IV. ECONOMIC BASE

A. Planning and the Community Economic Base

A master plan is prepared with the intent to guide development that will "…. promote health, safety, order, convenience, prosperity or the general welfare as well as efficiency and economy in the process of development." [RSA 674:3, I]. An economic base analysis is not a required part of a master plan. However, the convenience, prosperity and the general welfare are better served where the relationship between the economy of the town and its land use policies are understood. There are several common economic objectives of a master plan:

1. Making provisions for job creation and retention within the community and the region to sustain the personal income of resident households and to provide jobs for area residents;

2. Developing strategies for increasing and balancing growth in the town's taxable valuation with the municipal capital and operating costs generated by that development; and

3. Creating a mix of uses that not only provides for essential consumer goods and services needed by residents within a convenient distance, but also for a more diversified and stable employment and economic base.

A master plan that is indifferent to market forces may fail to capitalize on the strategic advantages of market trends, location and resources. At the other extreme, an over-emphasis on maximizing the commercial industrial tax base may undermine other goals of the master plan that enhance the general welfare and residential quality of life.

This economic base chapter analyzes the structure of the local economy, the tax base, resident worker characteristics, Salem's share of regional economic activity, and historic development trends as a general guide for land use planning. In this chapter, we analyze local economic characteristics using a number of measures: (1) characteristics of working residents of Salem; (2) employment trends in Salem; (3) number of employers by industry; (4) revenues for major industrial sectors in Salem; and (5) the historic pace of non-residential development in Salem.

For a number of data items, including commuter patterns, industry and occupation of local resident workers, and educational attainment of residents, the 1990 Census is as of this writing the most recent source of information at the municipal level. New local data on these topics from the 2000 Census has been collected by the Census Bureau, but has not been released as of this writing.

B. Characteristics of Resident Workers

1. Commuting Patterns

a. Salem Residents by Workplace Destination. Salem residents are dependent not only on local industries but also on access to the Lawrence-Haverhill and greater Boston area labor markets for their jobs and income. Commuting patterns to and from Salem are illustrated in Tables 1 and 2. Table IV-1 illustrates the number of working persons age 16 or older living in Salem in 1990. Thirty-one percent (31%) of the working residents of Salem at the time worked within the town while approximately 69% commuted out.

TABLE IV - 1

PERSONS LIVING IN SALEM IN 1990 BY PLACE OF WORK

Place of Work	Live in Salem	% By Workplace	Cumulative %
Salem town	4,419	31.4%	31.4%
Andover town	1,174	8.3%	39.7%
Lawrence city	1,170	8.3%	48.0%
Methuen town	885	6.3%	54.3%
North Andover town	588	4.2%	58.4%
Boston city	463	3.3%	61.7%
Wilmington town	371	2.6%	64.3%
Haverhill city	341	2.4%	66.8%
Lowell city	318	2.3%	69.0%
Nashua city	225	1.6%	70.6%
Tewksbury town	218	1.5%	72.2%
Londonderry town	215	1.5%	73.7%
Woburn city	209	1.5%	75.2%
Burlington town	181	1.3%	76.5%
Billerica town	179	1.3%	77.7%
Windham town	160	1.1%	78.9%
Cambridge city	152	1.1%	79.9%
Manchester city	148	1.1%	81.0%
Bedford town	105	0.7%	81.7%
North Reading town	105	0.7%	82.5%
Lexington town	102	0.7%	83.2%
All Other	2,367	16.8%	100.0%
Total Salem Residents Working in 1990	14,095	100.0%	
**Shown for individual cities or towns where 100 or more Salem residents are employed*			
Total Residents Who Commute Out from Salem	9,676	68.6%	
Subtotal Working in MA:	8,019	56.9%	

Source: 1990 Census

As of 1990 over 8,000 Salem residents, or 57% of the town's employed residents, worked in Massachusetts.

b. Salem Workers by Place of Residence. Table IV-2 illustrates the total number of persons working in Salem by their town of residence. As of 1990 inbound commuting originated principally from New Hampshire communities, with some significant (100 or more workers) inbound commuting from Massachusetts originating in Methuen, Lawrence, Haverhill, Andover, North Andover, Lowell, and Dracut.

As of 1990, 9,300 workers were commuting into Salem from other locations representing 68% of persons employed within the town. Total outbound commuting was approximately equal to inbound commuting with 9,676 commuting out and 9,308 commuting in. These data reflect 1990 patterns; changes in commuter flow will be identified when the 2000 Census data is released.

TABLE IV - 2

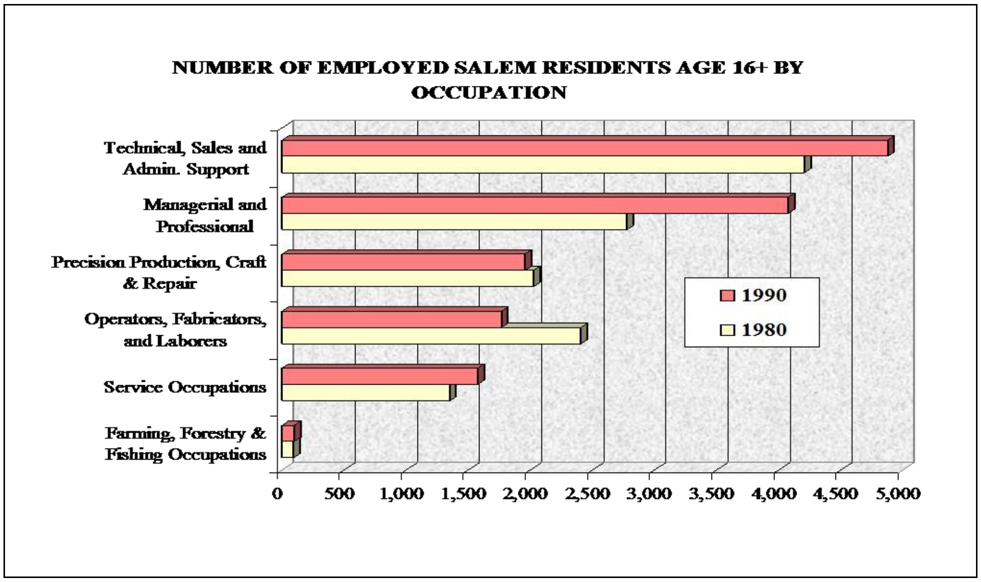
PERSONS WORKING IN SALEM IN 1990 BY RESIDENCE

Place of Residence	Work in Salem*	% By Residence	Cumulative %
Salem town	4,419	32.2%	32.2%
Derry town	1,357	9.9%	42.1%
Methuen town	692	5.0%	47.1%
Londonderry town	537	3.9%	51.0%
Windham town	486	3.5%	54.6%
Manchester city	476	3.5%	58.0%
Nashua city	437	3.2%	61.2%
Lawrence city	377	2.7%	64.0%
Pelham town	303	2.2%	66.2%
Haverhill city	296	2.2%	68.3%
Hampstead town	285	2.1%	70.4%
Atkinson town	256	1.9%	72.3%
Raymond town	227	1.7%	73.9%
Hudson town	220	1.6%	75.5%
Plaistow town	194	1.4%	76.9%
Andover town	158	1.2%	78.1%
North Andover town	150	1.1%	79.2%
Sandown town	148	1.1%	80.3%
Lowell city	113	0.8%	81.1%
Goffstown town	103	0.8%	81.8%
Merrimack town	101	0.7%	82.6%
Dracut town	100	0.7%	83.3%
All Other	2,292	16.7%	100.0%
Total Persons Working in Salem in 1990	13,727	100.0%	
**Shown for individual cities or towns with 100 or more working in Salem*			
Workers Commuting into Salem from Other Locations	9,308	67.8%	

2. Resident Workers By Occupation

Changes in the occupation of Salem's working residents between 1980 and 1990 are illustrated in Figure IV-1. In 1990 the principal occupational categories of Salem residents were in technical, sales and administrative support occupations and in managerial and professional positions.

FIGURE IV – 1



Managerial and professional occupations showed the largest net gain in total employment by occupation between 1980 and 1990 for Salem residents, followed by technical, sales and administrative support occupations. A relatively small increase in service occupations took place during the 1980s, and there was a decline in the number of persons working as operators, fabricators and laborers. In part, these shifts may reflect the shift away from traditional old-line manufacturing industries toward a higher-tech manufacturing and employment base.

