LIVE SALINA:
A STRATEGIC HOUSING PLAN

MARCH // 2016

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CHAPTER 1:
COMMUNITY VISION

OVERVIEW OF COMMUNITY INPUT AND VISIONING FOR SALINA HOUSING STUDY

The Salina Housing and Neighborhood study included a comprehensive public engagement process, to help understand the vision and needs of Salina residents. The planning team held four public open houses, 8 small group discussions with key stakeholders, and conducted two surveys: a survey of local landlords, and a survey of the general public that received 840 responses (1.8% of the city's total population). Full summaries and methodology of the surveys and stakeholder groups are provided in the appendix, and an overview of the themes from all engagement methods is below.

OVERALL THEMES & ISSUES IDENTIFIED THROUGH COMMUNITY INPUT

The public engagement process revealed several important themes that became the guide for the completion of the Salina Housing study. These themes were distilled from input received from open houses, stakeholder discussions and surveys.

"WE NEED TO TAKE CARE OF OUR OLDER HOUSING AND CLEAN UP OUR EXISTING NEIGHBORHOODS."

Salina residents are concerned about the poor conditions of many homes in older parts of town, such as north, west, and central Salina. North Salina in particular was the subject of much discussion during the public input process, as this area lacks neighborhood amenities, such as a school, and has some of the poorest condition housing. The need for revitalization in existing neighborhoods was the second most common comment in the Live Salina survey (second only to the cost of housing) and was a prominent theme in the stakeholder groups. Several residents suggested that Centennial Park would be a good opportunity for a quality residential infill project, which could provide a demonstration of how this type of work could be done in Salina. Others stressed that new construction interests should not overshadow efforts to preserve existing neighborhoods.

"The need for revitalization in existing neighborhoods was the second most common comment in the Live Salina survey."

"THE COST OF HOUSING IS TOO HIGH. WE NEED MORE AFFORDABLE OPTIONS."

The most common comment shared in the Live Salina survey was that housing is too expensive. Participants in the stakeholder groups shared that there is a particular need for quality housing in the $100,000 range. Since it is difficult to construct new housing in this price range, this need relates back to the first theme summarized in this section: rehabilitating existing, older housing. However, participants in the stakeholder group pointed out that there is very little rehabilitation occurring in Salina.

"A WIDE RANGE OF NEW HOUSING PRODUCTS ARE NEEDED IN SALINA TODAY, ESPECIALLY 2-3 BEDROOM HOUSES, INDEPENDENT SENIOR LIVING, TOWNHOUSES AND APARTMENTS."

Salina residents feel that there are many types of housing that are under-provided in the community. A common theme was a need for senior housing options, especially independent living. Many residents also thought that Salina could use more townhomes, small to mid-size single family homes (2-3 bedrooms) and apartments. Several participants in the stakeholder groups and survey mentioned a lack of accessible housing for disabled individuals. Larger homes (4+ bedrooms) and upscale residential were not generally seen as a need for Salina.

MOST POPULAR HOUSING TYPES

In the Live Salina survey, respondents were given eight types of housing choices and asked if they felt any of these would be successful in Salina today. The results of that question are shown below. The most popular housing types, as chosen by ¾ or more of the respondents were:

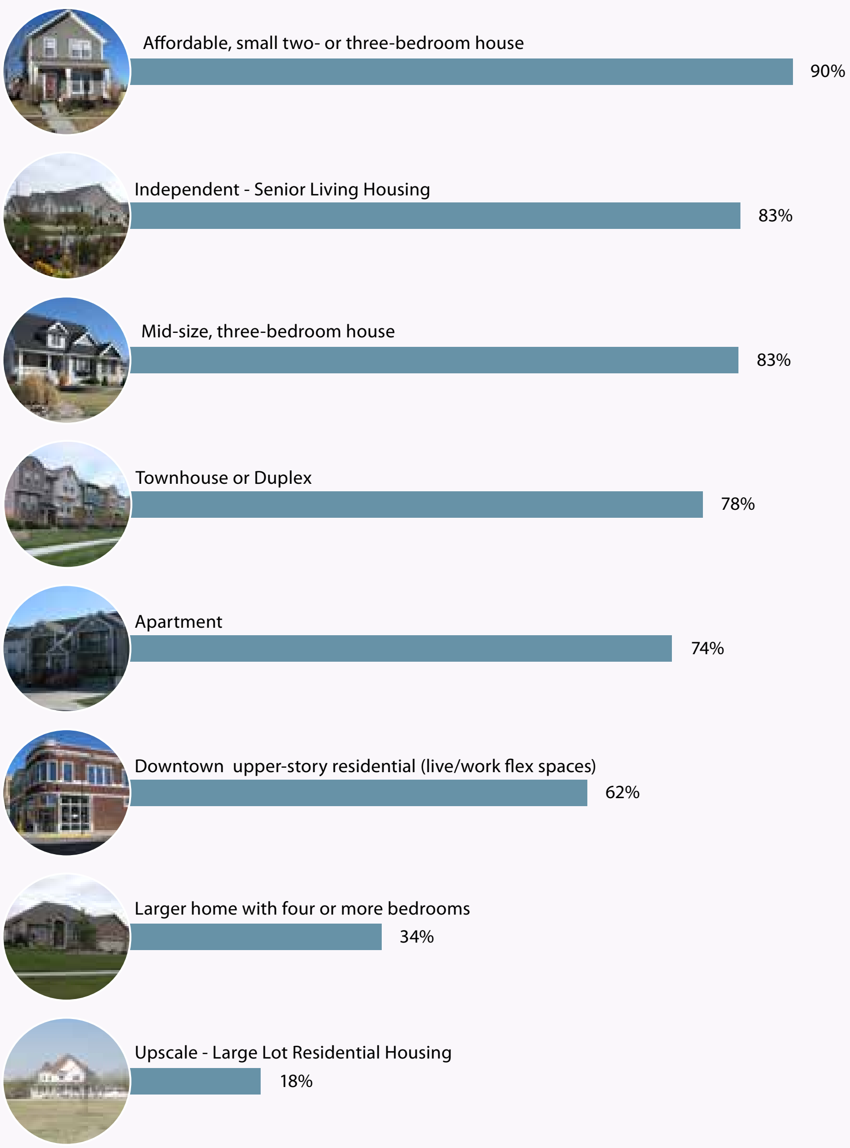
- Affordable, small two or three bedroom home
- Independent – Senior Living Housing
- Mid Size – Three Bedroom House
- Townhouse or Duplex
- Apartment

Downtown upper-story residential ranked slightly lower, but still received majority support, with 62% of respondents believing this would be successful.

The two housing types that the majority did not think would be successful were larger homes with four or more bedrooms and upscale – large lot housing.

