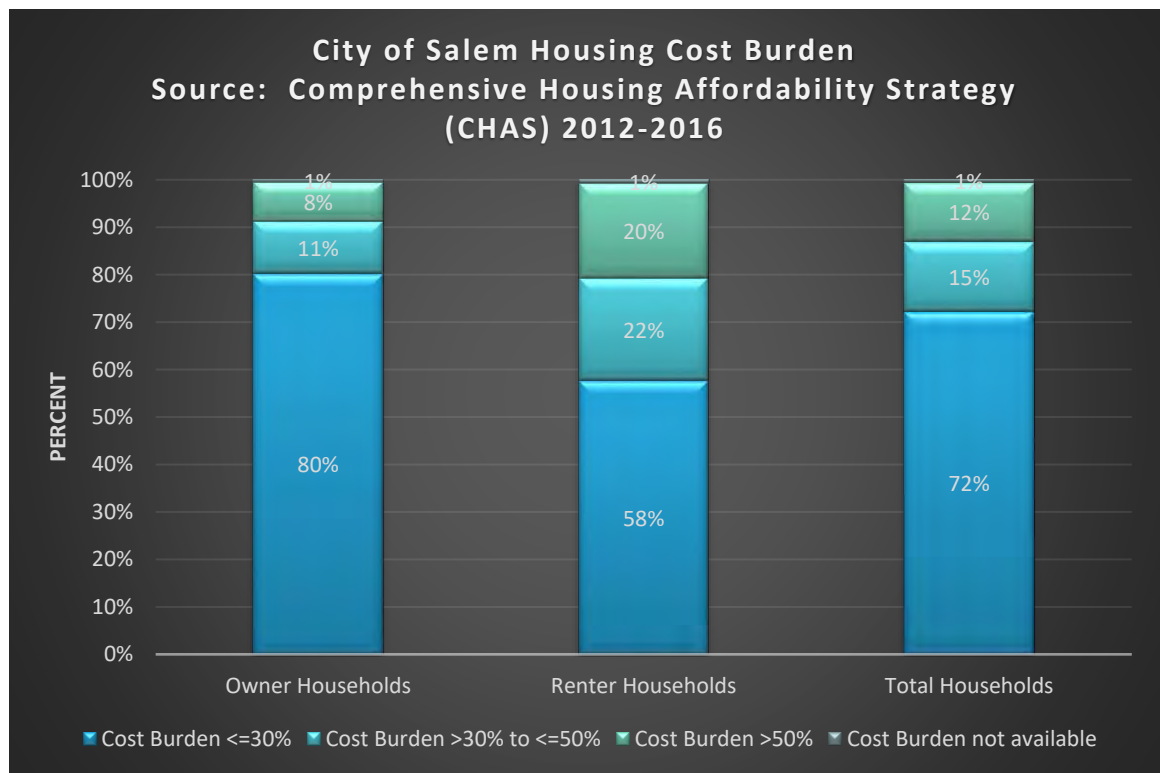
In the City of Salem, 15% of all households are considered cost burdened under HUD's definition and 12% are considered severely cost burdened. This is very similar to the Region as 14% of households are considered cost burdened and 12% are severely cost burdened. Table 14 shows the percentage of cost burdened owner and renter households. Renters in Salem have a higher tendency to be cost burdened than owners which is typical in most markets. In the case of the city, 22% of renter households are cost burdened and 20% of households are severely cost burdened which is a higher rate than owner households.

Table 14: Housing Cost Burden Overview, City of Salem, 2012–2016						
Cost Burden	Owner Households		Renter Households		Total Households	
	Est.	% of Total	Est.	% of Total	Est.	% of Total
<= 30%	5,185	80%	2,075	58%	7,260	72%
>30% to <=50%	715	11%	774	22%	1,489	15%
>50%	530	8%	720	20%	1,250	12%
Cost burden not available	35	1%	30	1%	65	1%
Total:	6,465	100%	3,595	100%	10,060	100%
Source: HUD Comprehensive Housing Affordability Strategy (CHAS) Data; Note: Totals may not sum due to statistical error in CHAS data; and RKG Assoc.						

AFFORDABILITY MISMATCH

While most communities have some older, more modestly priced homes and units with lower monthly rents these units are not necessarily occupied by low- or moderate-income households. HUD reports data for an affordable housing measure known as affordability mismatch which can be used to compare household income to housing prices. This measure can be used to identify housing price points where there may be an undersupply or oversupply and point to market opportunities where gaps could be filled. Affordability mismatch measures:

- The number of housing units in a community with rents or home values affordable to households in various income tiers;
- The number of households in each income tier;
- The number of households living in housing priced above their income tier

Viewing housing affordability in terms of income and cost (affordability threshold) serves as a proxy for understanding the challenges households face to afford adequate housing. To gauge whether owner and renter units in the Region are aligned with household AMI and affordability, RKG calculated the number of households that fall into each AMI category and compared it to the number of owner and renter units affordable at those income limits.

Table 15 shows the affordability analysis based on a three-person owner-occupied household. Given that about 43% of all owner households in the city earn at or above 120% of AMI, there is a shortage of units priced to what those households could technically afford. Some of this is related to the City of Salem's market dynamics where many owner units are currently valued at less than the average sales price, due to the dynamics described in the market analysis section. Many homes across the city are valued between $100,000 and $150,000 making the ownership market more affordable to a wider range of incomes. Just because a household can afford to spend more does not mean that they will; some households in the city can choose to live below their means because sufficient housing is available at lower price points.

Table 15: Owner Price to Affordability Comparison						
Category	Income Threshold	Owner Households	%	Fee Simple Home Price	Owner- Occupied Units	Surplus/ Deficit
30% AMI	$21,720	724	11%	$80,663	557	-167
50% AMI	$34,550	551	9%	$128,311	960	409
80% AMI	$55,250	1,061	17%	$205,186	2,559	1,498
100% AMI	$76,700	1,071	17%	$256,622	630	-441
120% AMI	$82,875	272	4%	$307,779	647	375
120%+ AMI	$82,876	2,736	43%	$307,780	1,062	-1,674
Source: ACS 2014-2018, HUD						

Although this analysis does show a surplus of housing available to households at the lowest income tiers, many households at 30% and 50% of AMI struggle to enter the homeownership market without some assistance. They may lack the down payment necessary to cover mortgage requirements, they may not have a high enough credit score, and if they are able to enter the market the homes available to them may need rehabilitation and upgrades.

It is also worth noting this analysis was completed for a three-person household which carries higher income thresholds across each AMI category than one- or two-person households. If singles or two people wanted to purchase a home, it is likely their choices at the 30% and 50% AMI categories would be extremely limited and likely show a deficit. With the growth in one- and two-person households region-wide, homeownership options for smaller households should be a consideration going forward.

On the rental unit side, Table 16 shows a surplus of almost 924 units priced to households earning at or below 80% of AMI. At the upper end of the rental market there is a deficit of 1,674 units priced for households at or above 120% of AMI. Again, this is the result of most rental units citywide being priced between $500 and $1,000 a month. While there may be a few households that could afford higher rents, it does not mean they are going to pay those rents especially when higher-end rental product is not prevalent throughout the market.

Table 16: Renter Price to Affordability Comparison						
Category	Income Threshold	Renter Households	%	Monthly Rent	Rental Units	Surplus/Deficit
30% AMI	$21,720	781	23%	$543	341	-440
50% AMI	$34,550	566	16%	$864	1,303	737
80% AMI	$55,250	871	25%	$1,381	1,498	627
100% AMI	$76,700	165	5%	$1,918	198	33
120% AMI	$82,875	634	18%	$2,072	34	-600
120%+ AMI	$82,876	449	13%	$2,072	92	-357
Source: ACS 2014-2018, HUD						

Households earning 30% of AMI or below are finding it increasingly more difficult to find housing priced to their income. This is a trend seen not only in the City of Salem, but nationally as well. These units tend to be deed restricted and managed by public entities such as housing authorities. With limited funds for constructing and preserving these units, there are typically affordability gaps at this income level. Like what was described in the owner-occupied affordability section above, the renter analysis is also set to a three-person household with higher income thresholds. A one- or two-person household earing at or below 30% of AMI would have even more difficulty finding an affordable unit as their income would be lower and therefore could afford fewer rental units citywide.

LAND SUITABILITY ANLAYSIS

Planning for land use change and future development must consider a wide range of factors that include environmental conditions and hazards, local plans and regulations, and the availability of critical infrastructure and services to support urban expansion and redevelopment. Land suitability models provide a framework that can incorporate these variables - and represent them geographically - to identify and prioritize areas that can support new housing, and potential constraints to development. This type of model is often employed in local and regional planning efforts using geospatial analysis techniques to process and integrate existing Geographic Information Systems (GIS) data. Thanks to the availability of high-resolution and regularly updated GIS databases, it has become possible to evaluate land suitability at the neighborhood and site scale while providing a reasonably accurate representation of local conditions.

Overview

For this study, the objective was to assess the suitability of land for residential development across four jurisdictions in the Roanoke Valley-Allegheny Region: Roanoke County, Franklin County, Roanoke City, and Salem City. Because each locality has unique physical characteristics, local bylaws, and planning priorities, it was critical to customize the suitability model within the boundaries of these areas. Part of the objective of this study was to prioritize three specific sites for each locality from a list of potential development sites, which were identified by land use and development planning staff. Additional details on the process of engaging local planners in the land suitability analysis can be found later in this chapter. The following diagram summarizes the stages of model development, from compiling planning documents and GIS data to developing final recommendations for the selected sites, including the critical points where local feedback was solicited on the model inputs and results. The full land suitability methodology can be found in Appendix A at the end of this document.
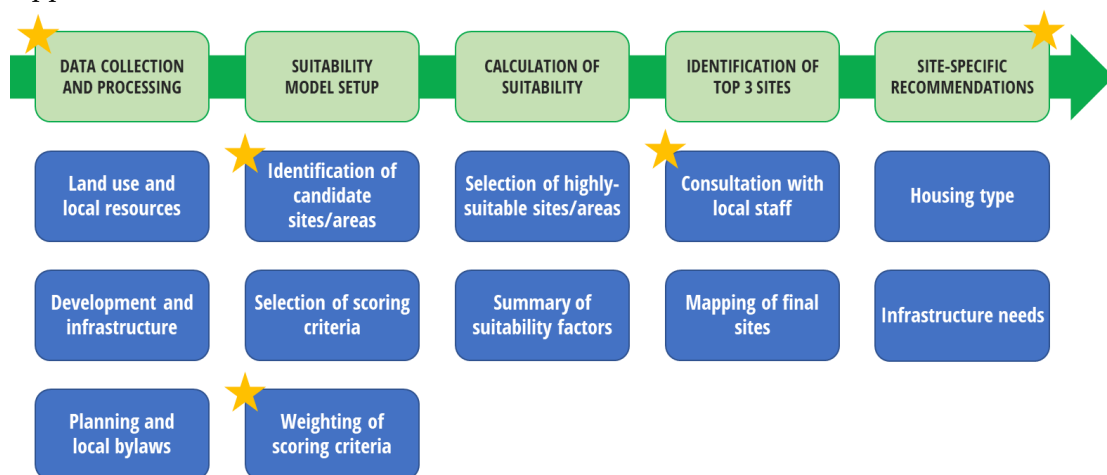
★ **Indicates where planning staff was consulted**

Data Collection and Processing

The information included in a land suitability model takes many forms, from GIS datasets representing linear infrastructure networks, administrative boundaries, and nodes of activity, to tables documenting details from assessors' databases and the dimensional requirements of local zoning bylaws. Data was collected from public data portals, RVARC's Director of Information Services, GIS managers from each city and county, and multiple agencies of the Commonwealth of Virginia.