The New Hampshire Department of Employment Security has issued projections of employment by occupation for the period 1996 to 2006 indicating the following estimates of the net change in jobs by occupational category. These projections represent totals for the state of New Hampshire:

TABLE IV - 3

Projected Change in NH Employment By Occupation 1996-2006

Occupational Title	Change Projected 1996-2006	Percent Change 1996-2006	Share of Total Employment Change
Executive, Admin. & Managerial	9,940	19.4%	11.2%
Professional and Technical	31,123	25.4%	35.0%
Marketing & Sales	8,938	11.1%	10.1%
Administrative Support & Clerical	7,794	8.7%	8.8%
Service Occupations	15,887	17.2%	17.9%
Agriculture, Forestry, Fishing	424	8.6%	0.5%
Precisions Production, Crafts, Repair	6,171	10.6%	6.9%
Operators, Fabricators, and Laborers	8,605	10.6%	9.7%
All Occupations	88,882	15.3%	100.0%

Source: New Hampshire Employment Security, August 1998, NH Job Outlook and Locator

Professional, technical and para-professional employment is expected to increase by over 25% during the period, including significant gains in such occupations as computer engineers, systems analysts and related occupations. Of the total change in positions projected, about 35% of the net change is expected within the professional and technical occupations. This trend should favor future expansion of high-tech industries in Salem where related job skills are already found within the local labor force.

3. Resident Workers by Industry

As of 1990, Salem had 14,349 residents age 16 and over who were employed. Predominant industrial sectors in Salem included the broad services category, followed by manufacturing and retail trade. About 27% of Salem residents were employed in a manufacturing industry in 1990, higher than the Rockingham County and state averages at 22%. A smaller share of the working population was employed in services than in Rockingham County and the State of NH in 1990. Table IV-4 illustrates the proportion of 1990 workers employed by industry for Salem, Rockingham County and New Hampshire.

A total of 839 Salem workers reported being self-employed in 1990, representing 5.8% of local workers age 16 or older. A total of 1,149 households, or 12.5% of the Salem total, reported some income from self-employment in 1990.

TABLE IV - 4

Percent of Persons 16+ Employed by Industry in 1990

	Salem	**Rockingham County**	**State of NH**
Agricultural Services, Forestry, and Fishing	0.6%	1.2%	1.5%
Construction & Mining	6.3%	6.9%	7.2%
Manufacturing	27.0%	22.2%	22.5%
Transportation & Public Utilities	5.4%	7.0%	5.8%
Wholesale Trade	5.6%	4.8%	4.0%
Retail Trade	18.5%	18.1%	17.6%
Finance, Insurance & Real Estate	5.4%	6.6%	6.8%
Services	31.3%	33.2%	34.6%
Total	100.0%	100.0%	100.0%
Detail of Services Sector			
Business & Repair Services	5.8%	5.0%	4.4%
Personal Services	2.4%	2.5%	2.8%
Entertainment & Recreation Services	1.9%	1.2%	1.2%
Health Services	6.7%	7.3%	8.0%
Educational Services	4.5%	7.4%	8.4%
Other Professional Services	5.6%	6.2%	6.2%
Public Administration	4.3%	3.6%	3.6%
Total Services	31.3%	33.2%	34.6%

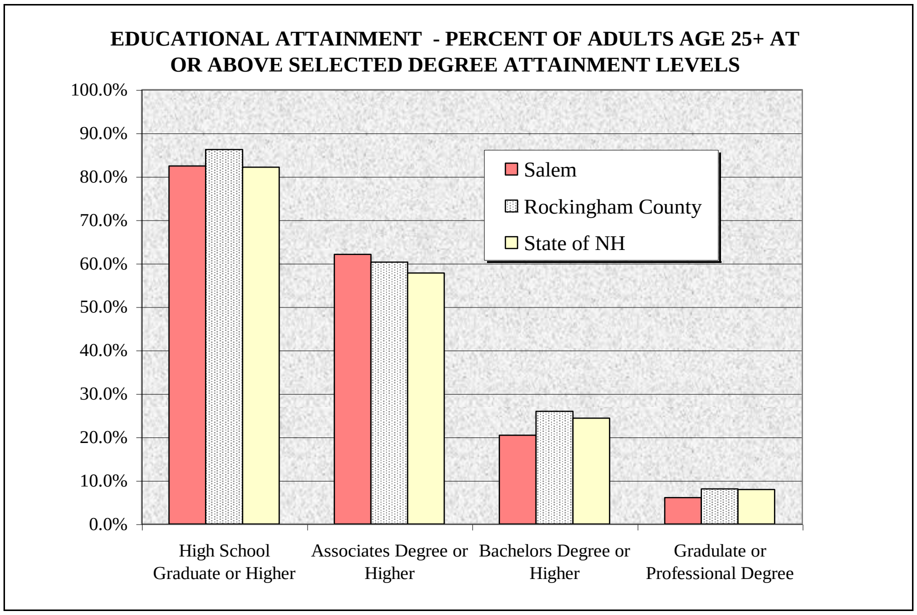
Source: Derived from 1990 Census sample data

4. Educational Attainment

Figure IV-2 illustrates the relative educational attainment of residents age 25 and over. Data are shown as cumulative percentages of the population at or above the indicated degree level.

Persons with at least a high school degree represent approximately 82% of the age 25 and over population of Salem, approximately equivalent to the New Hampshire average, and slightly lower than the Rockingham County average. Those in Salem having a bachelor's degree level education or higher averaged just over 20% in 1990, somewhat lower than the state and county average.

FIGURE IV - 2



<u>Source: Derived from 1990 Census sample data for age 25+ population.</u>

C. Employment By Industry in Salem

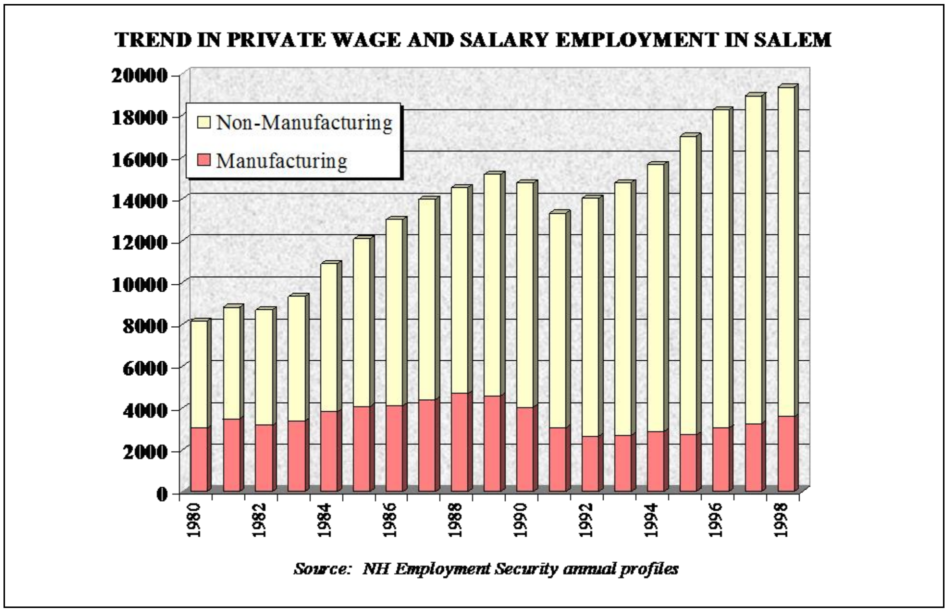
This section describes Salem's economic base in terms of the number and type of jobs and businesses located within the Town of Salem. As noted earlier in this chapter, only about 32% of local jobs are estimated to be held by Salem residents, while 68% of those employed locally live elsewhere.

<u>1. Manufacturing and Non-Manufacturing Employment 1980-99</u>

Figure IV-3 illustrates the number of jobs in private wage and salary employment based in the Town of Salem in manufacturing and non-manufacturing sectors. [This series of data does not include government employment or the self-employed.] There have been significant long-term gains in private sector employment, which increased from 8,000 in 1980 to approximately 21,000 in 1999, representing a net gain of nearly 13,000 jobs over a 19-year period.

The figures also show that growth has been dependent on the non-manufacturing sector, which increased between 1980 and 1988 followed by a decline during early 1990s. Manufacturing employment has only recently regained the total number of employees that were present in 1980 (twenty years ago).

