

## Salem's downtown is building a resurgence

Development surge shows new interest in revitalizing area

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An infusion of people and energy soon might be pumped into Salem's downtown. The city's core, which often has struggled with business turnover and a lackluster image, is on the cusp of major change:

- Half of a city block, including a long-vacant Wells Fargo bank branch, is on track to be redeveloped for condominiums, offices and a grocery store. Demolition of the bank building could begin by late summer.

- In December, the sale of the Boise Cascade riverfront property closed. Developers intend to turn the 13-acre industrial site into a mixed-use development during the next five to 10 years.

- The Meridian and The Rivers condominium projects are under construction. Work has started on Broadway Town Square, a project including housing, stores and a movie theater. And those are just a few examples of an impending redevelopment boom.

"This type of development feeds on itself," said Spence Powell, president of Powell Valuation, a Salem company that specializes in appraising commercial real estate. Downtown, he said, never before has experienced this level of interest from developers.

A quick look downtown shows at least 20 building or redevelopment projects that have been proposed, are under construction, or were completed in recent years. The core area will have about 275 new housing units, including apartments and for-sale condos, ready for occupants within several years.

There are some common elements. A large share of the development is backed by local business people, such as Dan Berrey and Larry Tokarksi, who bought the Boise Cascade property for \$7.25 million. Many are mixed-use projects aimed at people who want to live in a busy urban neighborhood where offices and shops are nearby.

### Glimmer of the Pearl

Roy Carmen and business partner Scott McKinney have redeveloped several historic downtown buildings. It's their view that apartments and condos will lead the way for the restaurants, stores and night life Salem has craved for years.

That's what happened in Portland's Pearl District, a rundown area before its transformation into one of the Northwest's most prestigious neighborhoods.

"We have the makings of that, right now, in this little downtown core of Salem," Carmen said. The developer recently has started leasing what he calls "Pearl District-ish" apartments in the renovated Metropolitan Building at 160 Liberty St. NE.

"Clearly, there's renewed interest in Salem, specifically living in downtown," said Kevin Lafky, a Salem attorney and developer of The Rivers, an eight-story condominium project under construction at 156 Front St. NE.

"I think we're catching up with the rest of the country, frankly, and I think Salem is growing up as well," said Kris Gorsuch, a local attorney who represents the development group that has plans for the Wells Fargo site. The project is backed by the Colson family and former Holiday Retirement Corp. senior managers.

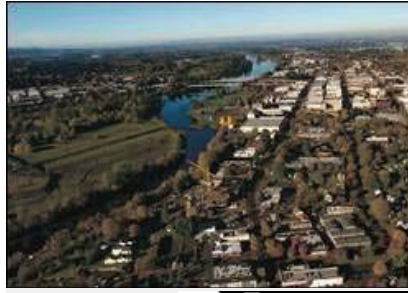
Perceptions of what constitutes the downtown area are changing, as new projects take root in the north, south and east.

"There was pent-up demand for this sort of urban revitalization," said David Glennie, who is developing townhouses and commercial space on the northern edge of downtown.

### City sets the course

What appears to be a burst of activity has been years in the making.

Salem's urban renewal agency has played a large part in shaping many of the projects. Since 2003, it has provided about \$8.5 million in low-interest loans and grants to promote redevelopment of older buildings. The agency also has assembled parcels and sold land to developers at "fair re-use value"-- a price less than what a private landowner might accept.



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Construction projects at the north, south and eastern edges of downtown are pushing the boundaries of what Salem residents consider as downtown.

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### Vision 2020

Residents who want a better selection of stores, more downtown housing choices and walking paths or other amenities in Salem's core will have a chance to be heard by city leaders.

A community forum to discuss Vision 2020 -- the city's new long-term planning process -- is scheduled for 5:30 to 7:30 p.m. Thursday at Chemeketa Community College, Winema Center Building 48.

The meeting is a follow-up to a similar forum held in December at Salem Conference Center.

Vision 2020 will focus on the downtown area, Salem Hospital, Willamette University, the Capitol Mall, Bush's Pasture Park and a section of West Salem.

Broad themes discussed by Vision 2020 organizers have included the economy, stewardship of natural areas, transportation and connectivity, livability and Salem's image.

### Coming next week

In columns in the Jan. 29 edition of Inside Business, area leaders and residents will share their vision for downtown Salem.

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"If you go back four years, and look at the list of projects, there weren't an enormous number," said Rick Scott, the city's urban development director. Loans provided by the urban renewal agency were critical to jump-start a number of downtown housing projects, he said, because traditional lenders were leery of taking a risk on an unproven market.

Salem Conference Center, a \$32 million city-backed project opened in 2005, also demonstrated that city leaders were serious about changing downtown, Scott said.

#### **Reality vs. a dream**

But downtown still has a ways to go before it becomes what Salem Mayor Janet Taylor once called the "Diamond District"-- her dream of an area bustling with around-the-clock activity.

At this time, the central business district isn't exactly red-hot-- vacancy rates for retail properties and older Class B office buildings remain in the double-digits.

Timing might become an issue for some proposed development, as the economy slows and lenders tighten their standards.

"It's coming. Unfortunately, it's hit at time when the market is at a low ebb," said Alex Rhoten, a partner in Cascadia Development and a Salem real-estate broker. Cascadia has been involved in several high-profile developments, including the public-private partnership that's constructing a condominium and office project at 295 Church St. SE.

Rhoten notes that parking availability is getting tight in some areas, and that can be a hurdle to recruiting tenants. Salem residents have grown accustomed to finding a nearby parking space and resent having to park several blocks away from their destination.

Curt Arthur, principal broker with Sperry Van Ness Commercial Advisors, said there is a "finite market" for upscale condos. He hopes downtown development will include housing priced for a variety of income levels.

Others note that Salem doesn't have the pizzazz of a big city. For many commuters, Salem is a place to work and leave at quitting time. Untold numbers of them would rather spend their time and gas money driving from outlying towns, or even the Portland metropolitan area, than call Salem home.

Downtown developers and city leaders are betting those attitudes will change.

West Salem might become the next frontier for redevelopment as the city begins converting the Union Street railroad into a bike and pedestrian path. City officials say the new pathway will create a stronger link with the central downtown, revitalizing both sides of the river.

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