In addition to GIS data sources, other location-specific data and variables were derived from local reports and planning documents, including comprehensive plans, area plans, zoning ordinances, housing assessments, and digital map documents produced by municipal and county planning offices.

Suitability Scores and Weights

The land suitability model was designed based on established land use assessment techniques that apply spatial analysis tools to assign scores to a range of categorical and numerical variables. These scores are then combined into an index that indicates the relative suitability for a particular land use.

There are many ways to implement this type of model using GIS – in this case a raster-based model was used, in which each study area is divided into a grid of cells and suitability scores are assigned to each cell based on:

- proximity (ex. within 50 feet of a road)
- category (ex. land use or zoning)
- or a simple binary score (0 or 1) indicating location within an area of interest (ex. UDAs).

For this housing study, suitability criteria were selected based on a review of local planning documents and consultation with planning staff, with a focus on conditions that could support residential development in each jurisdiction. Numerical scores were assigned to each factor according to the level of development suitability, from high (score = 3) to low (score = 1), or not suitable at all (score = 0). Total scores were calculated using a weighted sum to combine the score of each factor.

The weight values range from Low (weight = 1) to Very High (weight = 7), and were based on initial discussions with local planners, then refined through further validation of the initial model results. The table below presents a summary of the suitability criteria, assumptions for each score, and the relative weights used in the model for each jurisdiction. Certain criteria were not factored into the analysis in some areas, for example, because some zoning or water resource protections were unique to the City of Roanoke they did not apply in other areas. Because of the scale of the regions and differences in mobility, the distance from public schools used wider ranges (1 to 5 miles) in the county geographies and smaller ranges (0.5 to 1.5 miles) in the cities. In total, the Roanoke County model included 13 criteria, 12 for Franklin County, 16 for the City of Roanoke, and 15 for the City of Salem.

Assumptions and Limitations

As with any model, some simplifications were necessary to represent real-world conditions using this conceptual approach to evaluating land suitability. The break values selected for distance from critical infrastructure and scores assigned to different types of land cover, for example, represent assumptions made as part of the model development. Site-specific factors may change the applicability of these assumptions, but they are considered representative of potential development conditions at the regional and neighborhood scale.

Additionally, errors or omissions may be present in the GIS data and documents used to develop the model. One such known data gap is the water and sewer infrastructure in eastern Roanoke County. Data was collected for these infrastructure networks in Vinton, but it did not cover the areas connected to this system east of the Vinton border. Also, cemetery locations were included in the data for Roanoke County, but not other areas.

Overall, this model represents a regional decision support tool, using the best available data at the time of this document's writing. For more detailed parcel-level assessment of suitability and constraints, additional site surveys and mapping should be performed by qualified professionals. These models are intended to prioritize pre-selected development sites and identify potential infrastructure needs and other factors that could facilitate housing production. Other uses of this model should consider the assumptions and limitations outlined in this document.

Site Identification

Development of the land suitability model was organized to capture local planning and development knowledge at critical stages in the process, specifically:

- **Data collection and processing:** determining key datasets and relevant local plans and bylaws
- **Suitability model configuration:** identifying potential development areas and discussing initial weights for suitability factors
- **Selection of final sites:** providing feedback on the suitability and constraints of selected sites
- **Site recommendations:** offering input on types of housing, zoning, incentives, and infrastructure

At each stage more of this local knowledge of land use, planning, and development conditions was integrated into the land suitability model configuration and helped to refine the areas suggested as sites of potential housing development.

Site Selection

The ultimate objective of model is to evaluate the development potential of an initial list of sites, with the goal of prioritizing three sites within each jurisdiction. The sites were identified as follows:

1. Initial discussions with planning staff (August 2020)
   - The model development team conducted Zoom calls with planners from Vinton, Rocky Mount, City of Roanoke, Roanoke County, and Franklin County.
   - Discussions centered on recent development trends and sites with potential for residential development, based on local knowledge and interest from developers. Initial locations were marked on a custom Google Map and saved to a GIS file.
   - Planners were also asked to provide a preliminary distribution of importance to each category of suitability criteria.
2. Site delineation and validation (September 2020)
   - Based on the locations identified with planners, parcels and larger areas were identified and assigned an ID. Associated parcel numbers and addresses were tabulated for each site.
   - Information on the preliminary sites was sent back to planning staff for validation
3. Development site refinement and consolidation (October-November 2020)
   - After reviewing the additional feedback, potential development area boundaries were adjusted, and ID numbers were updated to reflect the final selected sites.

Site Evaluation

The final sites identified for each jurisdiction were incorporated into their respective suitability and constraint models to calculate the scores and compare the development potential within each site boundary. Because the model employed a grid-based approach, the suitability and constraints scores vary across each site. To account for the range of scores, the average suitability and constraint scores were tabulated. Based on feedback from the project steering committee, there was interest in reviewing the suitability of each site without considering current zoning, which would lower the score in areas where limited housing types are permitted by right.

The following section presents a summary of the scores for each version of the model, organized by jurisdiction. Final selection of potential housing development sites also considered the area and configuration of the parcels within each site, as well as local housing market conditions and the type of housing each site would be likely to support. At the end of each section, a summary of the top three sites is presented, including a close-up view of the site, a map of key constraints, and other important details, including: site area, zoning, and location relative to UDAs, zoning overlays, and historic districts.

City of Salem Priority Sites

The maps on the next two pages show the locations of the selected potential development sites, along with the results of the land suitability analysis, specifically the version including zoning in the overall score. Areas with highest suitability include the historic downtown and major road corridors such as Route 460, Route 11, and Roanoke Boulevard. The city's Urban Development Areas, particularly City Core and Village Core, also contributed to the higher scores. Flood zones along the Roanoke River and its tributaries were one factor in the lower scores in those areas. The maximum suitability score for the model including zoning is 159, and the average score is 111.
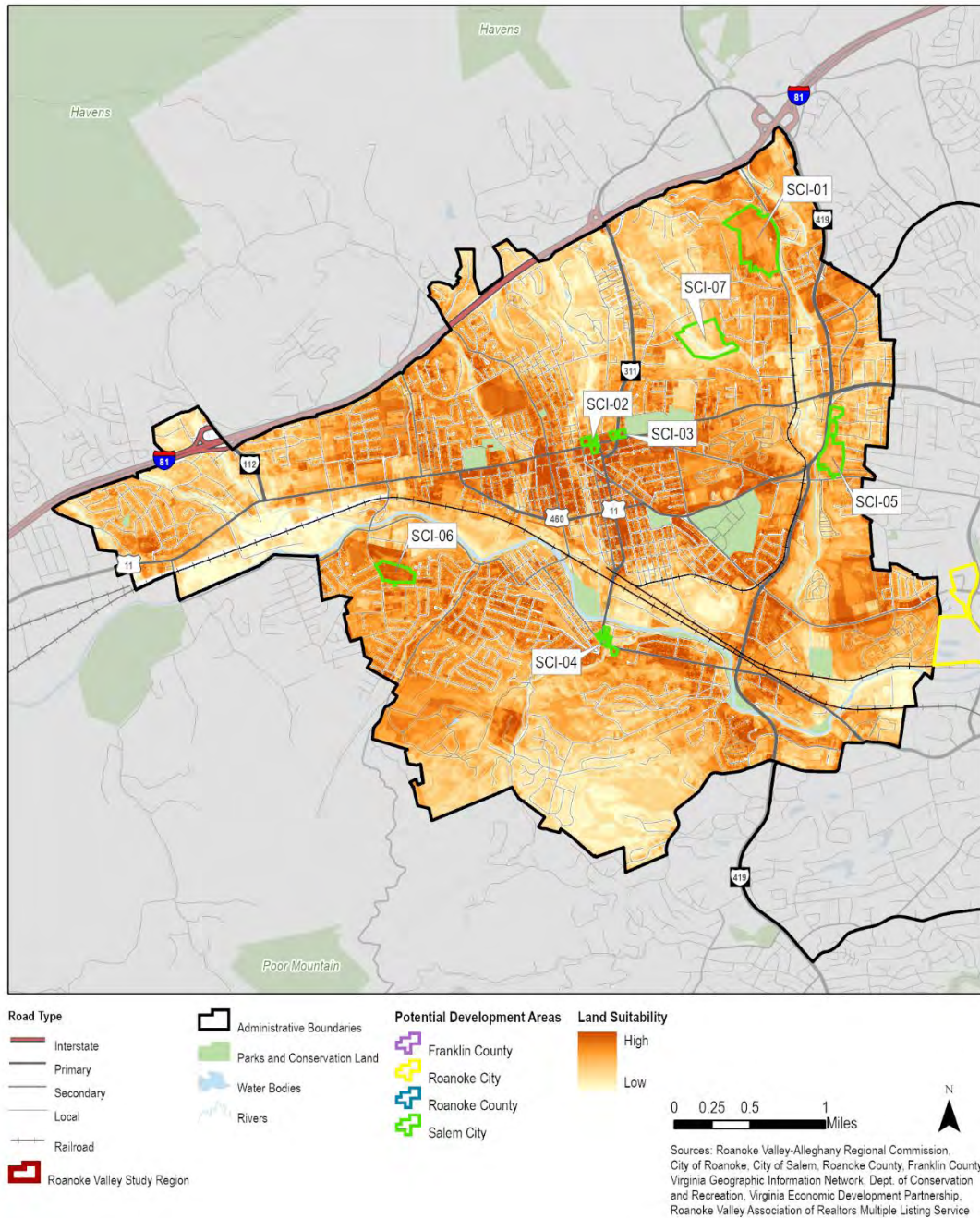
Figure 36: City of Salem Land Suitability