FIGURE IV - 3



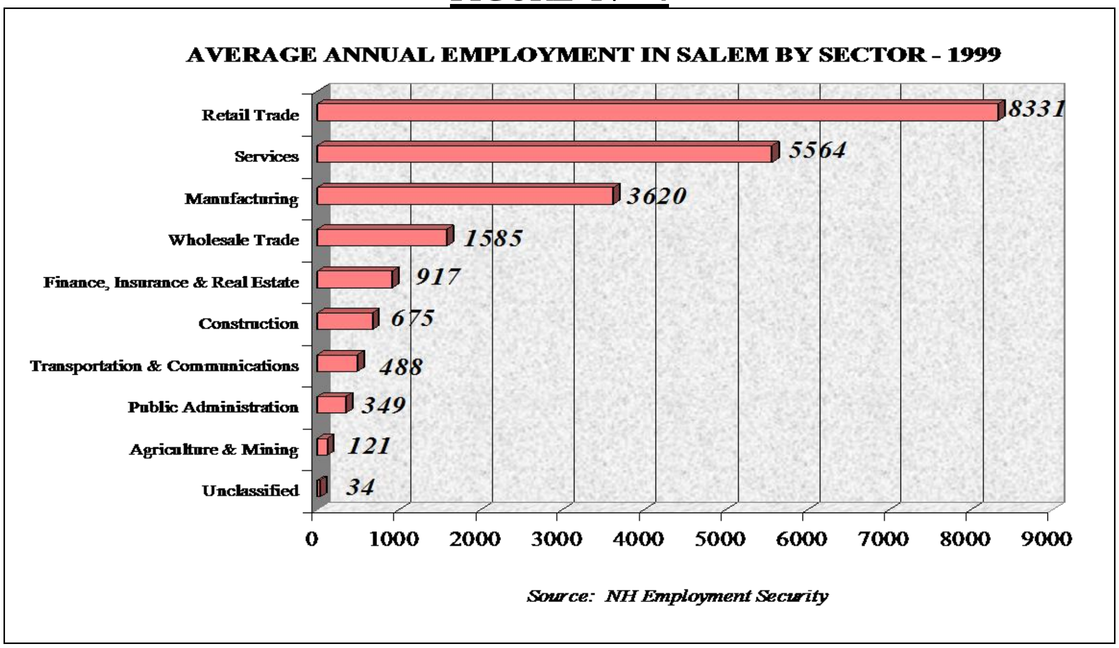
One recent setback in manufacturing employment not shown in Figure IV-3 was the closing of Salem's largest manufacturing employer (Compaq) in 1999. This closing was followed by an announcement by Cisco Systems that it would locate and expand at the former Compaq site. The loss of Compaq represented a potential loss of between 1,300 and 1,500 high-tech computer manufacturing jobs. However, Cisco Systems is expected to add about 2,500 jobs in Salem between 2003 and 2005, resulting in a long-term net gain in comparable manufacturing employment in the Town. Salem continues to be a focus for newer high tech businesses, in part based on its proximity to a large regional labor market with high tech skills. Regional highway accessibility, the absence of an income tax, and lower development costs in comparison to Massachusetts metropolitan locations are also viewed as favoring industrial location in Salem.

2. Salem Employment by Industrial Sector - 1999

Preliminary data for 1999 from New Hampshire Employment Security indicate a total employment base in Salem of 21,684 in private sector and government employment. As of 1999, there were 1,299 establishments providing employment in the Town of Salem. Salem is the location of approximately 14% of Rockingham County establishments having employment, and the Town hosts approximately 17% of the County's jobs. The Town's share of Rockingham County private wage and salary employment has remained in the range of 17-18% since 1990, up from its 1980 share at 15% of the County's employment.

Figure IV-4 illustrates 1999 local employment by industrial sector. Since the closing of Compaq occurred during 1999, these average annual employment figures may not fully reflect the impact of that displacement.

FIGURE IV - 4



Together, the retail trade, services, manufacturing and wholesale trade sectors account for 19,100 jobs in Salem in 1999, about 88% of the total job base in the Town. Retail trade alone represents 38% of local employment. The strong retail presence was augmented in 1990 by the entry of the Mall at Rockingham Park, which introduced an additional one million square feet of retail space to Salem. The services sector in Salem includes all general business and personal services, and the entertainment and recreation industries that include Rockingham Park Racetrack and Canobie Lake Park are part of this sector. Figure IV-5 illustrates, for each of the major industrial sectors, Salem's share of Rockingham County employment. Salem has comparatively high shares of retail trade, wholesale trade and manufacturing employment.

FIGURE IV - 5

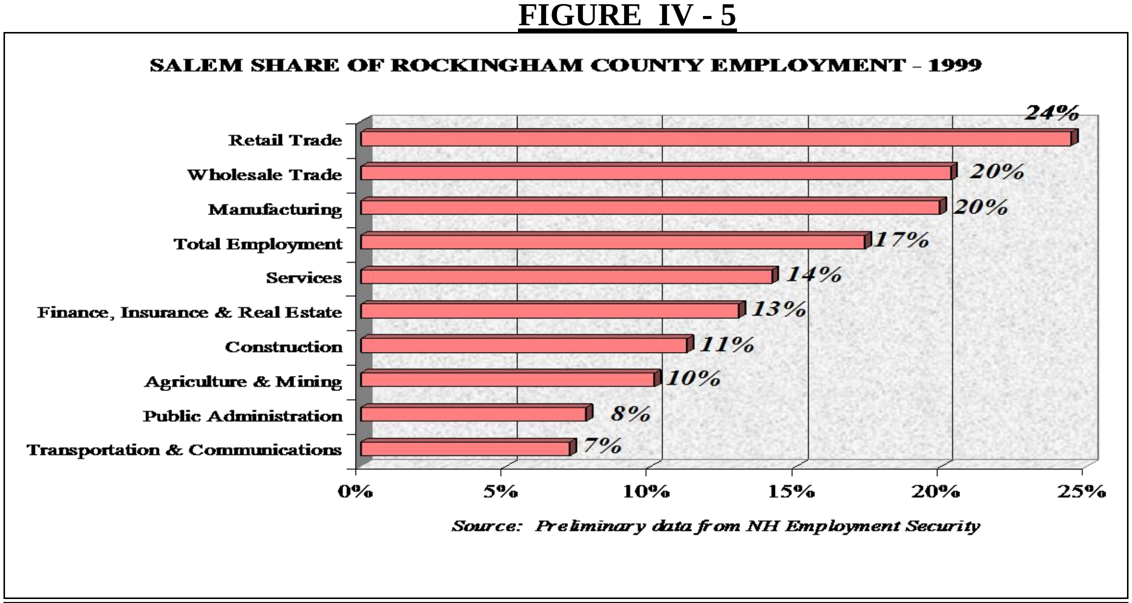
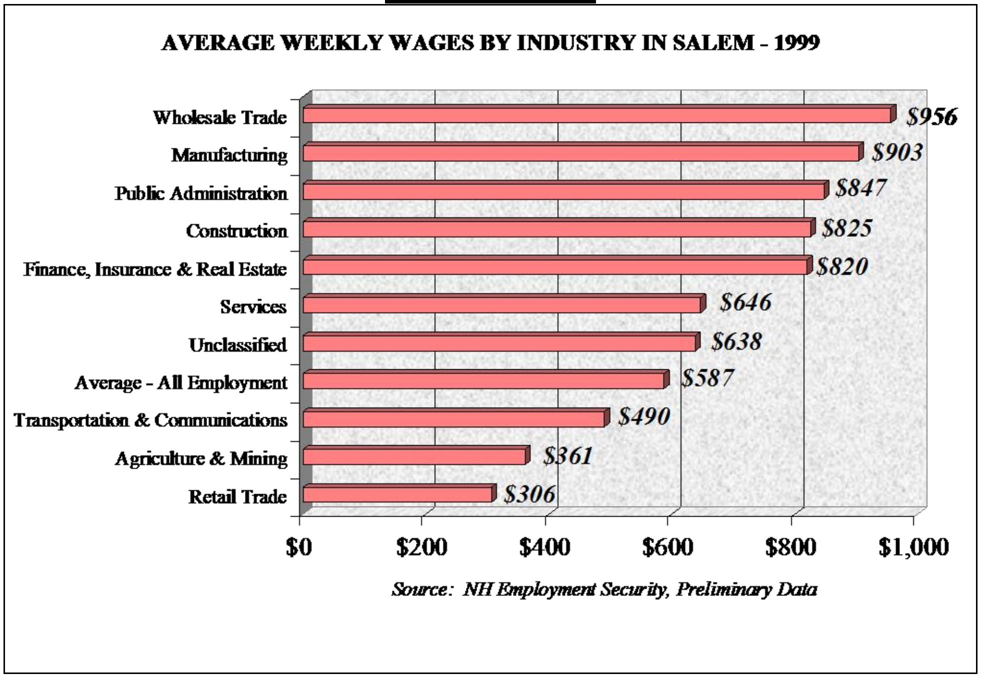


Figure IV-6 compares average weekly wages in Salem in 1999 within the major industrial sectors. The average for all jobs in Salem is approximately $587 per week for all sectors combined, the equivalent of about $30,500 annually.

FIGURE IV - 6



In Salem, the highest weekly wages are derived from wholesale trade and manufacturing, followed by public administration, construction and finance insurance and real estate. The retail trade sector, Salem's largest source of local employment, generates the lowest weekly wage; however, wages and employment in this sector often represent part time positions.