NEW HOUSING

What new housing products do you think would be successful in Salina today? (percent who responded 'yes')



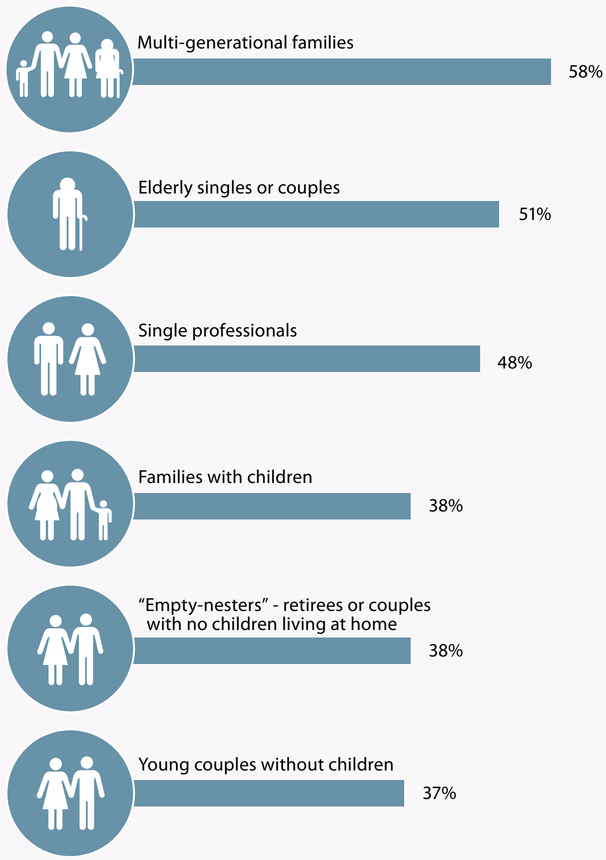
"SOME POTENTIAL HOMEBUYERS ARE UNDER-SERVED BY THE SALINA MARKET, INCLUDING MULTI-GENERATIONAL FAMILIES, OLDER ADULTS, AND SINGLE PROFESSIONALS."

In the Live Salina survey, many respondents voiced that there were several groups of potential homebuyers that were not adequately served by the Salina housing market. Approximately half or more of respondents felt that multi-generational families, elderly singles or couples, and single professionals are not having their needs met by the current housing supply.

Respondents felt differently when asked about families with children, young couples without children, and "empty-nesters" - about 3/5 of respondents feel that these groups are adequately served. The survey responses are summarized in the graphic below.

UNDERSERVED HOMEBUYERS

Do you believe the current housing supply adequately meets the needs of the following homebuyers? (percent who responded 'no')



"THE QUALITY OF RENTAL HOUSING IS LOW."

In surveys of the general public and local landlords, a number of respondents used words like "poor" and "deplorable" to describe rental conditions. Yet at the same time, there is the perception that rental rates are too high for the quality provided, and are too high for the incomes of Salina residents. Few market rate and high-end rentals are available.

"USE OF SPECIAL ASSESSMENTS AND INCENTIVES HAS BEEN UNEVEN AND MISTARGETED."

Local developers shared that the sudden removal of special assessments by the city was problematic. They note that "greenfield" development is very different from infill development, especially with regards to the financing aspect. Special assessments are not an incentive but a way to fund infrastructure development in the community. This financing tool cannot be used for infill development and more financial hurdles exist when doing infill. With the use of special assessments, new greenfield development will continue to happen, but several developers and members of the general public recommended that incentives for infill housing would be necessary.

CHAPTER 2:
SALINA TODAY

This chapter summarizes the characteristics of our community that strongly affect our housing market. A thorough understanding of our demographics and housing conditions will provide the first step in crafting a housing plan.

OUR RESIDENTS: SALINA'S DEMOGRAPHIC CHARACTERISTICS

This section reviews Salina's demographic trends – historical population growth, trends in age distribution, and household economic characteristics – all of which have a tremendous effect on the local housing market.

POPULATION GROWTH

After a population dip in the 1960s, Salina has experienced slow but steady growth since 1970. However, population growth has not been evenly distributed around the city, with many older neighborhoods losing population. [Figure 2.1 and Figure 2.2]

- The average annual rate of growth was 0.8% from 1990-2000 and 0.4% from 2000-2010.
- As compared to nearby peer communities, Salina's 2000-2010 growth was higher than Emporia and Leavenworth, but slower than the thriving college towns of Manhattan and Lawrence. [Table 2.1]
- Population change varied dramatically by geographic area. North and west-central Salina lost about 5-7% of its population from 1980-2010, while parts of South and East Salina grew tremendously, with population increases ranging from 25% to 120%. [Figure 2.2]

FIGURE 2.1: Population Change

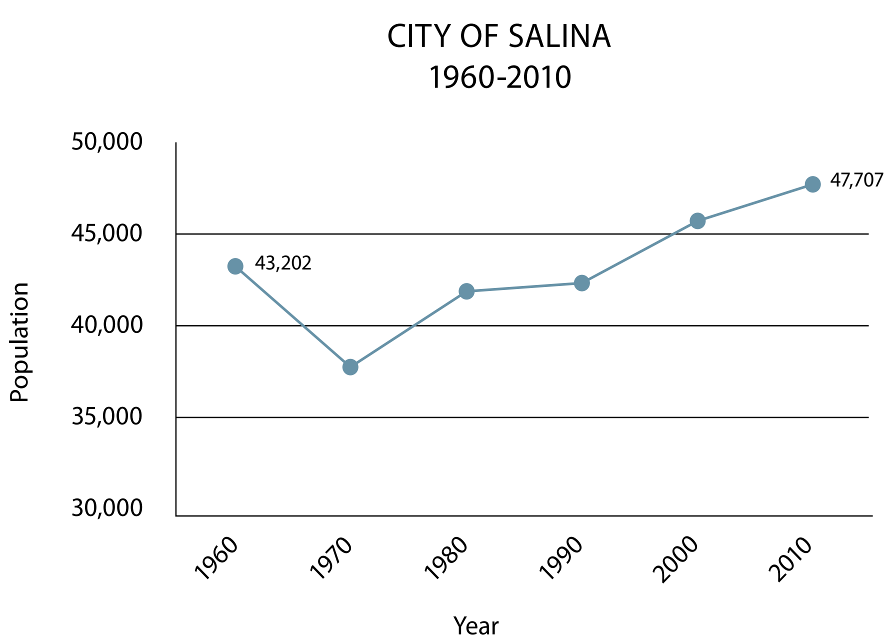
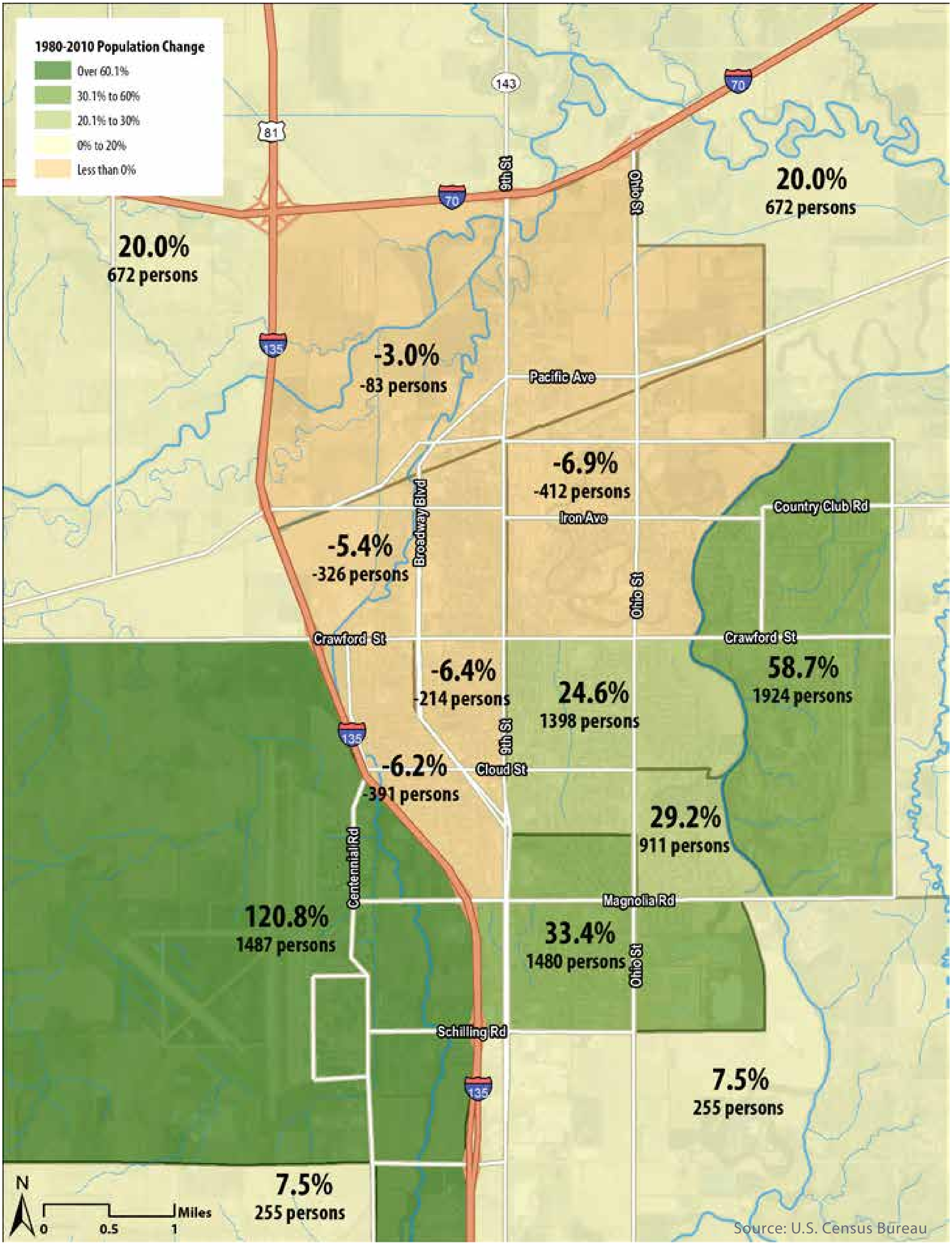