Highly constrained areas are located along the railway and river corridors in the City of Salem. Factors in these areas contributing to the higher constraint scores include existing industrial development, zoning restrictions, and flood zones. Most other constrained areas are associated with the city's road network, parks, and existing buildings. The areas with fewest constraints are in less densely developed residential neighborhoods and golf courses. Throughout the entire city the highest constraint score was 6, and the average score was 0.69. The following map shows the distribution of constraints, with bright red areas indicating a greater number of overlapping constraints.
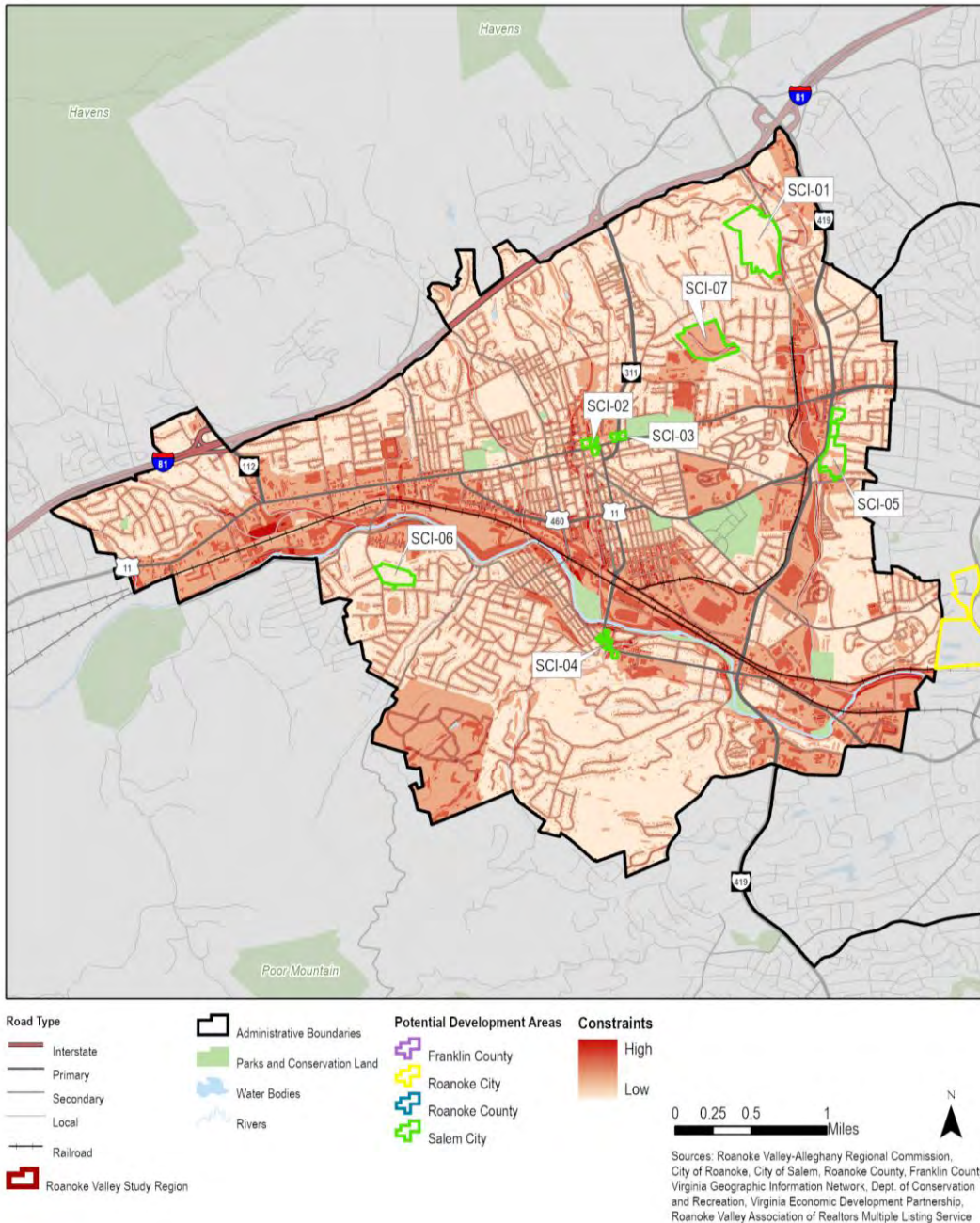
Figure 37: City of Salem Development Constraints

In comparison to the suitability scores across the city, all but one site was above the average suitability score, and a majority of sites had constraint scores that were below the average. Comparing the "Primary" model to the "No Zoning" model, it is important to note that the scores without zoning will be lower overall because there was one less factor contributing to the total score. The table below presents the suitability and constraint score for each site, both including and excluding zoning as a factor.

Table 17: City of Salem Site Suitability Scores

Site ID	Site Description	Area (Acres)	Primary Model			No Zoning Model		
			Suitability	Constraints	Rank	Suitability	Constraints	Rank
SCI-01	Kessler Mill Road	63.95	121.0	0.09	4	114.0	0.09	5
SCI-02	Downtown Parking 2	4.36	135.3	0.89	2	114.3	0.89	4
SCI-03	Downtown Parking 1	2.50	137.3	0.49	1	116.3	0.49	2
SCI-04	Village Core	4.31	116.3	1.57	5	114.4	0.71	3
SCI-05	Electric Road	29.27	114.8	0.47	6	108.9	0.27	6
SCI-06	Mill Lane	16.10	130.6	0.06	3	123.6	0.06	1
SCI-07	Radio Station	38.87	98.9	1.18	7	98.9	0.18	7

There was agreement between the models on two of the top three sites, SCI-03 (Downtown Parking 1) and SCI-06 (Mill Lane), the third site switched from the other downtown parking area to SCI-04 (Village Core) when zoning was not considered. The Kessler Mill Road site (SCI-01) came up fourth in the ranking when zoning was included and fifth when it was excluded. The lowest suitability site, SCI-07, is currently a radio station with a series of towers, it also had a lower score due to terrain and flooding issues.

Due to their similar characteristics and proximity to each other, the parking lot sites in downtown Salem were combined into a single site for the purpose of final recommendations and housing yield estimation. Mill Lane and Kessler Mill Road were selected to round out the top three sites. Village Core was considered because of its redevelopment potential and location in a UDA, but ultimately the layout of the site and existing development were detrimental to its housing potential. The following table provides some additional details about the top three sites for the City of Salem, and additional maps of these sites are included on the following pages.

Table 18: City of Salem - Top Three Development Sites

Site ID	Site Description	Acres	Zoning	Overlays	UDA	Historic District
SCI-01	Kessler Mill Road	63.96	RSF/RSF-LM/AG	None	No	No
SCI-02	Downtown Parking 1 & 2	6.85	DBD	Floodplain (partial)	Yes	Yes
SCI-06	Mill Lane	16.09	AG	None	No	No

SCI-01: KESSLER MILL ROAD

This site consists of ten parcels with almost 64 acres on Kessler Mill Road. Existing land uses appear to include an automobile supply and body shop, two single family houses, and forested land. In addition, the site is adjacent to a paved recreational trail, part of the City's greenway system. Surrounding land uses include large lot single-family residential uses to the north and west, more compact single-family uses to the south and on the east side of Kessler Mill. The site has some steep slopes in the southeastern portion of the site, but no other apparent environmental constraints.

About 39 acres on the northern portion of the site is in the Agricultural (AG) zoning district, just under 10 acres are in the Residential Single Family/Light Manufacturing (RSF-LM) zoning district, and about 15 acres are in the Residential Single Family (RSF) zoning district. The 2012 Future Land Use Map indicates this area as residential. The only residential use allowed by right in these districts is single family dwellings. Two family dwellings are allowed by special permit in the RSF districts. Multifamily dwellings are not allowed in any of these districts.

This study's analysis of the market for this area indicates that while the City has a slower household growth rate than the Region, there is still an opportunity to deliver affordable housing options to households at different price points. There is a strong market for entry-level housing and this location offers a potential opportunity. The City's existing housing stock is old, and many units need rehabilitation, which is both costly and time consuming for first-time homebuyers. Additionally, obtaining financing for rehabilitation is difficult as depressed neighborhoods values influence lending decisions. New development in the form of bungalows, single family, duplexes, and townhomes, and which are reasonably priced offer a first step to households looking for housing which is economical.

Note, according to mapping data from the City of Salem, this area appears to have public water and sewer infrastructure in close proximity.

Recommendations:

- Consider rezoning this site, possibly as a Planned Unit Development (PUD), to allow flexible development of missing middle housing including two-family and townhouse dwellings and small multifamily dwellings of 3-4 units to provide more housing diversity.
- Master plan for this site, per the PUD requirements, should maximize open space, particularly as a buffer to surrounding single family neighborhoods.

SCI-01: Kesler Mill Road

Image sources: USDA FSA, GeoEye, Maxar

Locality: City of Salem

Area (Acres): 63.95

Zoning District:
RSF (City of Salem)

Other Base Zoning:
AG (City of Salem)

Zoning Overlay:
N/A
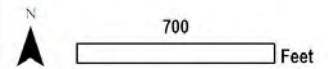
In a UDA?
No

In a Historic District?
No

700 Feet

Sources: Roanoke Valley-Alleghany Regional Commission,
City of Roanoke, City of Salem, Roanoke County, Franklin County,
Virginia Geographic Information Network, Dept. of Conservation
and Recreation, Virginia Economic Development Partnership.

Constraints

Flood Zone
Wetlands
Steep Slope
Karst
Town Boundary
Building Footprints
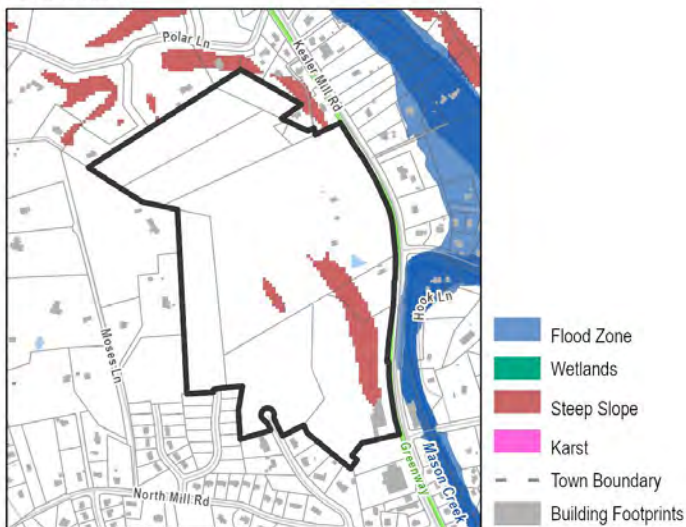
Figure 38: SCI-01 Site Summary

SCI-02: DOWNTOWN PAKRING 1 & 2

This site consists of 27 parcels in downtown Salem, many of which consists entirely or partially of parking lots, located near the Roanoke County Circuit Court and to the rear of businesses fronting East Main Street between North Market Street and Route 311. Roanoke College campus is in close proximity. The parcels have 14 separate owners, primarily private entities. The city owns one parcel (#106-11-4.1) of about 0.2 acres and the Roanoke County Board of Supervisors owns five parcels totaling about 1.2 acres.

The site is in the Downtown Business District (DBD) zoning district which permits mixed-use by right and multifamily as well as single family and two family by special permit. The Downtown Business district (DBD) seeks to preserve the character of Salem's historic city center, with a mix of retail, office, and institutional uses combined with upper level residential. The DBD has no minimum lot size requirements and a height maximum of 80 feet.

Downtown Salem is a National Historic District with historic resources mostly dating from the late 19th and early 20th century. Rehabilitation of historic resources that are listed on the National Register of Historic Places can be eligible for financial incentives through historic tax credits. Downtown Salem is also designated as a UDA, which requires a minimum density of 12 units per acre for apartments or condominium multi-family dwellings.