3. Salem Employment by Sector and Size of Firm

Approximately 70% of the private sector business establishments in Salem employ fewer than 10 persons, and nearly half employ less than 5 persons. The largest firms tend to be found in the manufacturing, retail trade and services sectors. The largest employers in manufacturing are involved in computers, electronic components and related industries. The largest wholesale employers are in the groceries and chemical industries. The largest retail employers are in grocery stores, miscellaneous general merchandise, home furnishings and appliance stores and restaurants. (See Table IV-4.)

Within the services sector, Salem's largest employer is in the home health care industry. Other significant components of the local service sector include large employers in fields such as employment agencies, security, truck rental, programming services, software and system design, and data processing.

TABLE IV - 5
Salem Employers by Size of Establishment - 1997

	Number of Establishments by Employment Size-Class									
Economic Sector	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000 +	Total
Agricultural Services, Forestry, and Fishing	15	2	2	1	0	0	0	0	0	20
Construction	78	18	11	5	0	0	0	0	0	112
Manufacturing	17	10	18	16	8	4	1	0	1	75
Transportation & Public Utilities	13	5	2	6	1	2	0	0	0	29
Wholesale Trade	62	31	20	11	3	2	0	0	0	129
Retail Trade	136	106	76	50	15	11	5	0	0	399
Finance, Insurance & Real Estate	57	11	8	6	0	1	0	0	0	83
Services	214	95	42	25	10	11	5	1	0	403
Unclassified	1	1	0	0	0	0	0	0	0	2
Total	593	279	179	120	37	31	11	1	1	1,252
Percent of Establishments	47.4%	22.3%	14.3%	9.6%	3.0%	2.5%	0.9%	0.1%	0.1%	100.0%

* *Source: County Business Patterns, 1997, Zip Code Business Patterns for 03079 (Salem) and 03073 (N. Salem)*

In Table IV-5 above, a single large employer is reported in the 1,000 employees and over column, which appears to be Compaq. While as of 2001 this firm is no longer part of the local inventory of firms, it is likely that the successor firm's workforce will grow to exceed that of Compaq by the year 2003-2005. Table IV-6 indicates that the number of firms in Salem increased by 91 between 1994 and 1997. The number of firms increased in all classified sectors, with the largest number of new firms in wholesale trade, retail trade, and finance-insurance-real estate sectors. Data from New Hampshire Employment Security indicate that another 43 employers were added between 1997 and 1999. Together, these data indicate that between 1994-1999, Salem has supported a net increase averaging 27 additional establishments per year.

TABLE IV - 6

NUMBER OF FIRMS IN SALEM BY INDUSTRIAL SECTOR 1994-1997

Industrial Sector	**1994**	**1995**	**1996**	**1997**
Agriculture, Forestry and Fishing	15	16	16	20
Construction & Mining	108	118	118	112
Manufacturing	65	65	74	75
Transportation and Public Utilities	31	33	25	29
Wholesale Trade	102	101	114	130
Retail Trade	375	397	389	399
Finance, Insurance, Real Estate	69	76	70	86
Services	392	396	404	403
Unclassified	8	6	4	2
Total Establishments	1,165	1,208	1,214	1,256
Employees	16,560	18,431	21,100	21,277
Annual Payroll (Thousands of $)	$398,896	$467,990	$560,886	$617,596
Payroll/Employee	$24,088	$25,391	$26,582	$29,026

Source: County Business Patterns, 1997, Zip Code Business Patterns for 03079 (Salem) and 03073 (N. Salem).

D. Revenues and Share of Activity by Industry: 1982 to 1997 Economic Census

The US Census Bureau issues a series of economic Census reports for major industrial categories every five years. Local data are sometimes not available by industry. Data are subject to suppression to prevent disclosure of private establishment information where an employer dominates a particular industrial category. The most recent Economic Census released during 1999-2000, report data for 1997. Sales and revenue figures provide some insight into Salem's share of regional market activity and its relative importance within New Hampshire. The Economic Census reports were reviewed with respect to four major sectors of the Salem economy: (1) retail trade, (2) wholesale trade, (3) services, and (4) manufacturing. Since the 1980s, Salem has grown significantly in market share and relative importance in the State as a major center in all four economic sectors.

<u>1. Retail Trade Sales</u>

In 1997, sales at retail establishments, food stores and restaurants in Salem totaled about $1.1 billion, representing the third largest center in New Hampshire for retail trade. About 25% of Rockingham County retail sales occurred in Salem in 1992 and 1997, up from about 20% in 1982 and 1987. In the past, Salem ranked 5th in New Hampshire retail sales for 1982 and 1987, but as of 1992 its rank had risen to 3rd in the state, owing to the entry of the Mall at Rockingham Park between the Census periods, to the growth of other retail trade uses.

Table IV-7 illustrates the growth in retail establishments in Salem, as reported in the Census of Retail Trade, for the period 1982-1997. A major shift occurred between 1987 and 1992 when the Mall at Rockingham Park was established and the number of establishments increased by 131 in retail in the five-year period.

TABLE IV – 7

RETAIL ESTABLISHMENTS IN SALEM

	Businesses With Payroll			
Retail Category (1)	1982	1987	1992	1997 (1)
Building Materials & Garden Equip	10	13	13	19
General Merchandise Stores	6	12	13	14
Food Stores	22	22	34	18
Automotive Dealers/Supplies	15	14	10	25
Gasoline Service Stations	12	11	10	12
Apparel & Accessory Stores	17	28	66	80
Furniture, Home Furnishings, & Equip.	19	34	40	41
Eating and Drinking Places*	38	43	81	89
Drug and Proprietary Stores	4	7	9	25
Miscellaneous and Non-Store Retailers	40	60	99	86
Establishments With Payroll	183	244	375	409

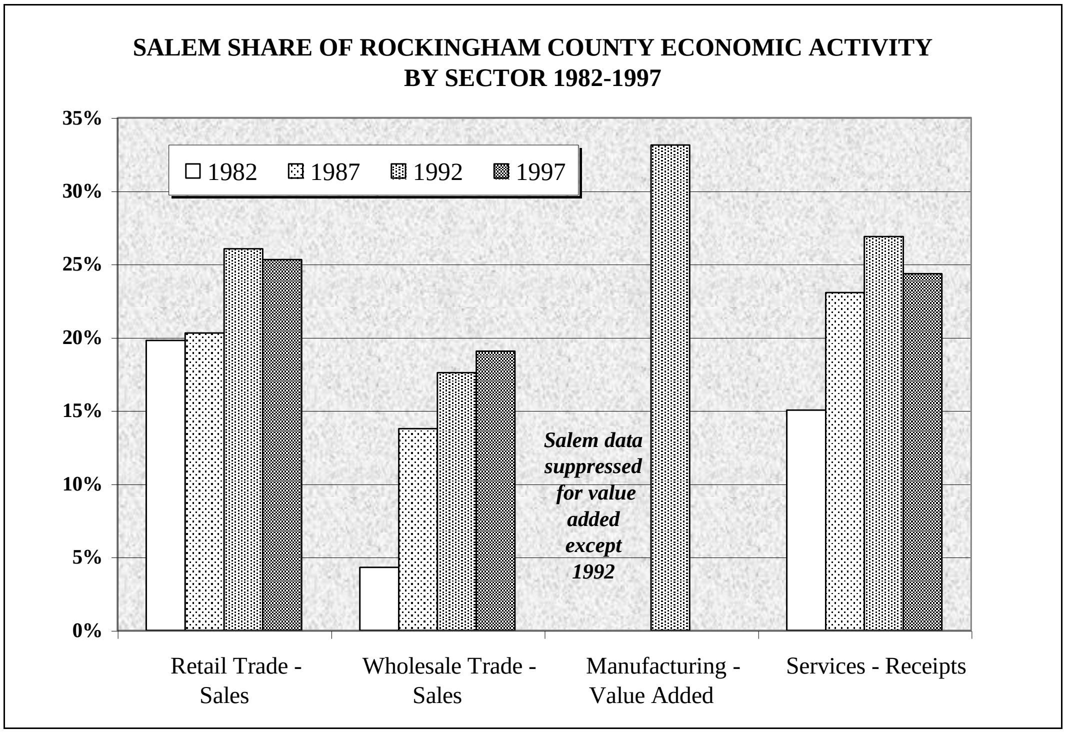
(1) As of 1997, eating and drinking establishments are not included within the retail reports. Under the NAICS classifications, the 1997 economic Census lists food services and drinking places in a report on "Accommodation and food Services"

Due to changes in the classification system used by the Census Bureau in 1997, data for that year may not be entirely comparable by business category to prior years. For example, prior to 1997, eating and drinking places were reported as a retail trade activity. As of 1997 these establishments are included within a separate report on Accommodations and Food Services and not within the retail trade report. For the purposes of Table IV-6, the number of eating and drinking places for 1997 was extracted from the Accommodation and Food Service report and added to the retail establishment total. Salem has added an estimated 226 retail and food establishments since 1982. At least 34 were added from 1992 to 1997.