TABLE 2.1: Population Comparison

City	2000	2010	% Change
Salina	45,679	47,707	4.4%
Emporia	26,760	24,916	-6.9%
Lawrence	80,098	87,643	9.4%
Leavenworth	35,420	35,251	-0.5%
Manhattan	44,831	52,281	16.6%
Topeka	122,377	127,473	4.2%

Source: U.S. Census Bureau

FIGURE 2.2: Population Change by Census Tract



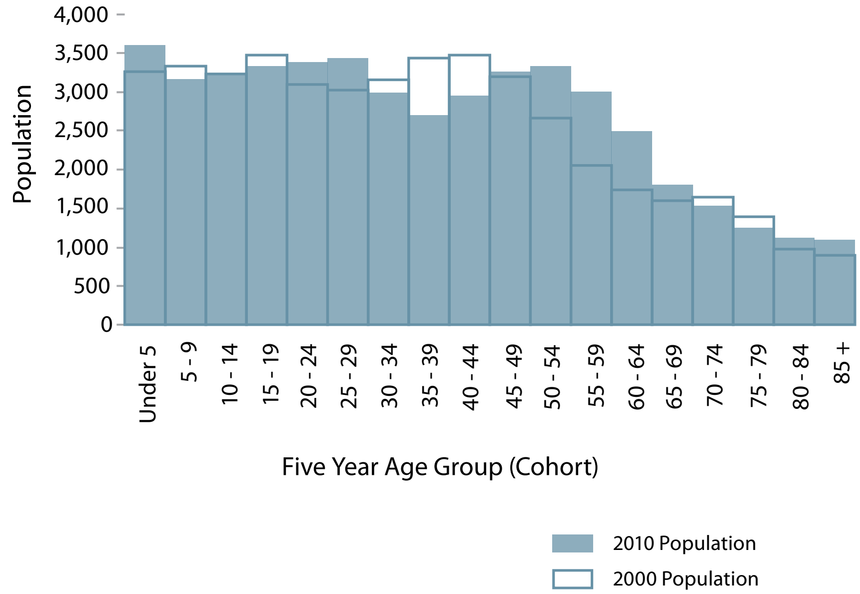
TRENDS IN AGE GROUPS

Salina's age distribution is relatively stable, but the community has experienced a small loss among mid-career adults and an increase in adults of early retirement age.

Figure 2.3 shows the population of Salina by age group in 2000 and 2010. Figure 2.4 shows a comparison of the actual population in 2010 versus the population that would be predicted if there had been no migration between 2000 and 2010 (i.e. - natural population change based on birth and death rates). Age groups that have a discrepancy between predicted and actual population levels are likely the result of migration in or out of the community. Together, these charts show that:

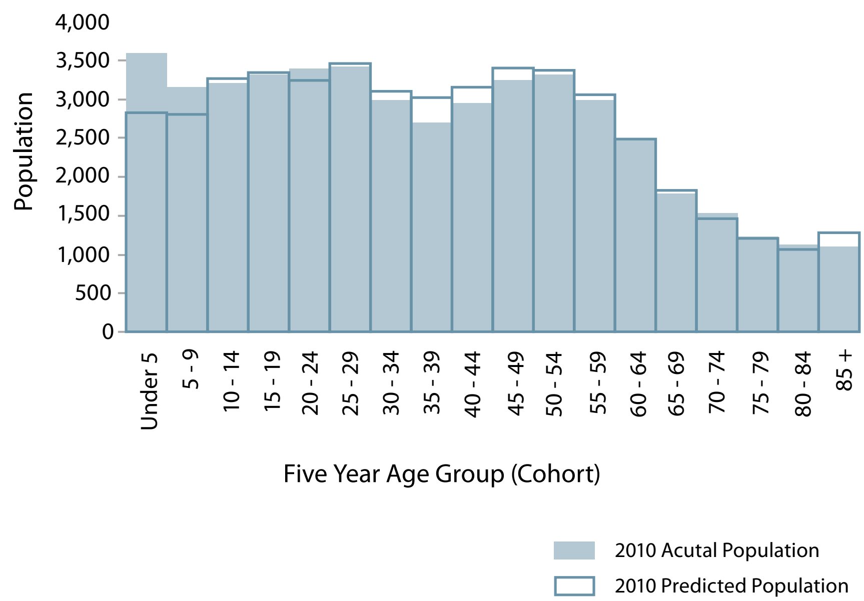
- There was a slight out-migration in the 30-44 age group.
- As in most communities, the aging of the baby boomer generation is contributing to an increase in the pre- and early-retirement age residents (50-64, see Figure 3) This is likely to generate an increased need for senior-friendly housing now and in the coming decades. Later in this chapter the potential demand generated by seniors is estimated in Tables 2.9 and 2.10.
- There was a higher than expected number of children under 9 in 2010. However, because this is not accompanied by a mirror influx in adults of child-bearing age, it is likely the result of a higher than average birth rate - a trait that was common among many Midwestern cities.
- Age distribution varies by neighborhood. Western Salina has a much lower median age and lower percentage of residents over 55 than the newer, eastern parts of town, which appear to have a greater concentration of older residents [Figure 2.5 & Figure 2.6].
    - This age trend corresponds roughly to median homes prices, as shown later in Figure 2.15 (with higher price areas having higher median ages).