The 2012 Future Land Use Map designates this area as part of downtown. One of the objectives of the 2012 Comprehensive Plan is to ensure development within the downtown area maintains an urban fabric and includes a strategy to evaluate form-based codes for downtown development. Another Plan objective is to promote downtown housing options that take advantage of the mixed-use and walkable nature of the area with a strategy to encourage mixed-use structures in downtown among other areas. Also, as described in the Plan, encouraging mixed-use development in downtown can help to increase the strength of businesses in downtown and helps to encourage activity downtown after work hours.

This study's analysis of the market for this area indicates that there is a need for housing options which meet the need of growing population and are also catalytic for new economic development. While large numbers of mixed use developments are not found across the city, proximity to the Roanoke College and major employers makes this site a potentially viable location for such a housing typology. The site could capitalize on the growing young professional population across the City and be a catalyst for further economic activity in the downtown, with the potential for new restaurants and retail supported by the increase in foot traffic. Additionally, mixed use development is also attractive to the growing senior population, as they may be looking to downsize, and looking for walkability and amenities.

Note, according to mapping data from the City of Salem, this area appears to have public water and sewer infrastructure in close proximity.

Recommendations:

- Evaluate parking demand and management strategies for the businesses and institutional uses in this area of downtown to determine feasibility of promoting mixed/use infill development on parking areas.
- Develop design concepts for infill sites to help envision mixed-use development possibilities that are compatible with the built character of downtown.
- Consider form-based codes for downtown that would provide flexibility to encourage medium density multi-family in mixed use development on infill sites while preserving historic resources and the traditional main street character of this downtown business district. Land use controls should ensure infill development is compatible with the architectural styles and scale of the neighborhood.

SCI-02: Downtown Parking 1 & 2

Image sources: USDA FSA, GeoEye, Maxar

Locality: City of Salem

Area (Acres): 6.85

Zoning District:
DBD (City of Salem)

Other Base Zoning:
N/A

Zoning Overlay:
Floodplain (partial)

In a UDA?
Yes

In a Historic District?
Yes
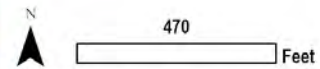
Sources: Roanoke Valley-Alleghany Regional Commission,
City of Roanoke, City of Salem, Roanoke County, Franklin County,
Virginia Geographic Information Network, Dept. of Conservation
and Recreation, Virginia Economic Development Partnership

Constraints

- Flood Zone
- Wetlands
- Steep Slope
- Karst
- Town Boundary
- Building Footprints
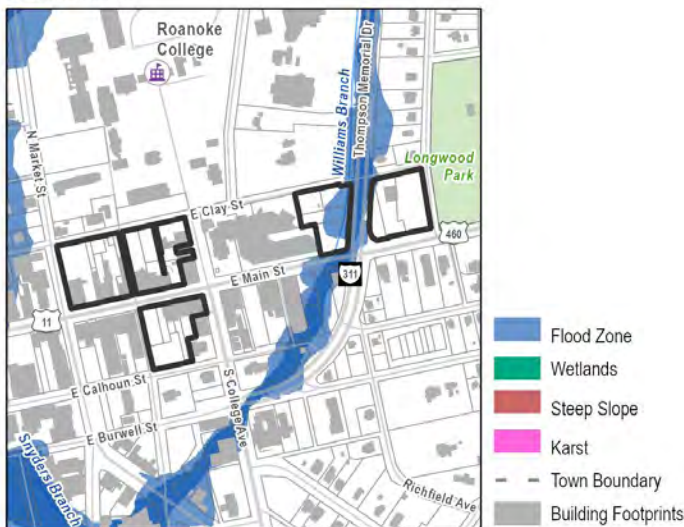
Figure 39: SCI-02 Site Summary

SCI-06: MILL LANE

This site consists of two parcels totaling about 16 acres and has frontage on Mill Lane and Penley Boulevard. The site is close to the South Salem Elementary School. Note that there are also two abutting undeveloped parcels to the north of this site, however the slopes may make development less feasible. The subject site appears to have a few buildings or structures toward the Mill Lane boundary (possibly outbuildings/farm buildings associated with the adjoining property) fields cleared to the rear (East) of these structures and the remaining land is forested or shrub land.

The site is in the Agricultural (AG) zoning district. The only residential use allowed by right in this district is single family dwellings with a minimum lot size of 10 acres. To the West, South, and East are single family residential neighborhoods zoned as Residential Single-Family (RSF) districts. To the North, beyond the undeveloped parcel, is in the Light Manufacturing (LM) zoning district.

The 2012 Future Land Use Map designates this area as residential. It is adjacent to an economic development area to the north.

In an area largely developed as single family neighborhoods, this site and the adjoining undeveloped site are some of the few remaining larger undeveloped sites in this area of Salem. If this site is valued for its open space character or as a farm, it may be possible to encourage a cluster subdivision approach to development of this site. This type of development could preserve open space and scenic aspects of this site while providing the opportunity for more compact development sited away from the main roads to visually tuck into the site.

Section 106-222 of the City's Zoning Code permits Cluster Housing Overlay district to be requested for any land zoned RSF. The overlay zoning provisions allow flexibility in site design and lot arrangements for new single family residential development including attached single family dwellings on parcels with minimum development size of 2 acres, minimum lot size of 4,500 square feet and maximum density of 5 units per acre.

If this site were rezoned to allow a cluster subdivision, it may be possible to cluster new attached single family homes on roughly 8-10 acres or so of land in the south, southeast, and east portions of the site, thereby preserving the open space/scenic view from Mill Lane and the farm use at the western portion of the lot. Developing 8-10 acres of the site in this manner could preserve 50 to 60 percent of the site and potentially produce 40-80 attached single family houses, which could provide some additional housing options as alternatives to the primarily detached single family houses that predominate in the area.

This study's analysis of the market for this area indicates that while the city has a slower household growth rate than the Region, there is still an opportunity to deliver new reasonably affordable housing options to households. There is a strong market for missing-middle type

housing and this location offers a potential opportunity. The city's existing housing stock is old, and many units need rehabilitation, which is both costly and time consuming for first-time homebuyers. Additionally, obtaining financing for rehabilitation is difficult as depressed neighborhoods values influence lending decisions. New development in a cluster form, could offer affordable price points and amenities, such as open space, which is not available in other parts of the city. Based on local sales prices in this area of the city, the market is quite strong and new housing product has the potential to meet the growing demand.

Note, according to mapping data from the City of Salem, this area appears to have public water and sewer infrastructure in close proximity.

Recommendations:

- Amend the Cluster Housing Overlay zoning to permit AG zoned land as eligible and adopt site planning standards that emphasize protection of land for working farms and scenic vistas.
- Consider further amendments to the Cluster Housing Overlay to provide incentives that favor development of attached-single family dwellings over detached to promote creation of needed housing options.

SCI-06: Mill Lane

Image sources: USDA FSA, GeoEye, Maxar

Locality: City of Salem

Area (Acres): 16.09

Zoning District:
AG (City of Salem)

Other Base Zoning:
N/A

Zoning Overlay:
N/A
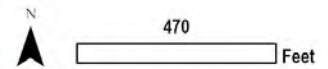
In a UDA?
No

In a Historic District?
No

470 Feet

Sources: Roanoke Valley-Alleghany Regional Commission,
City of Roanoke, City of Salem, Roanoke County, Franklin County,
Virginia Geographic Information Network, Dept. of Conservation
and Recreation, Virginia Economic Development Partnership.

Constraints
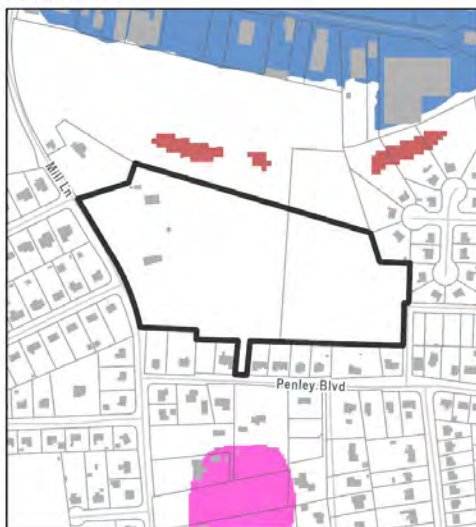
- Flood Zone
- Wetlands
- Steep Slope
- Karst
- Town Boundary
- Building Footprints

Figure 40: SCI-02 Site Summary

BARRIERS TO ADDRESSING HOUSING

To address gaps across the City of Salem's housing market, several barriers will need to be addressed. For the purposes of this analysis and to inform future strategies, we have organized current barriers into four categories: Market, Financial, Regulatory, and Coordination.

Market Barriers

Market barriers refer to constraints placed on the housing market or factors that drive the market to respond in a certain way. In the City of Salem, there are several market-based barriers affecting housing which include:

- **Reduction in Local Building Capacity** – The Great Recession had some negative effects on the housing market in the City of Salem, but by-in-large prices and rents have rebounded back to pre-recession levels. A bigger impact of the recession that continues today is the reduction in local building capacity as there are only a few larger sized developers within the Region. These developers tend to look for projects which are likely to be permitted, require less risk and offer acceptable financial returns.

- **Decline in 35 to 44-Year Old Population** – Between 2013 and 2018, the number of residents between the ages of 35 and 44 decreased by 10%, which is greater decline than the regional trend. Historically, this age cohort is at peak family formation and are a potential buyer pool for starter homes or larger homes representing a move up in the market. The continued decline in this population could potentially impact home purchases, home prices, and the vacancy rates across the city.

- **Lack of Diversity in Housing Types** – The predominate housing type for both renters and owners in the City of Salem are single family homes and smaller multifamily structures. Multifamily housing units offer an important price and size distinction in the market compared to single family homes. The demographic shifts to an aging population will continue to influence the market and likely drive demand for more diversified housing types like townhomes, patio homes, and potentially condos to retain the senior population while also bringing affordability to younger households. Nationally, there is an alignment of housing preferences between younger and older generations in terms of both product type, locations, and amenities. Universal design is also an important factor to consider for new units so they can be design or easily adapted to meet the needs of owners and renters regardless of age or ability.

Financial Barriers

Financial barriers refer to the access to capital needed to fund housing development, access to financing to purchase a home, resources to address housing inequities and challenges, and the financial feasibility of rehabilitating the existing housing stock in certain parts of the city. Financial barriers to housing development include:

- **Rehab and Acquisition** – Rehabilitation of the older housing stock is difficult to execute because it requires a concerted effort on the part of homeowners, the availability of financing, and coordinated efforts by municipal officials. Rehabilitation is difficult from the homebuyer side because financial resources are not always available for renovation projects. While some lenders offer construction financing, lending terms may not be favorable to low- to moderate-income households who are unable to pay the loan back on top of an existing mortgage. While there are city, state, and non-profit programs which help homeowners finance rehabilitation costs, these funds are limited.

  There are also challenges for potential buyers of homes that need rehabilitation work. In areas where housing rehabilitation has not occurred and home values are lower, it can be difficult for lenders to find comparable properties to justify a combined rehab and acquisition loan. Oftentimes, gap financing is needed through a flexible funding source to help make up the difference between what a lender is willing to offer and the amount the homebuyer needs for repairs. This may also disproportionately impact low- to moderate-income households who may not have cash on hand to complete the needed rehabilitation on the home.