2. Wholesale Trade Sales

With $825 million in sales, Salem had the fourth largest wholesale trade activity in New Hampshire in 1997. Wholesale trade activity has also shown significant gains in Salem, representing a growing share of New Hampshire and Rockingham County activity. In 1982, Salem ranked 12th in New Hampshire in wholesale trade sales, rose to 5th in 1987 and then to 4th in 1997. As of 1997, Salem's wholesale trade sales represented 19% of Rockingham County sales in this sector, up significantly from only 4% in 1982.

FIGURE IV - 7



Source: Interpretation of U. S. Bureau of Census, Economic Census reports for 1982-1997

3. Services Receipts

In the services sector, total receipts among businesses located in Salem have risen as a share of Rockingham County activity and in volume ranking within New Hampshire. While a state ranking was not available in the 1997 data, Salem ranked 3rd in services receipts in New Hampshire, up from its a ranking of 8th in 1982 and 4th in 1987. Services receipts in Salem increased from 15% of the Rockingham County total in 1982 to 27% in 1992 and about 24% in 1997.

4. Manufacturers – Value Added

Manufacturing activity was compared with respect to value added in the manufacturing process. Data for Salem were available only for 1992, when Salem ranked 3rd in the New Hampshire in total value added by manufacturers. Local value added represented 33% of the Rockingham County total. In the 1997 Economic Census, local value added data for Salem manufacturing was suppressed and is not available for comparison.

A summary of the change in rank and share of Rockingham County revenues in major economic sectors is summarized in Table IV-8 below.

TABLE IV - 8

MAJOR ECONOMIC SECTORS IN SALEM
RANK IN STATE AND SHARE OF COUNTY

	1982	1987	1992	1997
Salem Rank in State				
Retail Trade - Sales	5th	5th	3rd	3rd
Wholesale Trade-Sales	12th	5th	5th	4th
Manufactures-Value Added (1)	n.c.	n.c.	3rd	n.c.
Services-Receipts	8th	4th	3rd	n.c.
Salem Share of Rockingham				
Retail Trade - Sales	20%	20%	26%	25%
Wholesale Trade - Sales	4%	14%	18%	19%
Manufactures-Value Added (1)	n.c.	n.c	33%	n.c
Services - Receipts	15%	23%	27%	24%

(1) Data for Salem not computed (n.c.) in source documents for 1982, 1987 and 1997
Source: Analysis of U. S. Census Bureau Economic Census reports

5. Comparability of Economic Census Data

Beginning with the 1997 reports, the U. S. Economic Census has begun a major change in its business classification and coding system, which affects comparability to prior years. For the past 60 years, employment and related economic activity for the economic census has been reported by Standard Industrial Classification (SIC) designations. As of the 1997 Economic Census, reporting is being converted to the North American Industrial Classification System (NAICS). While this change tends to increase the level of detail available in economic reports for large areas, differences between the NAICS classifications and the SIC codes of prior reports are not easily bridged in some sectors. Therefore, Economic Census data for 1997 and beyond may not be comparable to prior years for some sectors.

E. Development of Commercial and Industrial Space in Salem

1. Past Trends in Demand for Space

The Town has compiled a detailed inventory of the gross floor area approved by the Planning Board in major non-residential developments from 1984 to 1999. This data provides a long-term view of Salem’s non-residential growth characteristics. As noted, the one million square foot addition of the Mall at Rockingham Park represents something of an anomaly in the total history of absorption of non-residential space in Salem. During the entire period, a total of 6.1 million square feet in non-residential floor area was approved. About 45% of that space was classified as retail, 36% as industrial, and 19% in office and other uses. (See Table IV-9, Figures IV-8 and IV-9.)

Over the long-term (1984-1999), non-residential development averaged about 380,000 square feet per year based on approvals by the planning board. Even if the Mall is excluded, the average annual net gain was approximately 320,000 square feet per year. During the 1990s, which excludes the Mall at Rockingham Park approval in 1989, 2.1 million square feet were approved, indicating an average of 214,000 square feet per year in new commercial and industrial space.

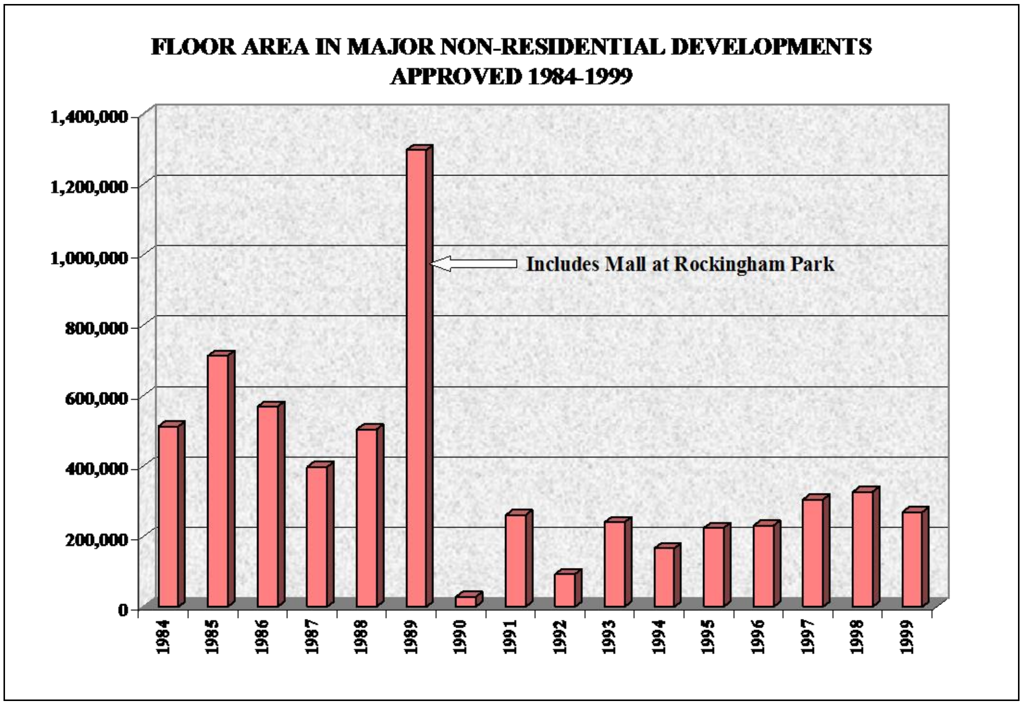
TABLE IV - 9

FLOOR AREA IN MAJOR NON RESIDENTIAL DEVELOPMENTS APPROVED BY THE SALEM PLANNING BOARD 1984-1999

Year	Industrial	Office	Retail	Other	Total
1984	300,760	61,600	129,975	19,900	512,235
1985	498,800	115,160	57,080	41,650	712,690
1986	127,240	36,480	349,746	54,787	568,253
1987	309,600	47,000	40,000	0	396,600
1988	204,000	97,000	202,400	0	503,400
1989	41,600	75,000	1,179,455	0	1,296,055
1990	21,000	1,098	6,400	0	28,498
1991	16,400	0	240,489	3,100	259,989
1992	25,880	17,300	49,600	0	92,780
1993	42,000	54,700	142,060	1,512	240,272
1994	88,720	34,000	32,618	9,856	165,194
1995	177,670	0	46,530	0	224,200
1996	81,950	134,600	11,000	2,790	230,340
1997	161,000	91,540	43,485	8,775	304,800
1998	57,095	29,880	144,550	94,280	325,805
1999	38,300	61,296	112,811	56,000	268,407
Total	2,192,015	856,654	2,788,199	292,650	6,129,518

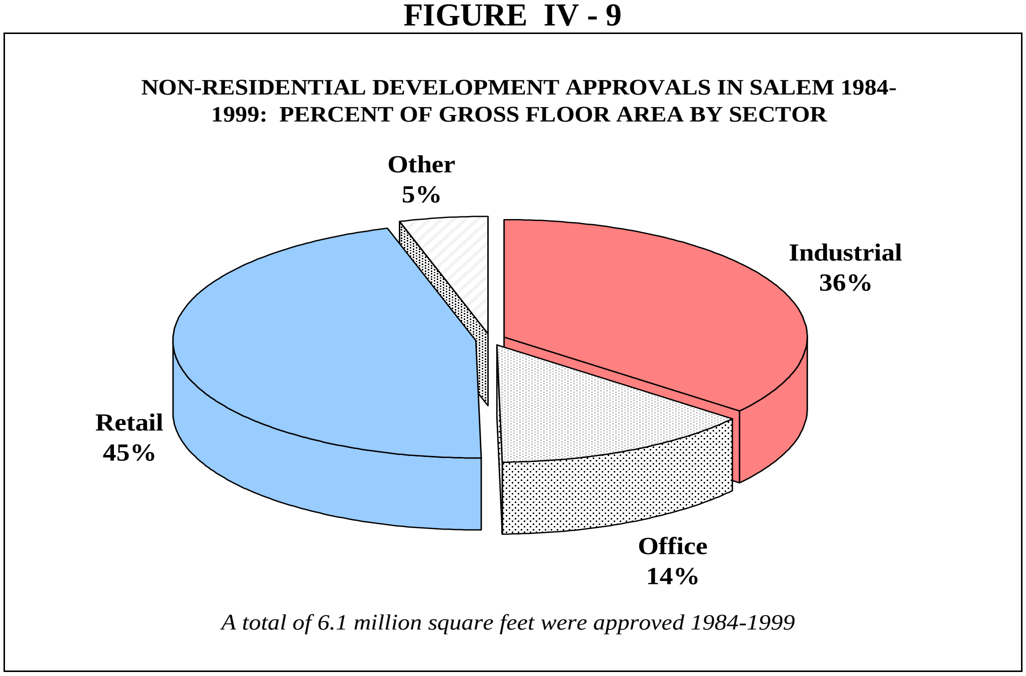
Source: Town of Salem Planning Department