FIGURE 2.3: Salina Population by Age



Source: U.S. Census Bureau

FIGURE 2.4: Predicted and Actual Age Distribution



Source: RDG Planning & Design; U.S. Census Bureau

FIGURE 2.5: Census 2010 Median Age

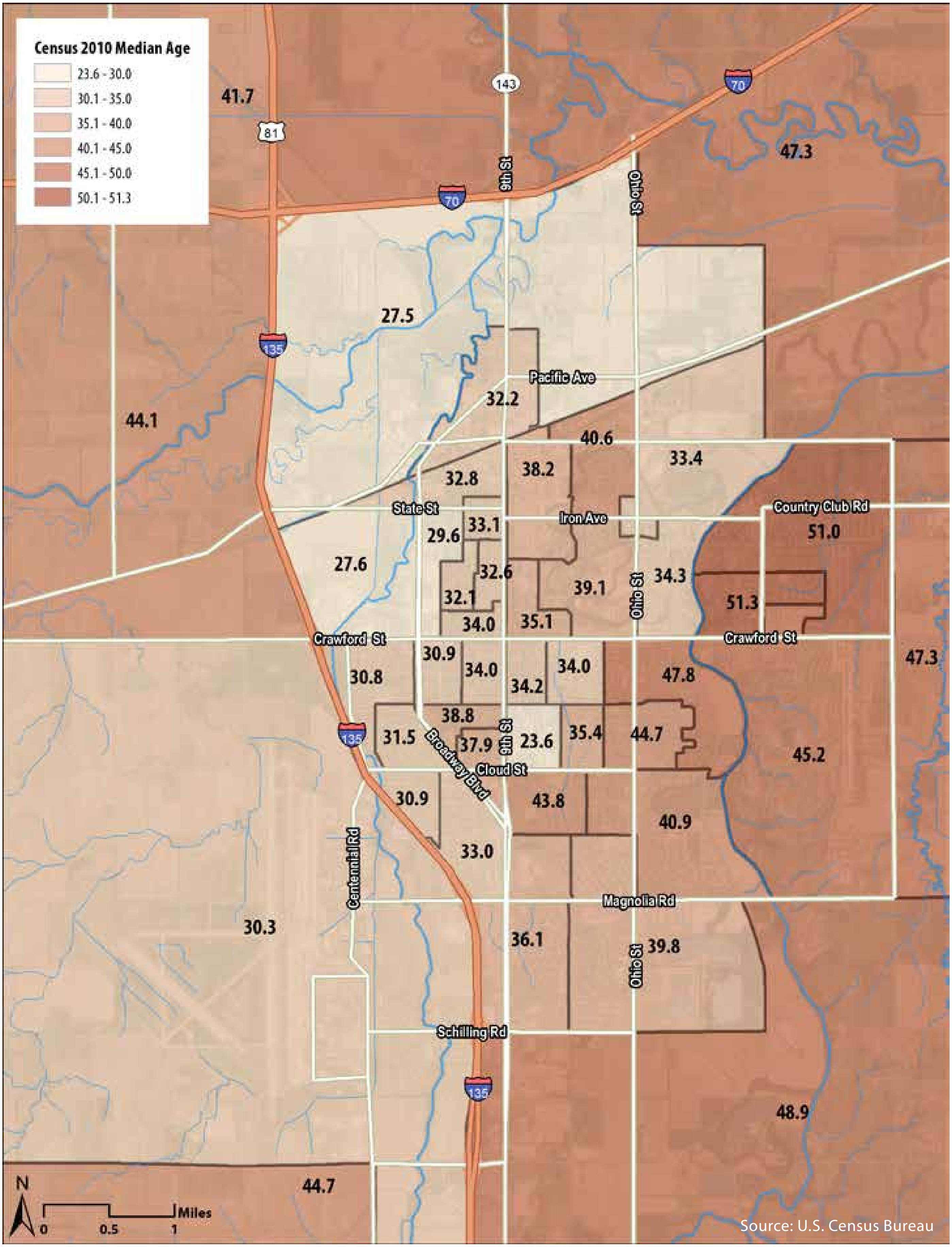
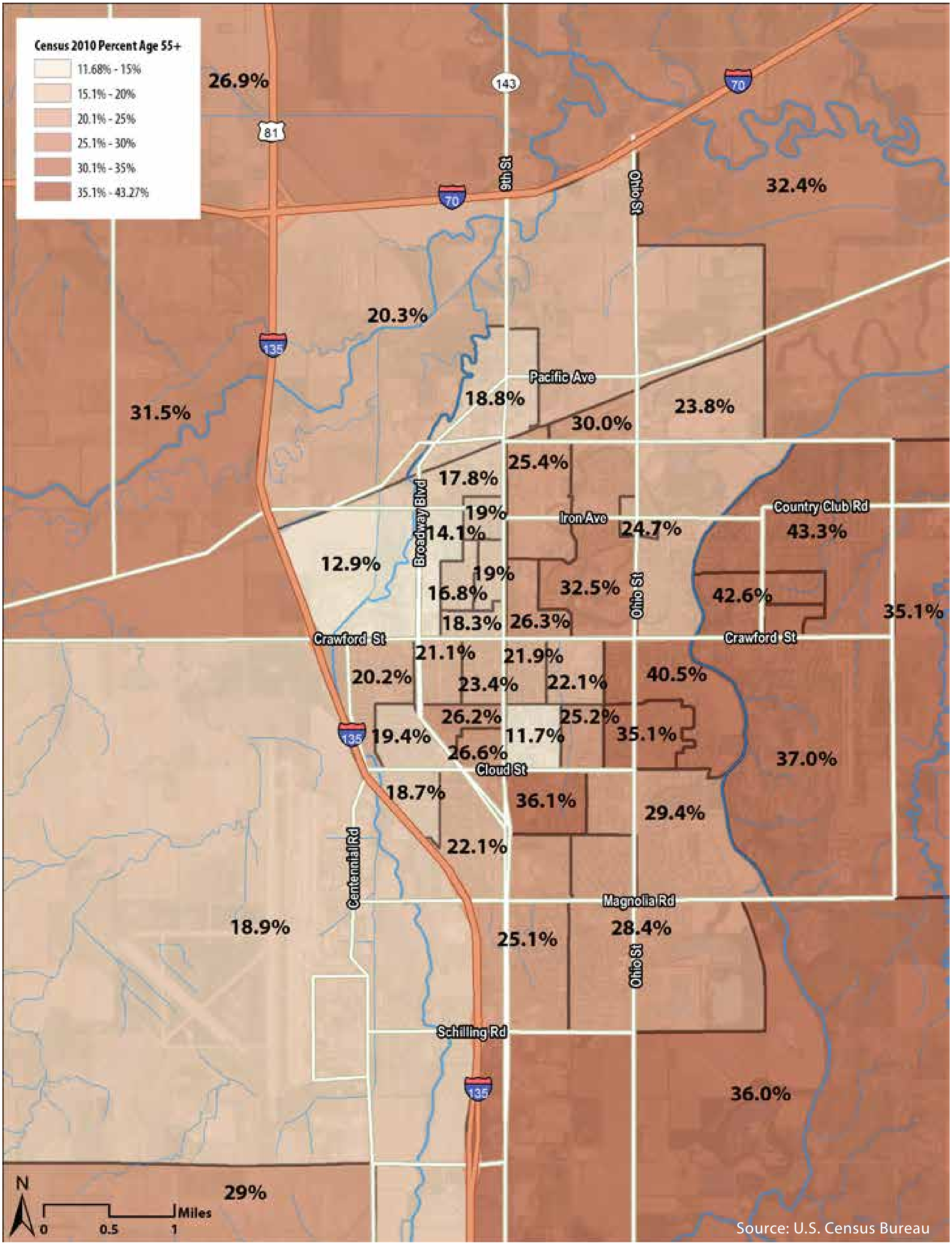