- **Development Feasibility** – The financial feasibility of revitalizing and redeveloping older neighborhoods, building on infill lots, or undertaking new development is a barrier. The cost of land, materials, and construction are significant, especially with the topographic challenges in parts of the Region and the availability of infrastructure and utilities. The risks associated with larger projects can be high, particularly in untested markets where there are fewer local builders willing to take risks. Financial feasibility concerns limit the potential of new developments to include affordability components, as developers opt to build higher priced housing to mitigate risk and increase returns.

- **City/State/Federal Resources** – Funding to support housing programs and initiatives is limited in many cases to those available through local taxation or development fees, state funding dedicated to housing, tax credit programs, and federal housing programs like Community Development Block Grant (CDBG) or HOME funds. Providing new affordable housing options will take a concerted effort and leveraging a variety of funding resources. This will be a key barrier to implementation and one that will require a coalition of government, non-profits, faith-based organizations, and private investors.

- **Lending Criteria and Access to Financing** – Homebuyers are challenged by increasing levels of personal debt, diminished savings, and stricter lending requirements by financial institutions due to the housing crisis. Purchasing power constraints limit the ability of households to buy homes or undertake major renovations to existing homes. Younger

householders who carry large student loan debt coupled with price escalations in the housing market make homeownership difficult to attain and can result in greater numbers of renter households. For low- and moderate-income households, obtaining and maintaining a qualifying credit score can also be a challenge to accessing financing.

Regulatory Barriers

Regulatory barriers refer to the policies and regulations placed on residential development by local, and/or state government that may be impeding the construction of certain types of housing product. This may be related to zoning, subdivision controls, permitting, or building codes. Regulatory barriers to housing development include:

- **City Zoning Ordinance** – The City's Zoning Ordinance currently does not offer property owners much flexibility to build a range of housing typologies. Many types of housing development are subject to permitting by special exception (SP) and may have additional requirements defined by Article III of the City's zoning ordinance. The City has five residential zoning districts, each of which regulates housing types and density, ranging from the lowest density Agricultural (AG) district to the higher density Residential Multifamily (RMF) and Residential Business (RB) districts. The Residential Single Family (RSF) ordinance acknowledges detached homes as the predominant housing type in Salem and indicates that most future housing growth is expected in this district.

- **Restrictions on Multifamily Development** - Multifamily use is only allowed in five districts, with four of the districts requiring a special exception. Only the RMF district allows multifamily use without a special exception but requires additional compliance under Article III of the City's zoning ordinance. Greater flexibility in allowing multifamily could help bring different housing typologies to Salem.

- **Adaptive Reuse and Code Compliance** – Adapting older buildings to meet today's building codes and accessibility requirements can be very expensive, particularly for those buildings that could host a mix of uses. Improvements such as adding sprinklers, providing elevator access to upper floors, and making accessibility improvements often require a large amount of upfront capital that may take a long time to recapture in an area with lower residential and commercial rents. These required improvements can sometimes force property owners to keep upper stories vacant or limit the ability to fit out spaces for a different mix of tenants.

Coordination Barriers

Coordination barriers refer to the ability of stakeholders to come together and focus efforts and resources to help with the city's housing challenges. Change is never easy nor is identifying funding to address challenging issues, but both require a coalition of leaders to come together and agree on priorities and direction. Potential coordination barriers include:

- **Identify Funding Sources** – To address housing issues identified in this study, additional funding sources are going to be needed. The housing market, while growing, is not necessarily meeting the needs of residents. The market may not course correct on its own in the short-

term and there may be a need to identify subsidies to prime the market in areas that have not seen new investment or may not be supplying the diversity of housing choices needed to serve residents today and into the future. Raising additional funds, leveraging resources, or reallocating existing funding is never easy but may be necessary to address housing needs across the city.

- **Regional Collaboration** – Over the last two decades, private corporations such as financial institutions, major employers, and anchor institutions such as hospitals and universities have played an increasingly important role in improving and expanding affordable housing. Investments in low-income housing tax credit projects have been a primary contributor to building multifamily affordable rental units across the country. The City of Salem has a need to expand both the amount and type of affordable housing as well as the pool of funding available for such projects. The challenge now is for the City to take charge of those challenges and begin seeking a larger partnership between government, philanthropy, and the private sector. This is a best practice in many places across the country who are working collaboratively to invest in larger, more complex community and economic development solutions.

The concept of leveraged capital, when a small amount of initial capital is made available to attract additional resources, is not new to the affordable housing industry. Most affordable housing built since the early 1990s has been financed by private equity investments seeking low-income housing tax credits and market rate returns. What is new to the community development sector are the innovations created through co-investment opportunities between the public and private sectors.

In the City of Salem, partnership between the City, affordable housing providers, institutions, employers, non-profits, Virginia Housing, Virginia Department of Housing and Community Development, and the RVARC will be critical to addressing housing needs going forward.

CITY OF SALEM HOUSING STUDY
STRATEGIES

To address of the housing issues and opportunities noted in this study, RKG compiled a set of strategies each informed by the citywide data analyses, interviews and focus groups, and an assessment of existing housing programs. The strategies presented are targeted toward addressing the identified gaps and barriers in the current housing market and have been organized under headings which group similar strategy types and an estimated timeframe for implementation. The strategies are also intended to help address housing typology gaps identified in the City of Salem's market and easing restrictions or putting forth incentives to help produce that product in the future.

It is crucial that strategies focus on initiatives the city and its partners can undertake within the first few years to address key issues and opportunities in the housing market. Undertaking incremental steps in the beginning stages of an implementation strategy can build momentum and give residents and investors the confidence in the potential of the plan. Short-term implementation recommendations (0-5 years) can include organizational restructuring, policy and regulatory changes, realignment or consolidation of funding sources, or small investment projects. Mid- and long-term recommendations (6-10 and 10+ years) may take more time, additional or creative financing, complex partnerships, political will, and patience as the market adjusts to changes in policy, regulation, and/or funding priorities.

Regulatory Strategies
The city and its local partners should consider zoning changes that allow and potentially incentivize new housing types where appropriate. The city's growing population is concentrated in two primary age cohorts – younger professionals and seniors. National trends show housing preferences of both groups in close alignment with a preference toward housing in walkable locations with amenities nearby, attached ownership units or multifamily rental structures with minimal maintenance responsibilities, and amenitized buildings. If the city wants to continue to attract people to live here and retain the residents who are here already, increasing housing choice and diversity should be a key goal moving forward.

UTILIZE ZONING TO ALLOW OR INCENTIVIZE HOUSING PRODUCTION
Zoning changes should respond to resident needs and desires for new housing types and structures that provide additional housing choices yet are still compatible with the built environment in which they are placed. Zoning is one of the few tools the city and local partners can change almost immediately and at very little cost that can have a direct impact on housing production. Zoning can also be used to integrate new housing types across a wide variety of area or neighborhood types in the city from vacant land along transportation corridors to downtowns with mixed use and upper story residential. The following zoning recommendations should be considered by the city and local partners to help diversify housing types and address housing affordability at different price points.

Zoning for Housing Choice (Near-Term)

The housing market study and focus group interviews point to a lack of housing choice throughout the City, particularly for housing typologies that offer slightly higher densities. The City has five residential zoning districts, each of which regulates housing types and density, ranging from the lowest density Agricultural (AG) district to the higher density Residential Multifamily (RMF) and Residential Business (RB) districts. The Residential Single Family (RSF) district acknowledges detached homes as the predominant housing type in Salem and indicates that most future housing growth is expected in this district. Development in these districts is subject to permitting by special exception (SP) and additional requirements defined by Article III of the City's zoning ordinance. The City should revisit the regulations for these districts and review minimum parcel size requirements, land coverage/open space requirements, density regulations, and allowable housing types.

Missing Middle Housing Choices (Near-Term)

The housing market study and focus group interviews point to a desire for what is often termed "missing middle housing" is where different housing types such as duplexes, triplexes, townhomes, or smaller 6-10 unit multifamily structures are integrated within existing neighborhoods, downtowns, and commercial districts to provide added housing choice and affordability. The City and its local partners should also look at options for integrating other housing types into neighborhoods where appropriate. Throughout the City of Salem there are already neighborhoods and zoning districts (like RMF and RB) that allow for and currently offer a range of housing types. However, these zoning districts are somewhat limited and have dimensional requirements that may not serve the needs of the market. The City should revisit the regulations for these districts and review minimum parcel size requirements, land coverage/open space requirements, density regulations, and allowable housing types.

Policy and Coordination Strategies

To advance the implementation of both market-rate and affordable housing strategies, the city should consider policies and coordination strategies to broaden partnerships with other organizations and agencies focused on housing. The city and its local partners should also consider broader policies and principles that would guide the types of, and locations of, housing in the future.

COORDINATION TO ADVANCE HOUSING PRODUCTION AND PRESERVATION

Successful housing production and preservation outcomes typically rely on a robust partnership between government, non-profits, housing authorities, developers, property owners, and financial institutions. These partnerships or coordinated efforts help expand the capacity of city and local governments to add staffing, financing, and knowledge to share the responsibility of successfully implementing housing strategies, which is often a multi-jurisdiction, long-term process. The following strategies aim to broaden housing coordination within the City of Salem.

Establish a Regional Coordinating Body or Group (Near-Term)

Housing is an issue that often extends beyond the boundary lines of any one locality as residents and capital tend to flow to where market opportunities are or are created. Therefore, a regional body that meets regularly to discuss housing issues, opportunities, best practices, grant and funding opportunities, and ideas for new programs or policies would be a benefit to all localities within the Roanoke Valley-Alleghany Region. With the RVARC already in place and serving as a regional coordinating body for other purposes, the infrastructure is likely in place to create a housing council and expand its membership to include other organizations and agencies that may not regularly participate in other functions of the RVARC. These should include major employers, developers, financial institutions, colleges and universities, non-profits, funders, housing authorities, and representatives from city and local government. This group could organize around some or all the following topic areas:

- Educating elected leaders, staff, and the public about the important role housing plays in the region and ways to talk about housing choice, affordability, and density that bring people together rather than being a divisive issue.
- Look for ways to leverage staff and financial resources to address housing issues. This could result in new pools of funding, new vehicles for distributing funds, or supporting grant application efforts as a region rather than as individual entities.
- Create a marketing push to major employers and commuters coming into the region and showcasing the different communities and counties as great places to live and work.

Developer Recruitment (Mid-Term)

The City and local partners should create market materials advertising the preeminent development sites to the development community and make a determined effort to market the City and the sites to developers. Marketing materials should also include information about progressive zoning, allowable housing typologies, infrastructure availability, and any incentives that may exist supporting residential development. The City should use the land suitability analysis from this study as a starting point for identifying key sites and potential constraints development may have to overcome.