FIGURE IV - 8



Source: Town of Salem, compilation of approvals of major non-residential development projects, 1984-1999

FIGURE IV - 9



Source: Town of Salem Planning Department

2. Future Commercial-Industrial Demand on Land

Based on past trends, a reasonable average annual demand for commercial and industrial space based on historical averages is between 200,000 (1990s average) and 300,000 square feet per year (1984-1999 average without the Mall). If the same levels of development were achieved over the 15-year planning period, potential development would be in the range of 3.0-4.5 million square feet of space.

A comparison of the long-term change in total private sector employment to gross floor area approved indicates a ratio of approximately 500-550 square feet of floor area per employee (includes the Mall at Rockingham Park). A simple straight-line regression projection of private wage and salary employment based on annual changes from 1980 through 1999 in Salem suggests potential for job growth of 8,700 to 9,700 between 2000 and 2015 if past trends were to continue. The higher figure is based on a regression of total employment; the lower figure is based on separately projecting manufacturing and non-manufacturing employment based on historic trends. At an average of 500 – 550 square feet per employee, this volume of growth would indicate potential demand for between 4.3 and 5.3 million square feet of commercial and industrial space in retail, industrial, and commercial uses. If a higher share of new employment occurs in primarily office-using or high tech industries, less floor area would probably be required per employee.

3. Acreage Required for Future Commercial-Industrial Growth

The potential to accommodate potential demand for 3 to 5 million square feet of additional commercial and industrial space over the next 15 years will depend upon having adequate community infrastructure and road systems, land availability, and density and coverage ratios that will facilitate such expansion. The demand on land will depend on the extent to which various business sectors can utilize one story vs. two or more floor buildings, the amount of open space and parking areas needed, and the coverage, floor area ratios, and buffer requirements of the Town.

Year 2000 estimates indicate about 2,040 acres in Salem developed in commercial or industrial use. Land use data for 1982 indicated about 1,320 acres in these uses, indicating that about 720 acres were absorbed over the past 18 years (about 40 acres per year) to accommodate retail, office, service-related, industrial, and miscellaneous other commercial development.

A comparison of long-term change in private sector employment, estimated acreage absorbed, and building area approved, indicates that about 12,000-13,000 square feet of gross floor area per additional developed acre, representing a floor area to land area ratio of about 30%. If future absorption averages 200,000 square feet per year and the ratio of floor area to land area is held constant based on past trends, 15 acres per year would be required, utilizing a total of 230 additional acres by 2015. If the rate of development were 300,000 square feet per year, approximately 23 acres per year would be needed over a 15-year projection period, equal to about 340 acres of land. The highest estimate, based on straight-line projections of employment growth, indicates potential for 350,000 square feet per year, requiring 27 acres per year or a total of 405 acres for commercial-industrial growth by 2015.

All of the above land demand scenarios assume that existing sites are fully utilized, with no infill or redevelopment capability. Existing developed sites that are underutilized may be able to accommodate some new development, and regulations that allow higher building to land area ratios could also reduce also the amount of vacant land required for future business development.

4. Supply of Vacant Commercial-Industrial Land

According to the Land Parcel Inventory of the State of New Hampshire Department of Resources and Economic Development, there are approximately 163 acres in available sites in industrial parks actively being marketed listed as available for sale or lease and served by water and sewer in Salem.

The Land Use Chapter estimates that there are 182 acres of vacant developable land area zoned for commercial and industrial development in Salem. This limited amount of available land suggests that Salem's potential for future absorption of commercial and industrial development from 2000-2015 (230-405 acres based on past trends) will not be supportable without either allocating more land to commercial and industrial uses, or by encouraging redevelopment and more efficient use of vacant available land. Higher ratios of building area to lot size could be achieved through increased height limitations for new buildings, or by higher building coverage ratios where appropriate. Redevelopment of existing older commercial and industrial parcels is also a potential resource for accommodating new non-residential uses.

F. Taxable Valuation

1. Valuation Per Capita and Equalized Tax Rate

One of the desirable outcomes of community planning for commercial and industrial development is a fiscal balance between residential development service cost impacts and the net positive tax contribution generally associated with non-residential uses. In the Town of Salem, growth in Salem's equalized assessed valuation (market value of property) has allowed its equalized tax rate to remain relatively constant as a percent of property market value. From the selected years between 1980 to 1999 shown in Table IV-10, the equalized tax rate has ranged from 1.8% to 2.2% of market value. The Town's equalized assessed valuation has remained between 9% and 11% of the Rockingham County total.

Equalized assessment figures of the state indicate that the town's equalized assessed valuation in 2000 exceeded $2.45 billion. The Town's taxable assessed value, based on a revaluation completed during the year 2000 is $2.3 billion.

TABLE IV - 10
Changes in Salem Assessed and Equalized Valuation

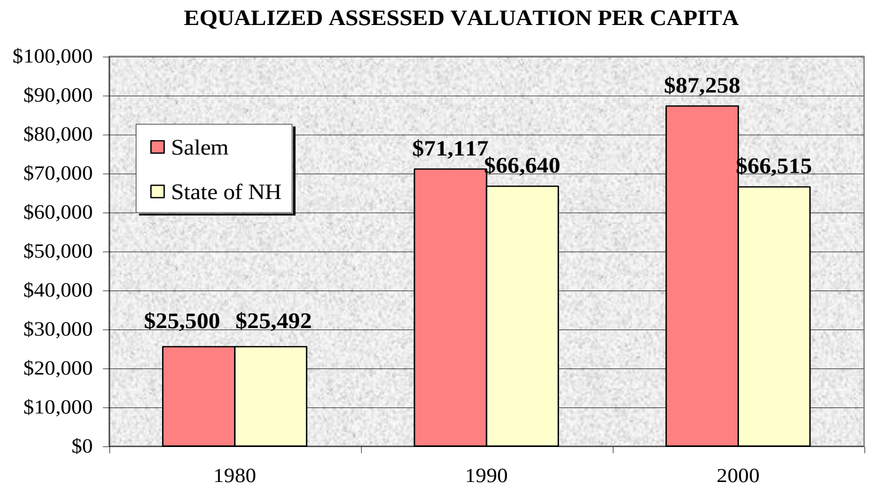
Year	Local Assessed Valuation (Taxable)	Equalized Assessed Valuation	Salem % of County EAV	Rate (Per $1,000 Market Value)	Equalization Ratio
1980	$531,421,755	$615,168,253	11.2%	$22.20	94%
1985	$568,776,320	$1,090,917,305	8.8%	$19.20	55%
1990	$698,449,200	$1,830,982,898	9.2%	$18.11	39%
1995	$784,045,990	$1,740,644,326	11.1%	$20.99	46%
1999	$844,559,210	$2,241,273,776	10.8%	$18.50	38%
2000 (Revaluation)	$2,308,120,812	$2,453,007,540	10.9%	n.a.	93%

Source: NH Department of Revenue Administration and Town of Salem

Equalized assessed valuation per capita is often used as a measure to compare the relative tax base wealth of communities and their relative tax effort. As shown in Figure IV-10, Salem's equalized assessed valuation per capita was about equal to the state average at $25,500 in 1980. In 1990, Salem per capita valuation was 6.7% higher than the state average. As of 2000, local equalized valuation per person was 31% higher than the state average. Since an increasing share of the State's economic activity has centered in Salem, the Town has added taxable property per capita at a faster rate than the State average.