FIGURE 2.6: Census 2010 Age 55+

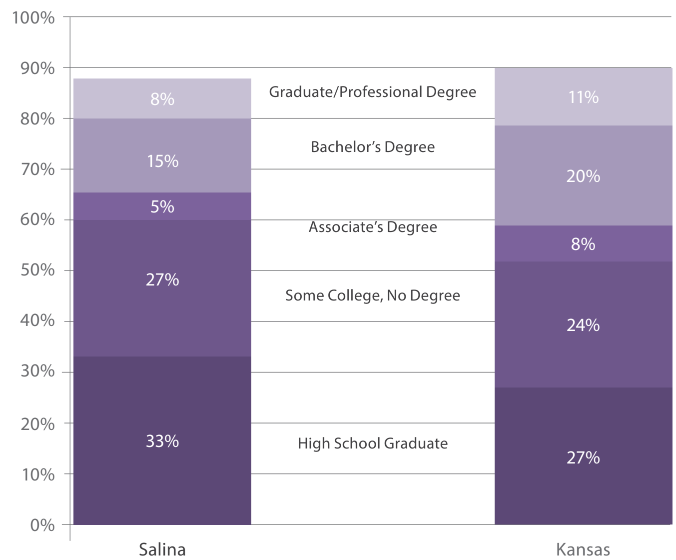


HOUSEHOLD ECONOMIC CHARACTERISTICS

Salina is a middle income community, with an employment composition similar to the State as a whole, and slightly lower education levels.

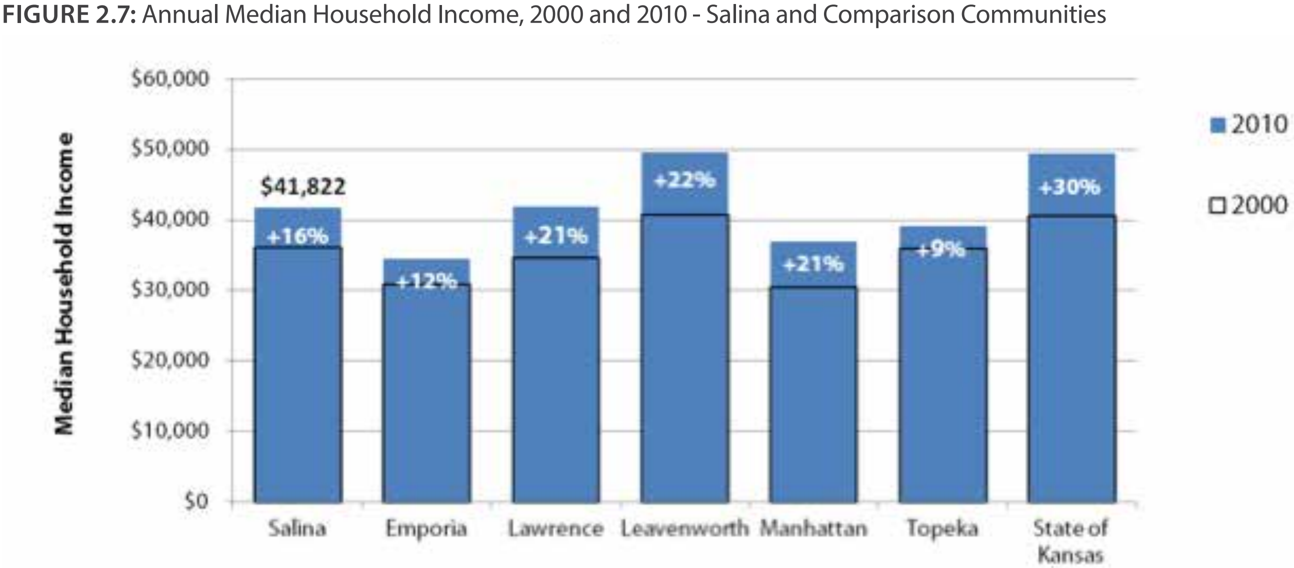
- The median household income for Salina residents is $41,822. This puts it in the mid-range among comparison communities, both in terms of current income and recent growth rates. Salina's income falls between Emporia and Leavenworth, two peer cities. [Figure 2.7]
- Salina has a smaller percentage of residents with advanced degrees as compared to the State as a whole. 23% of Salina residents have a Bachelor's degree or higher, compared to 31% of Kansas residents. This will have an effect on residents' earning potential. [Figure 2.8]
- Like most cities, household income varies by neighborhood. Higher income areas of Salina are concentrated in the east and south, while the north and west tend to have lower incomes and a higher incidence of households in poverty. [Figure 2.9 and Figure 2.10]
- Salina's employment distribution across industries largely mirrors the state - Educational services, Manufacturing, and Retail trade are the top three employers for both.
- From 2000 to 2013, Salina experienced significant change in employment in certain industries. Most notably:
  - Construction employment dropped by ~30% in Salina, while growing by 2% across the State.
  - Manufacturing grew by ~22% in Salina, while dropping by 10% across the State
  - Employment dropped 53% in Information and increased 24% in Professional, Scientific, and Management, which was fairly consistent with state-wide trends.

FIGURE 2.8: Percent of Residents 25 Years and Over, High School Graduates



Source: U.S. Census Bureau

FIGURE 2.7: Annual Median Household Income, 2000 and 2010 - Salina and Comparison Communities