Leverage City Land for Housing Production (Near - to Mid-Term)

Disposing of available City-owned properties to support housing production, particularly mixed-income or affordable housing, can be an effective way of partnering with developers to address housing needs. Land is a cost borne by the development, but when publicly owned, could be offered at a steeply discounted rate to improve the financial viability of a proposal that includes an affordable housing component. If the disposition of land is of interest to the City, several items should be considered before disposing of the land which include:

- **Minimum Lot Size:** Over 5,000 square feet, but preference for larger sites that could accommodate multifamily units.
- **Use of Property:** Ensure there are no other competing public uses for the property, and no plans by other city or local departments for future use of the property. The use/housing type should be compatible or not conflict with existing neighborhood character.

- **Zoning:** Property should be in an existing residential or mixed use district or overlay district.
- **Infrastructure Capacity:** Property should be served by existing water, sewer, and transportation infrastructure. Capacity should be available to serve the development.
- **Property Location:** Ideally, the property is located near amenities residents could take advantage of such as parks and open space, schools, childcare facilities, and shops and grocery options.
- **Environmental Considerations:** Property should not be located within a floodplain, have significant wetland encumbrances, or environmental remediation issues.

Preserve Existing Affordable Housing (On-Going)

Housing production is not the only way to advance housing goals in the city, a successful housing strategy also relies on the ability to maintain the affordable housing that exists today. One way the City could take a more proactive role in housing preservation is to require property owner or managers of deed restricted affordable housing units/buildings to provide advance notification to the City if affordability restrictions are about to expire and the units are going to convert to market rate units in the future. This type of notification is already required for developments utilizing Low-Income Housing Tax Credit (LIHTC) funds which gives a right of first refusal to non-profits who wish to purchase the units/buildings to preserve affordability restrictions. The City could consider expanding this notification process to other residential developments that include affordable units or to projects that receive any public subsidy to support affordable housing.

POLICIES TO ADVANCE HOUSING PRODUCTION AND PRESERVATION

The City and local partners could also consider policies and actions to encourage housing production and preservation. Some could be formally adopted such as encouraging universal design in new housing units while others may be guiding policies such as prioritizing locations for residential development.

Prioritize the Best Locations for Housing (Near-Term)

Leveraging the work done through this study on land suitability and site identification, the City should adopt a guiding policy that new development should be limited in the near-term to the best and most development ready sites to encourage smart growth and slow outward growth away from population and employment centers. This policy could first encourage sites that are served by roads, water, and sewer and within closer proximity to services and amenities such as schools, shopping, and job centers. Secondarily, the City could consider sites that need infrastructure extended to unlock vacant development sites and avoiding development on farmland or other open spaces to preserve the natural environment that makes the City of Salem and the larger region what it is today.

Consider Inclusionary Zoning (Near-Term)

Inclusionary Zoning (IZ) is a policy used to create affordable housing by requiring developers to include a specific percentage set aside of below-market units as part of a market-rate rental or ownership development. The IZ policy effectively leverages private market investment to create

new affordable units with very little (if any) public subsidy. IZ is also an effective way of integrating affordable units across a community to provide opportunities for housing choices in neighborhoods where lower-income households may not have otherwise been able to afford. Resource-rich areas/neighborhoods may have access to better schools, healthcare options, transportation choices, and open spaces. Diversifying the locations of affordable housing may offer new opportunities to households who previously had limited choice.

Inclusionary zoning policies are typically classified as one of two types: mandatory or voluntary. In mandatory policies, affordable units must be included in all proposed developments that fit within the parameters of the policy. Voluntary policies rely on negotiations and offsets which function as incentives to encourage developers to provide affordable units.

The city should consider what type of policy it wishes to advance, and if it is a codified mandatory IZ policy then the city should also consider conducting a feasibility analysis will allow the city to understand what changes could be supported by market-rate residential development and which changes may slow the pace of development. The financial modeling exercise can help in the crafting of new IZ language and should include the following considerations:
- What size development should IZ be applied to?
- Where should IZ be applied in the city?
- What percentage of units should be set aside?
- Should the policy cover both ownership and rental projects?
- Should the city have a payment in-lieu option to collect money for the Affordable Housing Trust?
- What income levels should the units target?
- Should there be a tiered system for affordable units where fewer but more deeply affordable units are required versus more units at a higher income level?
- What incentives or offsets should the city offer?

Concurrently, the city could work with the entity conducting the feasibility analysis to craft an IZ policy that responds to the feasibility findings. This can help ensure changes to the IZ policy will not discourage private investment thereby reducing affordable housing production.

Encourage Universal Design (Near-Term)
Given the increases in the senior population, the City and local partners should encourage (at a minimum) some percentage of new units to include universal design features. Universal design focuses on making the unit safe and accessible for everyone, regardless of age or physical ability. Universal design features go beyond ramps and grab bars and account for the design of the unit itself with things like wider doors and hallways. This is also a good way to move away from age-restricting units or buildings that have these features so when demographics change over time the units are designed for a wider market base.

Financing Strategies

In the residential development world, especially as it pertains to affordable housing, financing strategies and subsides can be a critical component to financial feasibility and a project moving forward. The following are financing strategies the City and local partners should consider advancing both the development of housing as well as the upkeep and maintenance of existing housing.

City Housing Trust Fund (Mid-Term)

Affordable Housing Trust (AHT) funds are a flexible source of funding that can be used to support many different affordable housing initiatives. The money that is generated for the fund is typically created and administered at the city or local level and are not subject to restrictions like other state and federal housing funds. The money in the fund can be designed to address local needs and priorities, such as those noted throughout this Housing Study.

The entity administering the fund, in this case the City of Salem, would work to define priorities and eligible activities money in the fund could be used for. Examples of funding areas might include:

- Emergency rental assistance
- Gap financing for new construction of affordable units
- Repairs/rehabilitation of older affordable homes/units
- Weatherization program to lower utility costs
- Down payment and closing assistance
- Foreclosure prevention

Once the AHT is established the City will need to determine who will be administering the fund. Typically, these funds are administered by an existing public office that has experience working in partnership with housing developers, administering grants, and overseeing a competitive application process for funding. In the City of Salem, this is could be the Community Development Department, which is already engaged in planning, development, and housing efforts. The City would also need to determine how the fund would be seeded and capitalized over time. Some options include:

- Annual allocation from the general fund
- Funds collected from development (negotiated payments in-lieu)
- Business license fees
- Local occupancy taxes
- Short term rental registration fee

It is important that once the AHT is created that funding be made available each year for housing programs and to support development and infrastructure requests. This will create a predictable source of funding year over year and allow programs to be marketed and succeed. Funds from the AHT could also be leveraged against federal and state housing funds or other housing-related resources that could be pooled from non-profits, institutions, philanthropies, and employers. Other cities in Virginia like Richmond, Alexandria, Charlottesville, and Norfolk have established and capitalized local housing trust funds.

Residential Rehabilitation Program (Near-Term)

In many parts of the City there are older homes with lower values that have likely not been kept up or invested in. These homes may need minor or major rehabilitation, and if owned by low- to moderate income householders, may not have the funds on hand to maintain the structure. Residential rehabilitation programs are critical in assisting homeowners with the cost of rehabilitation through no – or low-interest rate loans that can be applied to specific repairs the structure may need. In a city like Salem, where housing values are low and structures are old, rehab needs could quickly outpace funds and capacity leaving households with limited options to address deficiencies. To stretch funds further, the City should consider the creation of a revolving loan fund where some households (based on income) would be required to pay back to the loan at little or no interest to keep the fund capitalized allowing for multiple rounds of awards throughout the year. Money leveraged through other funding sources could also be applied to this program and repaid to the AHT over time.

Given 35% of the city's housing stock is renter-occupied, some consideration should also be given to the creation of a rehabilitation program for investor-owned properties. Tenants do not have the same ability to address deficiencies as homeowners do, relying instead of landlords or even city intervention if conditions worsen. A rental rehab program could benefit both property owners and tenants and could be coupled with a rental registry program or routine inspections of rental units over time. The rental rehab loans should have a requirement to be paid back over time, but repayment terms could be scaled to the income of the property owner or even affordability restrictions placed on the unit(s) itself.

First Time Homebuyer Program (Near-Term)

Down payment and closing cost assistance help low- and moderate-income families overcome one of the most common barriers to homeownership—accumulating sufficient savings to make a down payment and pay for closing costs on a mortgage.

Assistance can be offered in a variety of forms, including as a grant, a no- or low-interest amortizing loan or a deferred loan in which repayment is not due until the resale of the home. The assistance is often provided by a local housing agency, a nonprofit organization or a state or local housing finance agency, sometimes through a participating private lender. Program details differ across jurisdictions, but in general borrowers must fall within income and home purchase price limits and must comply with other eligibility requirements, including being a first-time homebuyer, using the home as a primary residence, and completing a homebuyer education course and/or participating in housing counseling.

The City and local partners should continue to offer the down payment assistance program funds of up to $8,000 per household and possibly look for ways to leverage down payment assistance programs offered by VHDA. The City could also consider a revolving loan fund (with or without interest) where the loan must be paid back over a certain period, or at the sale or transfer of the property. The revolving loan fund helps ensure the funding pool is recapitalized over time versus forgivable loans in which some percentage of funds are never returned.

Property Tax Abatement for Housing (Near-Term)

To encourage affordable housing development, the City and its local partners should consider the application of property tax abatements in return for a percentage of affordable housing units included in the development. The City could consider a sliding scale for the tax abatement where the more units or the deeper the affordability the more property taxes are abated. The City could also consider a sliding scale for the length of the abatement and when the percentages of taxes paid begins to increase over time.

Infrastructure Strategies (Mid- to Long-Term)

Housing development in the city may be impeded by a lack of available infrastructure or infrastructure that has fallen into disrepair. The City should look at ways to leverage local infrastructure dollars against regional, state, or federal funds to increase the impact of local investments. In a place like the City of Salem, the emphasis may be more on repairs, aesthetics, and upsizing utilities to meet future housing demand.
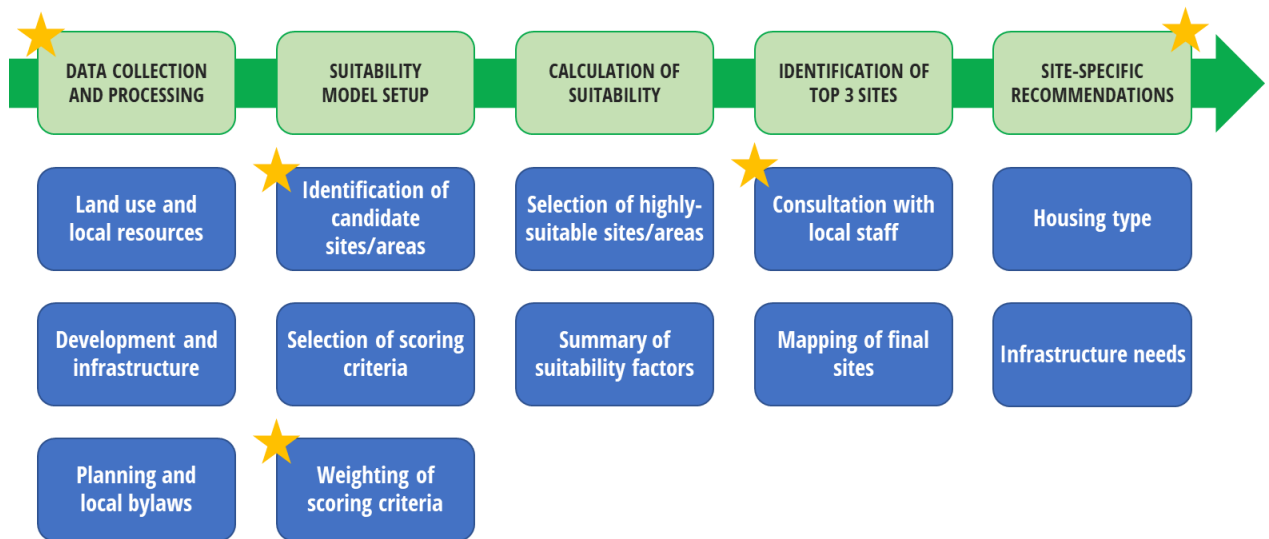
APPENDIX A: SITE SUITABILITY DOCUMENTATION

LAND SUITABILITY ANALYSIS

Planning for land use change and future development must consider a wide range of factors that include environmental conditions and hazards, local plans and regulations, and the availability of critical infrastructure and services to support urban expansion and redevelopment. Land suitability models provide a framework that can incorporate these variables - and represent them geographically - to identify and prioritize areas that can support new housing, and potential constraints to development. This type of model is often employed in local and regional planning efforts using geospatial analysis techniques to process and integrate existing Geographic Information Systems (GIS) data. Thanks to the availability of high-resolution and regularly updated GIS databases, it has become possible to evaluate land suitability at the neighborhood and site scale while providing a reasonably accurate representation of local conditions.