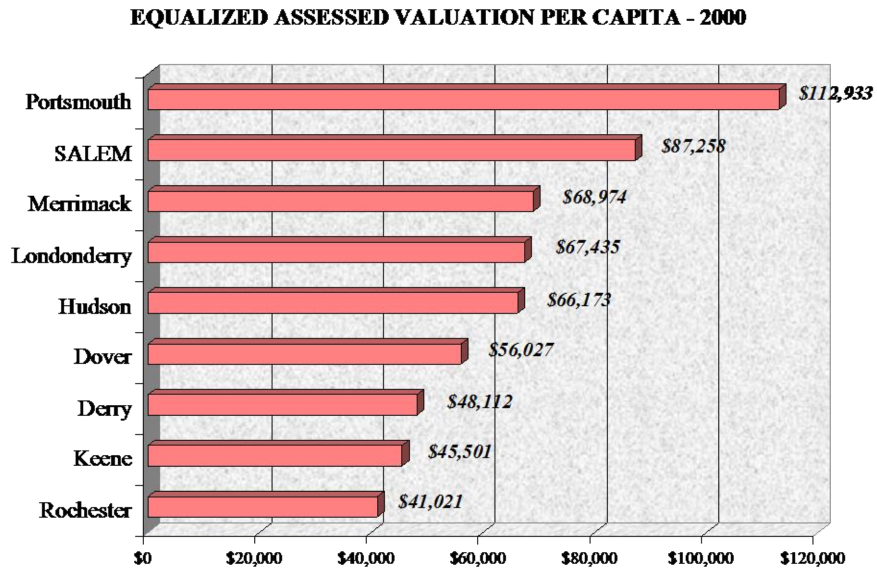
The growth of commercial and industrial uses, and increasing residential market values, enhanced this relationship even as the Town experienced rapid population growth. When compared to other New Hampshire cities and towns of similar population, Salem ranks second only to Portsmouth in equalized valuation per capita in 2000. (See Figure IV-11 – municipalities shown range from about 20,784 in Portsmouth to 34,021 in Derry.)

FIGURE IV - 10



Source: NH Office of State Planning, August 2000 data for 1980, 1990. Ratios for 2000 computed from NH Dept of Revenue Administration equalized valuation data and U. S. Census for 2000.

FIGURE IV - 11

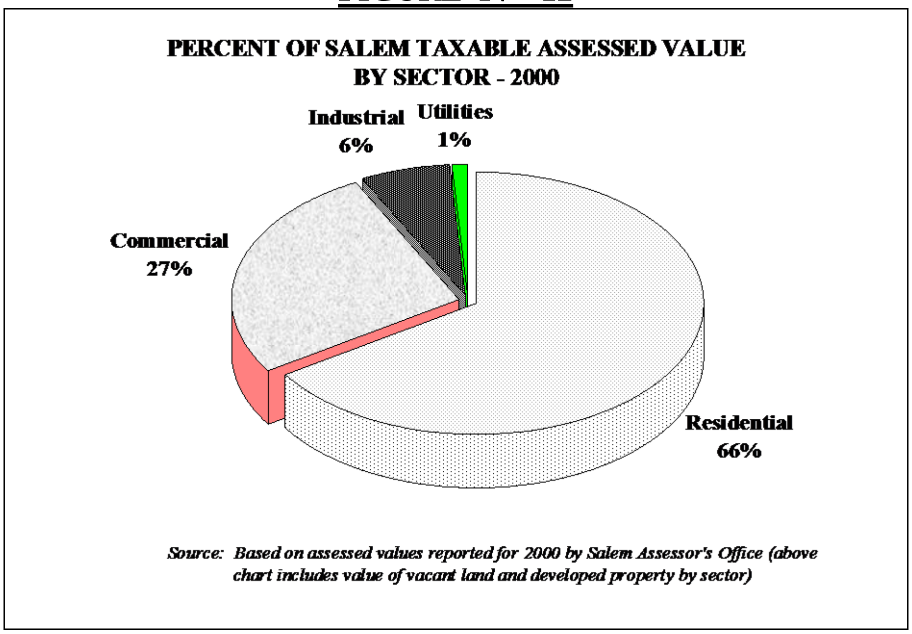


Sources: Computed from NH Dept of Revenue Administration data on year 2000 equalized valuation and U.S. Census 2000

2. Composition of Property Tax Base

As illustrated in Figure IV-12, about two thirds of the taxable assessed valuation in the Town of Salem is in residential property and the balance (34%) is in commercial-industrial uses and utilities. The commercial sector, generally including office and retail uses, is the most significant non-residential tax contributor to the Town's tax base.

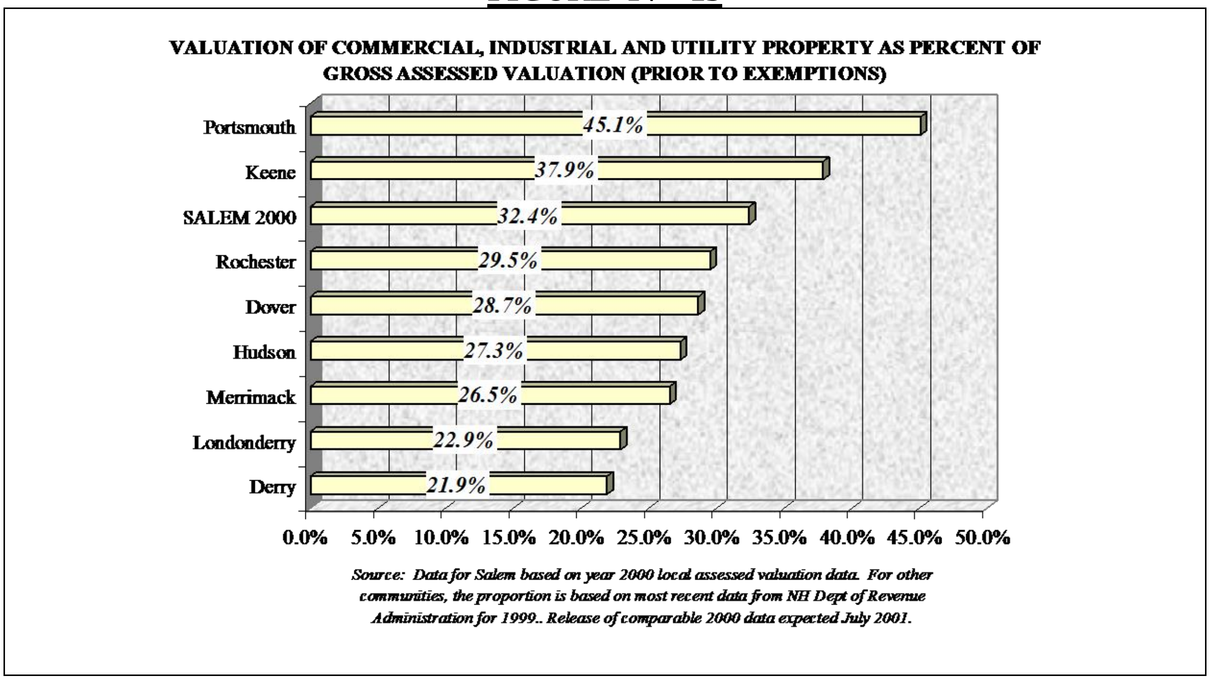
FIGURE IV - 12



Due to the relatively high proportion of valuation in commercial and industrial development in Salem, about 1/3 of the Town's property taxes are paid by businesses, and about 2/3 are paid by owners of residential property.

The proportion of local assessed valuation found in commercial, industrial and utility property in Salem is compared to other cities and towns of similar population size in Figure IV-13. Data for Salem reflect year 2000 characteristics; for other communities the data reflect 1999 assessments. The proportion of non-residential assessed value in Salem is higher than that of most other communities of similar size.

FIGURE IV - 13



G. Video Gaming Task Force Report

If video gaming is eventually authorized by the State of New Hampshire at the four racetracks in the state, unique development impacts may be realized in Salem. Salem has the largest track in the state at Rockingham Park, and it has immediate interstate highway accessibility to major metropolitan markets. In 1998, the Town of Salem's Video Gaming Task Force issued a Financial and Service Impact Analysis on the effect of video gaming on municipal service costs. The report was prepared in response to the Governor's proposal for a funding plan for statewide education that would include revenues from video gaming.

The report estimated that the average daily transient population for retail travel pass-through, and out of town employees commuting into the Town, is already about 50,000 persons per day. The introduction of gaming operations at Rockingham Park could attract between 1.2 and 4.0 million visitors into Salem each year according to the Town's analysis. The report took no position either supporting or opposing the concept, but evaluated the fiscal impact on the Town from the introduction of gaming. The Town's report concluded that, under its assumptions of gaming traffic, about $1.5 million per year, or about 2–2½ % of the gross revenues generated by video gaming at Rockingham Park would be required to maintain Salem's current level of municipal services. The report also anticipated a need for additional funding for the upgrading of highway infrastructure to handle traffic impacts. The secondary economic impacts of additional visitor traffic were not evaluated in the report, but typical associated impacts may be anticipated in increased business in lodging and entertainment, food services, gasoline and retail trade in general.