Source: U.S. Census Bureau

FIGURE 2.9: Median Household Income

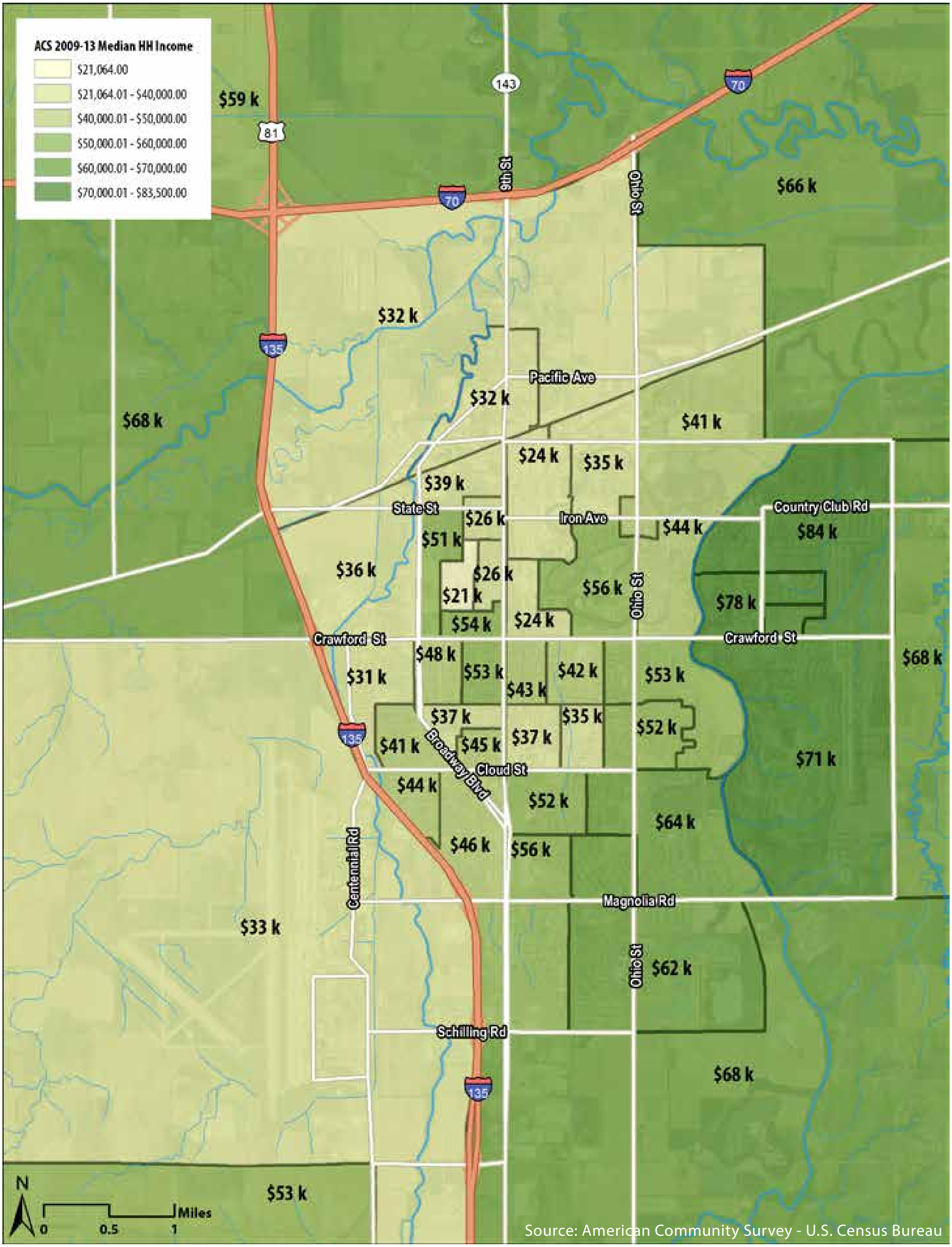
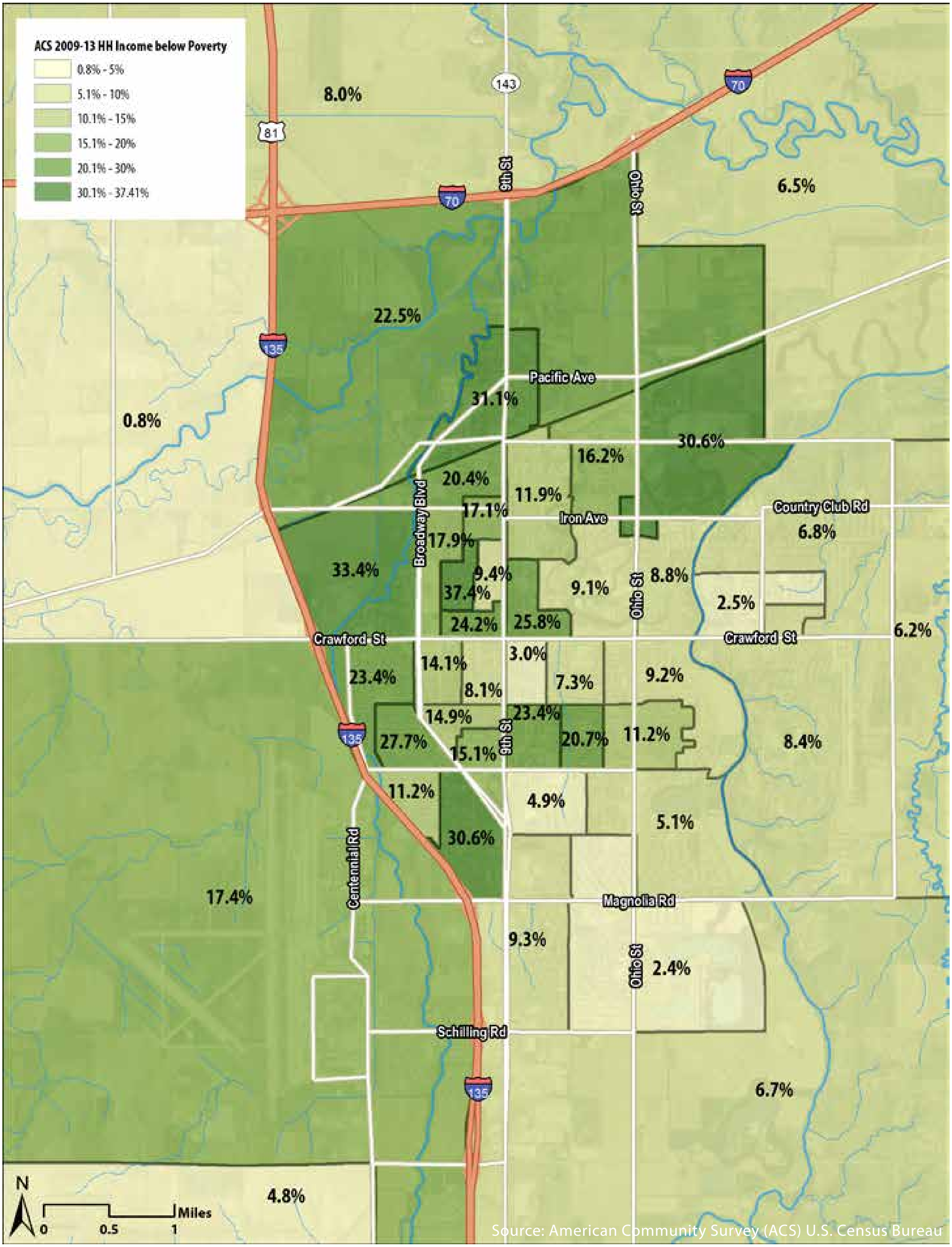


FIGURE 2.10: Household Income Below Poverty



OUR HOMES: SALINA'S HOUSING CHARACTERISTICS

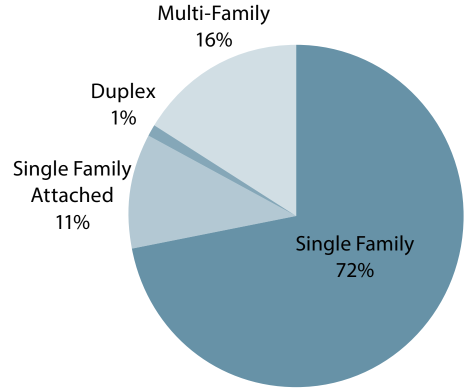
Salina has a relatively good housing stock, but conditions are very uneven across the community, with some neighborhoods showing dramatically better conditions than others.

HOUSING CONSTRUCTION

Salina had a good residential construction market, but over the past several years construction levels have been too low to support much growth.