Overview

For this project, the objective was to assess the suitability of land for residential development across four jurisdictions in the Roanoke Valley-Allegheny Region: Roanoke County, Franklin County, the City of Roanoke, and the City of Salem. Because each locality has unique physical characteristics, local bylaws, and planning priorities, it was critical to customize the suitability model within the boundaries of these areas. Part of the objective of this study was to prioritize three specific sites for each locality from a list of potential development sites, which were identified by land use and development planning staff. Additional details on the process of engaging local planners in the land suitability analysis can be found later in this chapter. The following diagram summarizes the stages of model development, from compiling planning documents and GIS data to developing final recommendations for the selected sites, including the

Figure 1 Land suitability model process

critical points where local feedback was solicited on the model inputs and results.

Data Collection and Processing

The information included in a land suitability model takes many forms, from GIS datasets representing linear infrastructure networks, administrative boundaries, and nodes of activity, to tables documenting details from assessors' databases and the dimensional requirements of local zoning bylaws. Data was collected from public data portals, RVARC's Director of Information Services, GIS managers from each city and county, and multiple agencies of the Commonwealth of Virginia, including:

- Department of Conservation and Recreation (DCR)
- Office of Intermodal Planning and Investment (OIPI)
- Virginia Department of Transportation (VDOT)
- Virginia Economic Development Partnership (VEDP)
- Virginia Information Technologies Agency (VITA)
- Western Virginia Water Authority (WVWA)

Figure 2 Sources of data used for the suitability model

To ensure consistency and compatibility between data from different sources, each dataset was clipped to a common geographic extent, defined by the project's study area, and assigned a common projected coordinate system (NAD 1983 Virginia Lambert (Meters)) when data were imported into the geodatabases created for mapping and analysis. Additional data processing and preliminary analysis steps were completed to standardize the data and ensure complete and continuous coverage for the study area, including:

- Aggregating land cover data from the Virginia GIS Clearinghouse to merge three regional datasets overlapping with the study region
- Combining water and sewer network data from multiple jurisdictions to generate a single dataset for each infrastructure type
- Merging city, county, and commonwealth boundaries for conservation land and easements

- Cleaning up boundary overlaps between Franklin County and Rocky Mount zoning data, and aligning boundaries with Smith Mountain Lake
- Calculating or joining additional values to GIS attribute tables based on road type classifications, zoning regulations, and assessed value for parcels (ex. computing improved value to land value ratio)
- Interpolating a Digital Elevation Model (DEM) and calculating percent slope using topographic contour data
- Generating buffer areas that represent regulatory constraints, such as river protection areas, utility easements, and setbacks from roads and railroad corridors
- Geocoding school addresses for the City of Salem to produce point locations

In addition to GIS data sources, other location-specific data and variables were derived from local reports and planning documents, including comprehensive plans, area plans, zoning ordinances, housing assessments, and digital map documents produced by municipal and county planning offices. A full list of the documents referenced to derive land suitability model inputs is provided in the appendix. The following table summarizes the key data inputs that were compiled for this study.

Table 1 Land suitability data types

LAND USE AND LOCAL RESOURCES	DEVELOPMENT AND INFRASTRUCTURE	PLANNING AND LOCAL BYLAWS	OTHER DATA
Existing development and impervious surfaces	Existing residential, commercial, industrial, and institutional bldgs.	Base zoning and overlay districts	Administrative boundaries, Census block groups
Agricultural land, forests, wetlands and water bodies	Urban Development Areas / Designated Growth Areas	Future land use designations	Planning area and study area boundaries
Protected open space, local parks and recreation facilities	Public safety facilities, waste management sites	Parcels and assessor's data (lot size, improved and land value)	Airports, rail infrastructure
Trails and greenways	Existing and planned roadways	Historic districts	Public schools and universities
Natural hazard areas: flood zones, karst geology, steep slopes	Existing and planned public water and sewer service areas	River buffer areas	Hospitals, libraries
Historic and cultural resources, cemeteries	Utility easements, including the Mountain Valley Pipeline	Conservation easements	Topographic contours

Suitability Scores and Weights

The land suitability model was designed based on established land use assessment techniques that apply spatial analysis tools to assign scores to a range of categorical and numerical variables. These scores are then combined into an index that indicates the relative suitability for a particular land use.

There are many ways to implement this type of model using GIS – in this case a raster-based model was used, in which each study area is divided into a grid of cells and suitability scores are assigned to each cell based on:

- proximity (ex. within 50 feet of a road)
- category (ex. land use or zoning)
- or a simple binary score (0 or 1) indicating location within an area of interest (ex. UDAs).

The following examples illustrate how these scores were assigned based on land use and road proximity in Roanoke County. Water, wetlands, and existing buildings are indicated as the least suitable, while cleared land with minimal vegetation (areas classified as barren, scrub/shrub, pasture, etc.) are most suitable for residential development. Areas within 50 feet of the center of roads were considered not suitable, to account for the road right of way and an average setback distance. Areas close to the roads (between 50 and 200 feet) are considered the most suitable.

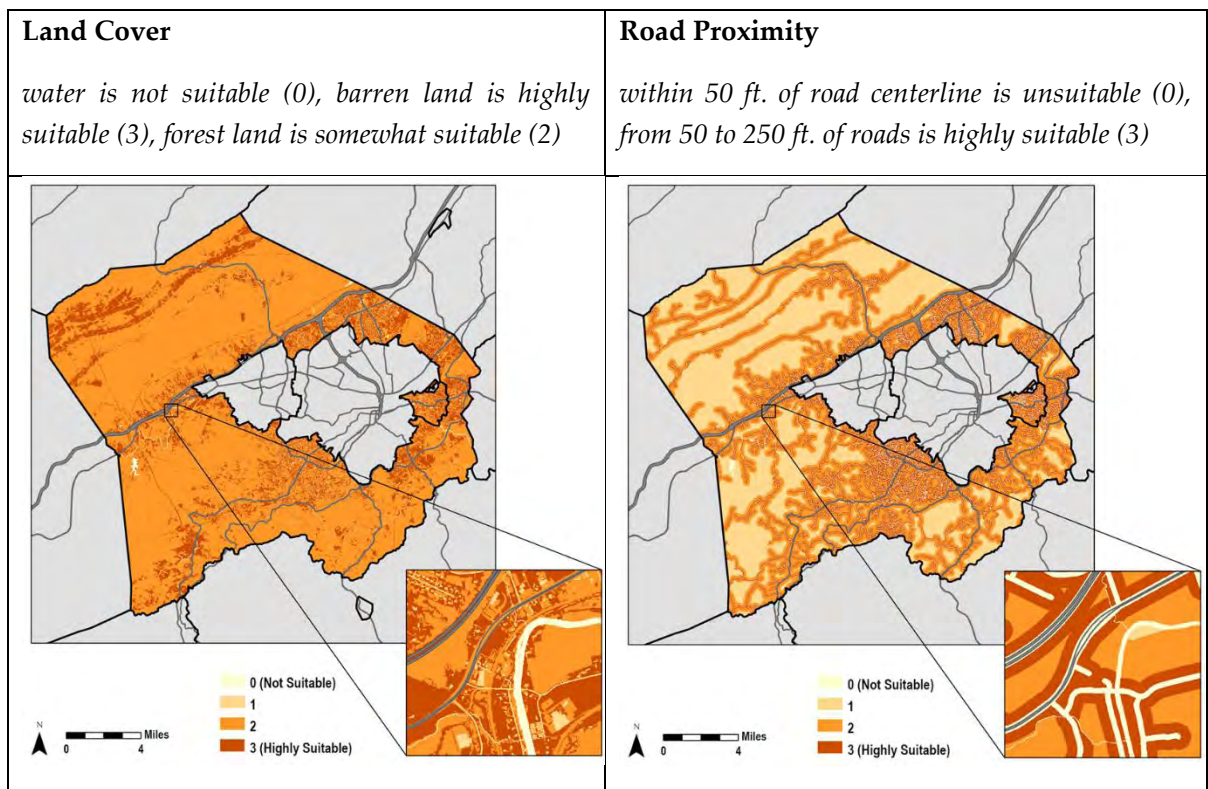| **Land Cover**	**Road Proximity**
water is not suitable (0), barren land is highly suitable (3), forest land is somewhat suitable (2)	*within 50 ft. of road centerline is unsuitable (0), from 50 to 250 ft. of roads is highly suitable (3)*

Figure 3 Land suitability score examples

For this housing study, suitability criteria were selected based on a review of local planning documents and consultation with planning staff, with a focus on conditions that could support residential development in each jurisdiction. Numerical scores were assigned to each factor according to the level of development suitability, from high (score = 3) to low (score = 1), or not suitable at all (score = 0). Total scores were calculated using a weighted sum to combine the score of each factor.

The weight values range from Low (weight = 1) to Very High (weight = 7), and were based on initial discussions with local planners, then refined through further validation of the initial model results. The table below presents a summary of the suitability criteria, assumptions for each score, and the relative weights used in the model for each jurisdiction. Certain criteria were not factored into the analysis in some areas, for example, because some zoning or water resource protections were unique to the City of Roanoke they did not apply in other areas. Because of the scale of the regions and differences in mobility, the distance from public schools used wider ranges (1 to 5 miles) in the county geographies and smaller ranges (0.5 to 1.5 miles) in the cities. In total, the Roanoke County model included 13 criteria, 12 for Franklin County, 16 for the City of Roanoke, and 15 for the City of Salem.