H. Municipal Fiscal Impact of Development

The development of more commercial and industrial development is generally sought as a means of creating a positive fiscal impact on the community, and to offset perceived negative fiscal impacts of residential development. A report and fiscal model dated August 2000, prepared by Tischler & Associates for the Town of Salem, suggests that there are some significant differences among types of non-residential development with respect to impacts on Town (non-school) service costs and related revenues.

After excluding School District costs and revenues from the analysis, the report indicates the following net fiscal impacts on Town service costs and related revenues, for selected development prototypes:

Residential	Net Town Fiscal Impact Per Unit
Single Family	+ $549
Multifamily	+ $494
Mobile Home	(-$388)

Non-Residential	Net Town Fiscal Impact Per 1000 Sq. Ft.
Retail	(- $ 1190)
Office	+ $ 97
Industrial	+ $ 114

One of the reasons for the net positive impacts of some residential development and the net negative impacts for retail development is the exclusion of school costs and related revenues from the analysis. With schools excluded, single family and multifamily property was estimated to yield net positive fiscal impacts, and mobile homes a net negative impact.

For non-residential development, office and industrial uses were estimated to produce net positive fiscal benefits, while retail showed a significant negative impact that is in part associated with the higher traffic generation it generates.

On the basis of the non-school net fiscal impacts indicated by the analysis, Salem should achieve more positive fiscal impacts from land use policies that favor office and industrial expansion rather than a development strategy that heavily emphasizes more retail development.

I. Rockingham County Comprehensive Economic Development Strategy (CEDS)

The severity of the layoffs announced in 1999 by Compaq in Salem gave rise to a grant from the U.S. Economic Development Administration (EDA) to the Rockingham Economic Development Corporation (REDC) to create a revised Comprehensive Economic Development Strategy for the region. The closing of the Compaq plant provided an opportunity for REDC to work with EDA to develop a strategy to assist laid off workers and identify potential businesses that might use the vacant 674,000 square foot facility.

A final CEDS report describing an overall analysis and strategy for economic development was released in September 2000. The overall vision statement of the CEDS is to implement a balanced approach to economic development that will create quality jobs for local residents while maintaining the quality of life that encourages people to live, work, and visit in the area. A number of the observations of the report are significant to Salem with respect to regional strengths and weaknesses in relation to the area achieving its vision. Selected observations from the CEDS report are listed below.

1. Weaknesses Identified in CEDS

- The lack of an available work force was identified as the principal limitation for regional economic development.
- Physical infrastructure problems included traffic congestion and lack of public transit
- A lack of inter-municipal cooperation and lack of innovative land use controls were viewed as weaknesses related to local governmental structure.
- Strategy committee meetings held for the sub-area including Salem indicated problems with a lack of affordable housing, traffic congestion, and lack of available work force especially at lower wage scales. The local sub-area has public transit deficiencies. There is no local bus service in Greater Derry/Greater Salem, and the region's private commuter bus operators do not run through Salem.
- According to the CEDS, travel demands for I-93 between Salem and Manchester have exceeded the capacity of the existing four-lane facility. All five interchanges in the corridor are currently operating at sub-standard levels of service.

2. Strengths Identified in CEDS

- Quality of life in the region
- Good transportation infrastructure

- Proximity to Boston and access to the area's higher education institutions and their research and development capacity

- Absence of income or sales tax

- A skilled workforce

- Rockingham County is served by Guilford Rail System with branch lines that serve the area from Portsmouth to Hampton and from Lawrence, Massachusetts to Salem.

- The NH Department of Transportation (NHDOT) is examining the feasibility of incorporating a right of way for future passenger rail service into the I-93 widening project, which is currently in the environmental impact assessment (EIS) stage.

J. Summary of Observations

Salem is one of New Hampshire's most important commercial centers. The high volume of in-bound and out-bound commuting, daily traffic generated by retail trade, entertainment and recreation uses, and a rapid pace of business development represent Salem's economic strength and diversity, but also constitute challenges to maintaining the residential quality of life.

Significant observations of this chapter relative to the Salem economic base include the following:

- The local transportation network bears a significant amount of commuter activity and transient traffic. About 69% of Salem's resident workers commute out, while about 68% of the jobs in Salem are held by workers who commute into town. Salem has become one of New Hampshire's major regional commercial centers.

- Since the 1980s, Salem has grown significantly in market share and relative importance in the State as a major center for retail trade, wholesale trade, services and manufacturing:

  Sales by wholesale trade establishments in Salem rose from 12th in New Hampshire in 1982 to 4th as of 1997.

  Retail trade volume in Salem ranked 5th in 1982 and 1987, but in 1992 and 1997 its rank rose to 3rd (following development of the Mall at Rockingham Park).

  In 1992, manufacturing activity in Salem, measured by value added, ranked 3rd in New Hampshire.

  Receipts by service industries located in Salem ranked 8th in the state in 1982; by 1992, the local volume of service receipts was ranked 3rd.

- During the 16 years from 1984 through 1999, Salem approved an average of 380,000 square feet per year in commercial and industrial development. If the Mall at Rockingham Park is excluded, the long-term average has been about 320,000 square feet of commercial-industrial development per year. During the 1990s the pace of development slowed, averaging about 214,000 square feet per year.

- Land consumption by new commercial-industrial development has averaged about 25 acres per year since 1981. The ratio of total building area developed to acreage utilized in new commercial-industrial development is estimated at about 30% for development since 1980.

- Projections based on past trends in employment growth, the pace of commercial-industrial development approvals in Salem, and past land consumption trends, indicate the following demand scenarios for anticipating future land use by commercial-industrial growth:

	Floor Area/Yr.	Acres/Yr.	Acres 2000-2015
Low	200,000	15	230
Moderate	300,000	23	340
High	350,000	27	405

- The current land supply that is zoned for commercial and industrial development (estimated at about 268 acres) would be adequate to accommodate the volume of business growth over the next 12 years at a moderate rate of growth, provided that this acreage is available and suitable for the types of development seeking location in Salem. At the slower pace of development that characterized the 1990s, the land supply would be adequate for the next 18 years. These estimates of the remaining life of the land supply assume availability and suitability of all acreage for either commercial or industrial development. Available vacant land does not include acreage that is underutilized. Actual building area per employee and land consumption requirements will vary by type of use, and may change over time in accordance with local land use regulations.

- Commercial-industrial expansion will need to be accommodated not only by allowing for growth and redevelopment opportunities afforded by the Town's land use plan and regulations, but also by travel demand management and the provision of adequate regional and local highway capacity.

- The regulations governing commercial-industrial development density, restrictions on the number of floors, and building coverage limits should be reviewed to assure that available land can be utilized efficiently to accommodate new business, and to maintain high ratios of taxable valuation per acre.

- Other protective techniques, such as the use of special buffers at the boundaries of residential vs. non-residential zoning districts may be desirable.

K. Economic Base Recommendations

- Initiate the redevelopment of older commercial and industrial areas, with particular attention to the Depot.
- Consider creating a public redevelopment authority or supporting a non-profit redevelopment corporation in order to facilitate local redevelopment activities.
- Focus on a more diverse economic base with lesser emphasis and dependence on the retail sector.
- Support the improvement of regional highway capacity, and improve the local roadway capacity in order to accommodate future economic development and redevelopment.
- Provide more affordable housing to support the local labor force.

<u>Supporting Studies and References</u>

- *Census of Population: Socioeconomic Characteristics*; US Bureau of the Census; 1980 and 1990.
- *County and Town Profiles* (annual reports); NH Employment Security; data years 1980-1999.
- *NH Job Outlook and Locator*; NH Employment Security; August 1998.
- *County Business Patterns: 1997 Zip Code Business Patterns*; US Census Bureau; (internet lookup of 1997 database) for Salem zip codes 03
- *U. S. Economic Census Geographic Series for NH (Census of Retail Trade, Wholesale Trade, Service Industries, and Manufactures);* US Bureau of the Census; data years 1982, 1987, 1992 and 1997.
- *Compilation of Salem non-residential site plan approval data for 1984-1999*; Salem Planning Department; 2000.
- *Land Parcel Matching – Available Sites and Industrial Parks*; NH Department of Resources and Economic Development; internet listings for 10/21/2000.
- *Taxable Valuation per Person in New Hampshire Communities 1980-1999*; NH Office of State Planning; August 2000.

- *1999 Property Tax Tables by County*; NH Department of Revenue Administration; February 8, 2000.

- *2000 Assessed and Equalized Valuation Tables*; NH Department of Revenue Administration; on-line data June 21, 2001.

- *Financial/Service Impact Analysis*; Salem Video Gaming Task Force; April 22, 1998.

- *FISCALS Users Manual*; prepared for Town of Salem by Tischler & Associates, Inc.; August 22, 2000.