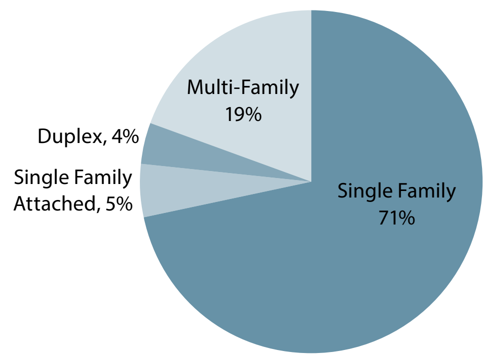
- Ninety units per year: Like many other communities across the country, Salina saw a drop in construction rates in 2008. The market rebounded some in 2010 and 2011 but dropped again in the following three years. Salina currently is not building at a rate necessary to support population growth. With inclusion of the higher construction years of 2005 to 2007, Salina's overall (single and multi-family) 10-year average is 89.5 units per year, a rate necessary to support growth rates similar to the 2000s. [Figure 2.11]
- Mostly Single Family Construction: The majority of new units over the past 10 years have been single family units, with just two multi-family projects in that time frame. The mixture of new construction by housing type has been largely consistent with the mixture of Salina's current housing stock, with the exception of single-family attached housing, which accounted for 11% of new construction in the 10-year period, but is only 5% of the overall housing stock. [Figures 2.12 & 2.13]

FIGURE 2.12: New Construction by Type (2004-2014)



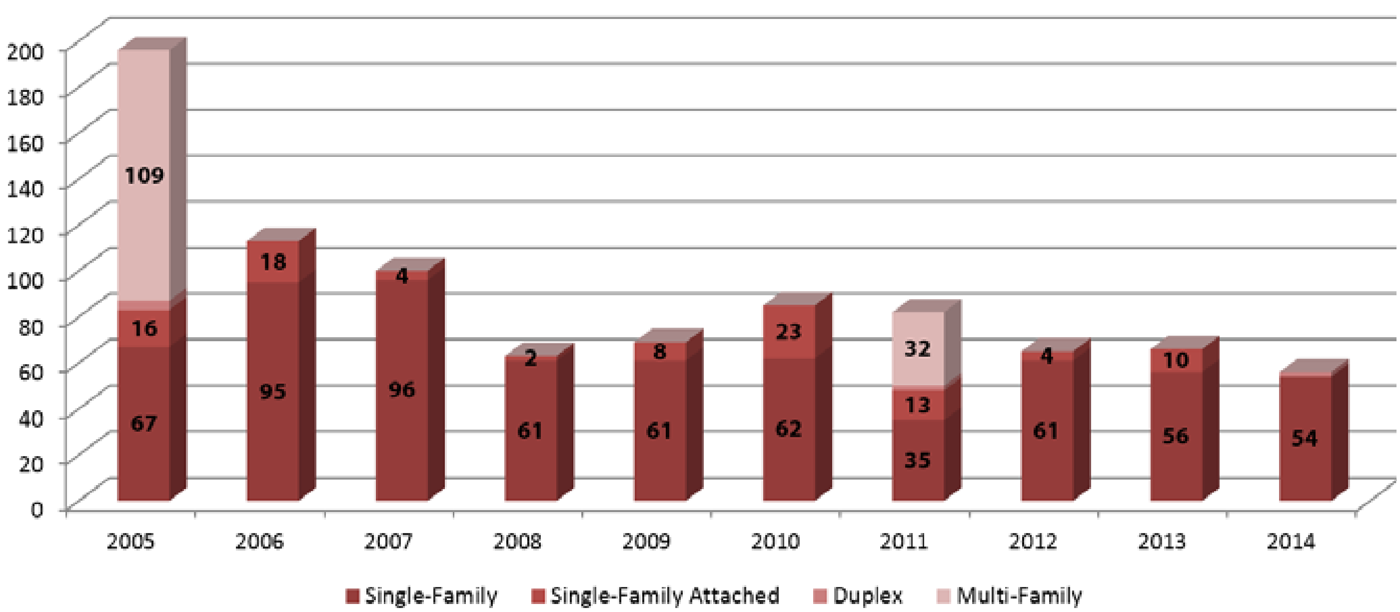
Source: City of Salina

FIGURE 2.13: Total Housing Stock by Type



Source: U.S. Census Bureau

FIGURE 2.11: Residential Building Permits by Unit



Source: City of Salina

HOUSING CHARACTERISTICS

Salina has a typical distribution of housing types and a good split between renter and owner properties. Vacancy rates, housing age, and housing values vary widely by neighborhood.

HOUSING TYPE DISTRIBUTION TYPICAL

Salina's distribution of housing types is fairly typical for towns of similar size and character. [Figure 2.13]

- 71% detached single family homes
- 5% attached single family homes (such as townhomes)
- 4% duplexes
- 19% multi-family homes (apartments)

GOOD RENTER/OWNER SPLIT

Salina has a good balance between owner and renter occupied housing, with about 36% renter-occupied homes and 64% owner-occupied. [Table 2.2]

Salina's owner-occupied percentage is much higher than comparison communities, which are closer to a 50/50 split. While it is important for the market to offer a good supply of rental housing, a higher ratio of renter housing can present more challenges from a maintenance standpoint.

LACK OF NEW MULTI-FAMILY

During the 2000s the number of rental units increased by over 700, however, the number of new multi-family units was significantly lower than this (approximately 200 or fewer). This likely indicates that the rental market is occupying more single family homes. These rentals tend to be either older, smaller homes that can be picked up cheaply as investment properties or older larger structures that can be divided into multiple units. Many of these would otherwise provide affordable entry level single-family units.

VACANCY LEVELS UNEVEN

Salina's city-wide vacancy rate of 7% is fairly good, and is the second lowest among the comparison communities. 4-8% is considered a good rate, neither too high, nor too low (which restricts the market). [Table 2.2]

However, vacancy rates vary greatly by neighborhood, with some neighborhoods in worrisome ranges. While newer neighborhoods in the south and east have vacancy rates ranging from about 2.5%-4.5%, some central and north neighborhoods are in the 12-15% range. [Figure 2.14] The neighborhoods with some of the highest vacancy rates also correspond to some of the highest rates of poor condition housing [Figure 2.19]. This correlation reflects the lack of housing reinvestment and perception of value that these neighborhoods struggle to overcome.

TABLE 2.2: 2010 Housing Characteristics - Salina and Comparison Communities

	Salina	Emporia	Lawrence	Leavenworth	Manhattan	Topeka
Total Units	20,803	11,352	37,502	13,670	22,619	59,582
% Owner	64%	54.2%	46.7%%	51.2%	39.2%	58.3%
% Renter	36%	45.8%	53.3%	48.8%	60.8%	41.7%
Vacancy Rates	6.8%	13.6%	6.8%	10.3%	7.5%	9.5%
Median Value (Owner-Occupied)	$109,700	$85,700	$172,900	$124,200	$163,800	$94,200
Median Rent (Gross)	$599	$567	$774	$762	$739	$628
Median Year Structure Built	1962	1963	1981	1962	1976	1964
Average Household Size	2.39	2.39	2.28	2.55	2.30	2.29
Value-to-Income Ratio*	2.6	2.5	4.1	2.5	4.4	2.4

*see page 29 for definition

Source: U.S. Census Bureau

TABLE 2.3: Occupancy Change in Salina, 2000-2010

	2000	2010	Change
Owner-Occupied	12,244	12,409	165
Renter-Occupied	6,279	6,982	703
Total Vacant	1,076	1,412	336
Vacancy Rate	5.5%	6.8%	
Total	19,599	20,803	1,204