Table 2 Suitability criteria and weights

Suitability Criteria	Suitability Score				Criteria Weight			
	High (3)	Medium (2)	Low (1)	None (0)	Roanoke County	Franklin County	City of Roanoke	City of Salem
Land Cover/Hydrology	Barren, Scrub-Shrub, Harvested-Disturbed, Turf Grass, Pasture	Impervious (parking), Forest, Tree, Cropland	Impervious (roads/buildings), Wetlands	Rivers/Streams, Lakes and Ponds	High	High	Very High	Very High
Protected Open Space / Conservation Easements	Not in conservation land or easement (score = 1)			Protected land	Medium	Medium	High	High
Topography	0-15% slope	15-25% slope	25-35% slope	>35% slope	Low	Medium	Low	Medium
Flood Zones	Not in flood zone	500 year flood zone	100 year flood zone	Floodway	High	High	Very High	Very High
Urban Development Area	Located in UDA or Designated Growth Area (score = 1)			Not in UDA/DGA	Very High	High		Very High
Distance from Roads	50-250 ft.	250-1000 ft.	1000+ ft.	0-50 ft.**	High	Medium	Medium	Medium
Distance from Major Roads	50-250 ft.	250-1000 ft.	1000+ ft.	0-50 ft.**	Very High	Very High	Medium	Medium
Distance from Public Water	20-200 ft.	no medium score	200+ ft.	0-20 ft.**	Very High	Medium	Medium	Medium
Distance from Public Sewer	20-200 ft.	no medium score	200+ ft.	0-20 ft.**	Very High	Medium	Medium	Medium
Distance from Railways	no high score	100+ ft.	50-100 ft.	0-50 ft.	Low	Low	Medium	Medium
Distance from Greenways	< 0.5 mile	0.5-1 mile	> 1 mile	N/A			High	High
Distance from Public Parks	< 0.25 mile	0.25-0.5 mile	> 0.5 mile	N/A			High	High
Improved to Land Value Ratio*	0 (or unknown)	0.1-2	2 or more	N/A			High	High
Base Zoning# *(model was also run without zoning restrictions)*	3+ Mixed Density Housing Types	2-3 Mixed Density Housing Types	1-2 Low Density Housing Types	No Housing Allowed	High	Medium	High	Very High
Zoning Overlays								
Roanoke River Conservation	no high score	100+ ft.	50-100 ft.	0-50 ft.	Low			
River & Creek Corridor	Not within 50 ft. of rivers and creeks (score = 1)			0-50 ft.			Very High	
Design/Historic Districts	Neighborhood Design District	Historic Downtown & Neighborhood	Not in a design overlay	N/A			Low	
Distance from Public Schools								
Counties	< 1 mile	1-2 miles	2-5 miles	> 5 miles	Very High	High		
Cities	<0.5 mile	0.5-1 mile	1-1.5 miles	> 1.5 miles			Medium	Medium
# includes zoning ordinances for Town of Vinton and Town of Rocky Mount				Number of Criteria:	13	12	16	15
* ratio of improved value to land value from assessed values (vacant land ratio = 0)								
** represents a setback or easement associated with the infrastructure network								

Constraints

In addition to calculating land suitability scores for each jurisdiction, a separate score was computed for development constraints. These constraints represent the suitability criteria that are considered not suitable, areas where development would not be feasible due to physical barriers or regulatory restrictions associated with infrastructure or land use.

The table below shows which constraints were included for each locality. In some cases, the constraint was not present in all areas, such as the Mountain Valley Pipeline. For others, such as karst geology and cemetery parcels, data was only available in certain jurisdictions. The Roanoke County model included the most constraints, 13 in total, while Franklin County had the fewest with 10 constraints.

Table 3 Development constraints by jurisdiction

Constraints	Development Constraints			
	Roanoke County	Franklin County	City of Roanoke	City of Salem
Land Cover/Hydrology: Impervious (buildings/roads), Wetlands, Rivers/Lakes	X	X	X	X
Protected Open Space / Conservation Easements	X	X	X	X
Base Zoning: residential not allowed	X	X	X	X
Topography: > 35% slope	X	X	X	X
Flood Zones: Floodway only	X	X	X	X
Karst Geology: within karst formation	X		X	X
River Conservation Buffer: within 50 ft. of river	X		X	
Distance from Roads: within 50 ft. of centerline	X	X	X	X
Distance from Public Water: within 20 ft. of network	X	X	X	X
Distance from Public Sewer: within 20 ft. of network	X	X	X	X
Distance from Railways: within 50 ft. of centerline	X	X	X	X
Mountain Valley Pipeline: permanent easement	X	X		
Cemetery parcels	X			
Greenways: within 20 ft. of network			X	X
Number of Constraints:	13	10	12	11

Assumptions and Limitations

As with any model, some simplifications were necessary to represent real-world conditions using this conceptual approach to evaluating land suitability. The break values selected for distance from critical infrastructure and scores assigned to different types of land cover, for example, represent assumptions made as part of the model development. Site-specific factors may change the applicability of these assumptions, but they are considered representative of potential development conditions at the regional and neighborhood scale.

Additionally, errors or omissions may be present in the GIS data and documents used to develop the model. One such known data gap is the water and sewer infrastructure in eastern Roanoke County. Data was collected for these infrastructure networks in Vinton, but it did not cover the areas connected to this system east of the Vinton border. Also, cemetery locations were included in the data for Roanoke County, but not other areas.

Overall, this model represents a regional decision support tool, using the best available data at the time of this report's writing. For more detailed parcel-level assessment of suitability and constraints, additional site surveys and mapping should be performed by qualified professionals. These models are intended to prioritize pre-selected development sites and identify potential

infrastructure needs and other factors that could facilitate housing production. Other uses of this model should consider the assumptions and limitations outlined in this report.

Site Identification

Development of the land suitability model was organized to capture local planning and development knowledge at critical stages in the process, specifically:

- **Data collection and processing:** determining key datasets and relevant local plans and bylaws
- **Suitability model configuration:** identifying potential development areas and discussing initial weights for suitability factors
- **Selection of final sites:** providing feedback on the suitability and constraints of selected sites
- **Site recommendations:** offering input on types of housing, zoning, incentives, and infrastructure

At each stage more of this local knowledge of land use, planning, and development conditions was integrated into the land suitability model configuration and helped to refine the areas suggested as sites of potential housing development.

Site Selection

The ultimate objective of model is to evaluate the development potential of an initial list of sites, with the goal of prioritizing three sites within each jurisdiction. The sites were identified as follows:

4. Initial discussions with planning staff (August 2020)
   - The model development team conducted Zoom calls with planners from Vinton, Rocky Mount, City of Roanoke, Roanoke County, and Franklin County.
   - Discussions centered on recent development trends and sites with potential for residential development, based on local knowledge and interest from developers. Initial locations were

Figure 4 Mapping potential development areas

marked on a custom Google Map and saved to a GIS file.
   - Planners were also asked to provide a preliminary distribution of importance to each category of suitability criteria.
5. Site delineation and validation (September 2020)
   - Based on the locations identified with planners, parcels and larger areas were identified and assigned an ID. Associated parcel numbers and addresses were tabulated for each site.
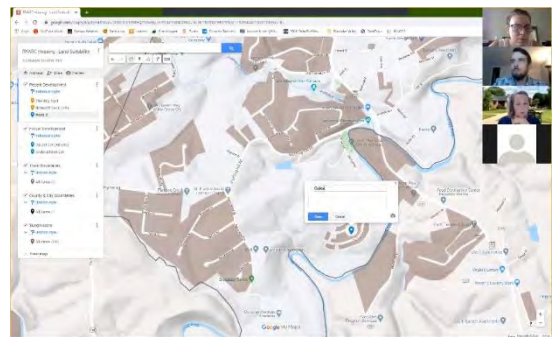
- Information on the preliminary sites was sent back to planning staff for validation
- Another discussion with senior planning staff in Roanoke County led to the identification of additional potential development areas.
- Initial sites were identified for the City of Salem, using future land use data, aerial imagery, and other reference datasets. A meeting with their planning staff could not be coordinated until November 2020, at which point the initial sites were modified.
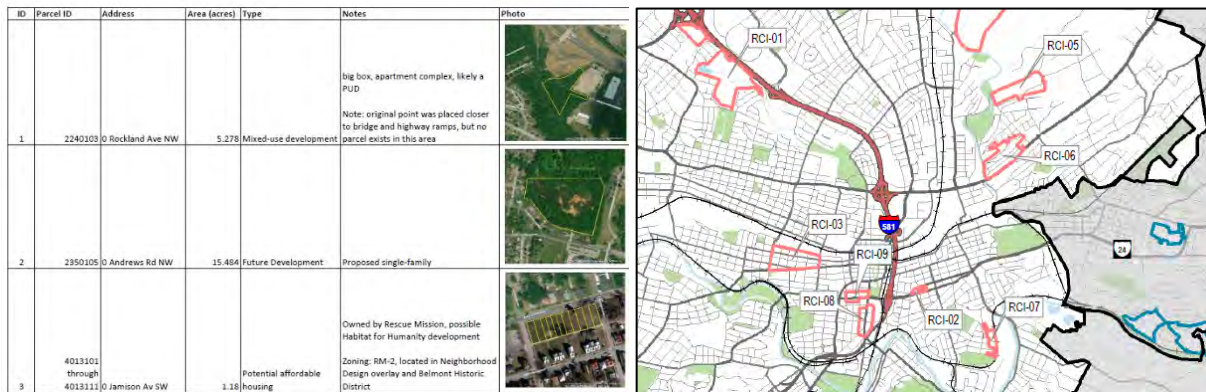

Figure 5 Development site validation and delineation

6. Development site refinement and consolidation (October-November 2020)
   - After reviewing the additional feedback, potential development area boundaries were adjusted, and ID numbers were updated to reflect the final selected sites.
   - The largest site, FCO-12 (Penn Hall Road), was reduced from over 1,000 acres to just over 700 acres, focusing on parcels directly adjacent to Smith Mountain Lake.
   - Separate sites located in the West End area of the City of Roanoke were consolidated into a single larger area (RCI-03).
   - In the City of Roanoke, the Countryside site (RCI-11) was added, and the Jefferson Street site (RCI-08) was removed – it is slated to be part of a special corridor
   - In the City of Salem, five sites were removed (SCI-01, SCI-03, SCI-05, SCI-09, and SCI-10), the SCI-08 site was redefined to eliminate an area with steep slopes, and the "Radio Station" site was added (SCI-07).

Site Evaluation

The final sites identified for each jurisdiction were incorporated into their respective suitability and constraint models to calculate the scores and compare the development potential within each site boundary. Because the model employed a grid-based approach, the suitability and constraints scores vary across each site. To account for the range of scores, the average suitability and constraint scores were tabulated. Based on feedback from the project steering committee, there was interest in reviewing the suitability of each site without considering current zoning, which would lower the score in areas where limited housing types are permitted by right.

The following section presents a summary of the scores for each version of the model, organized by jurisdiction. Final selection of potential housing development sites also considered the area and

configuration of the parcels within each site, as well as local housing market conditions and the type of housing each site would be likely to support. At the end of each section, a summary of the top three sites is presented, including a close-up view of the site, a map of key constraints, and other important details, including: site area, zoning, and location relative to UDAs, zoning overlays, and historic districts.