Source: U.S. Census Bureau

FIGURE 2.14: Housing Units: Percent Vacant, 2010

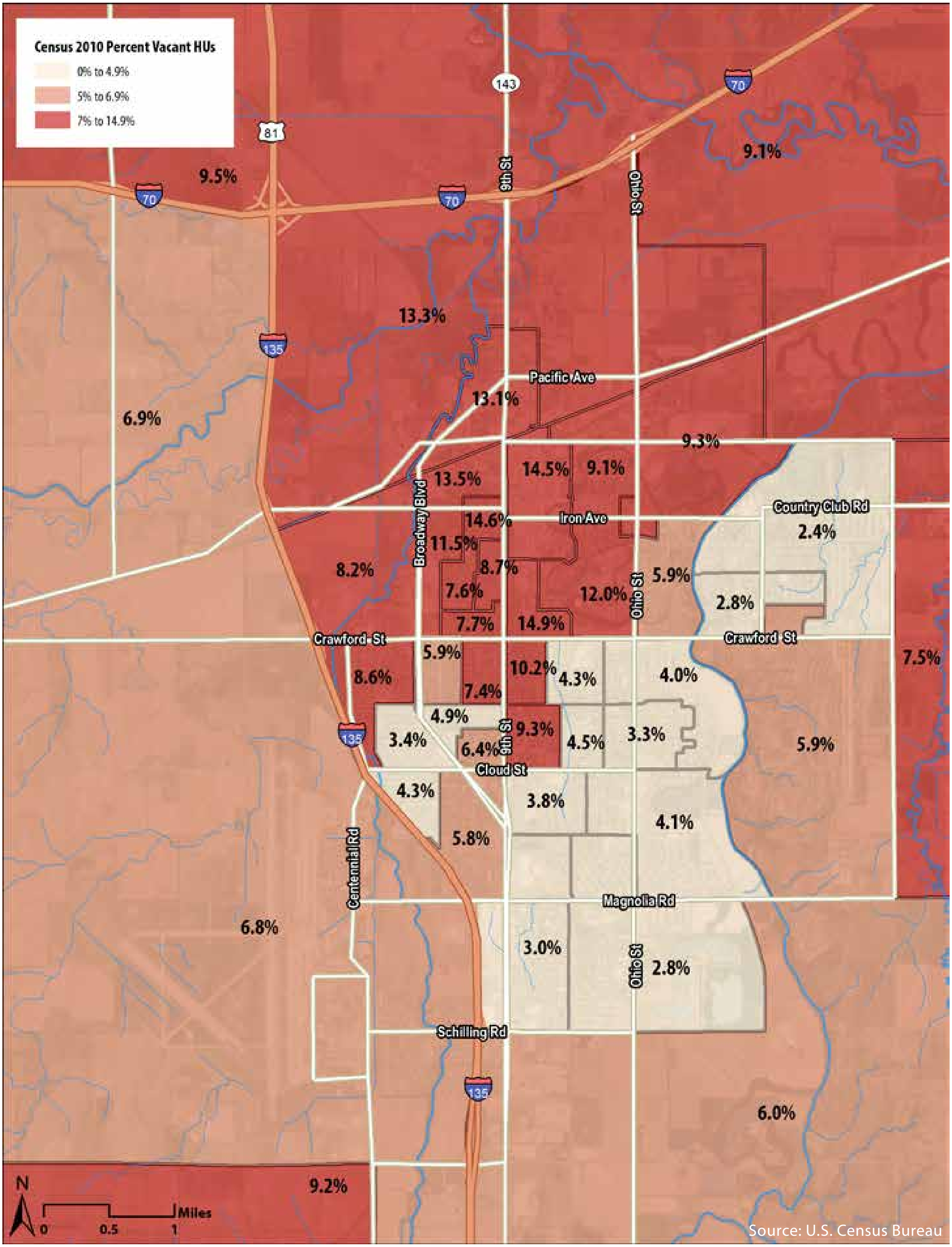
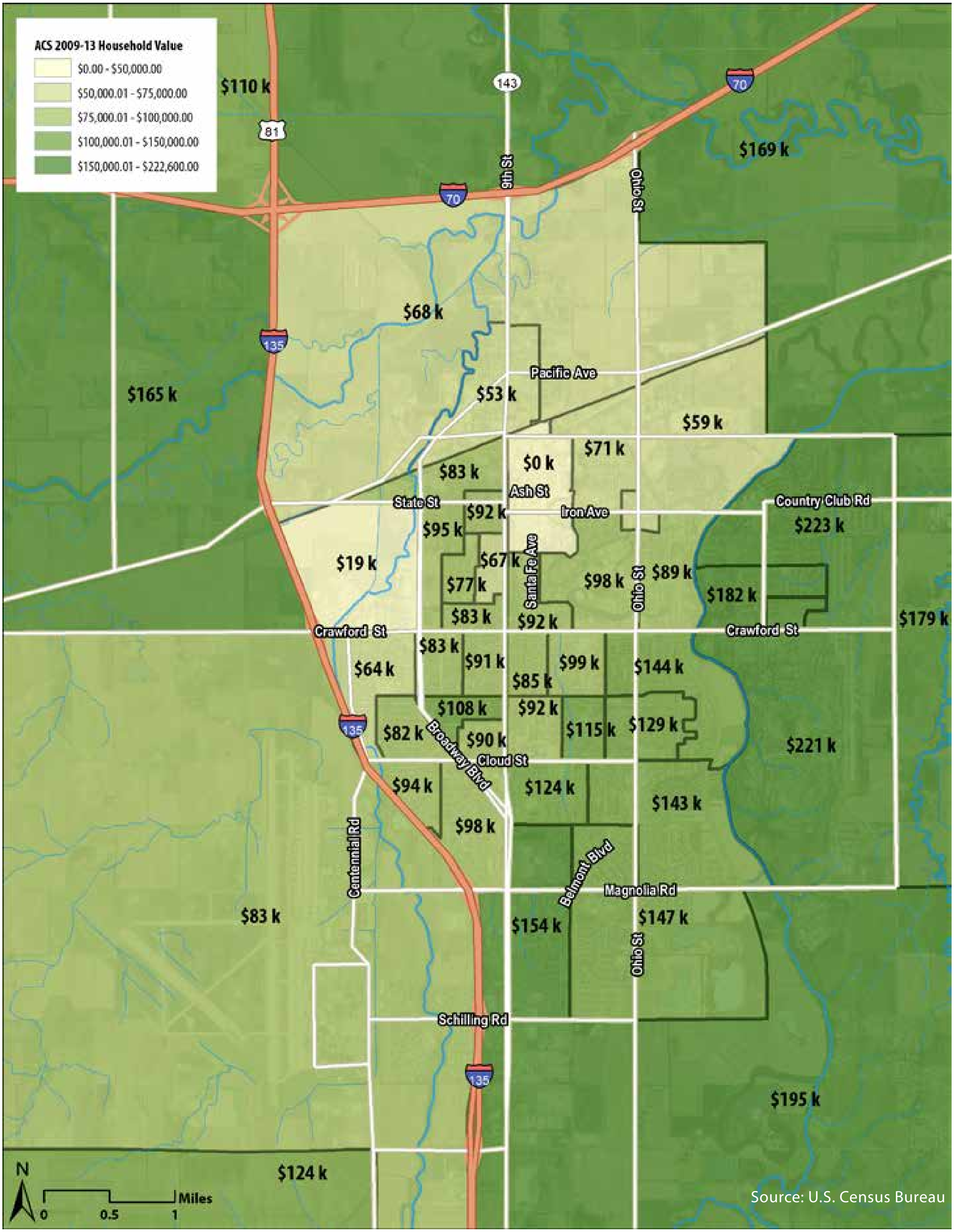


FIGURE 2.15: Median Housing Values by Neighborhood



Source: U.S. Census Bureau

EXTREME DIFFERENCES IN HOUSING VALUES BY NEIGHBORHOOD

Salina's owner-occupied housing has a median value of $109,700. This is in a mid-range among the comparison communities.

Like many cities, housing values vary greatly depending on the neighborhood. While homes in the north, west and central areas of Salina are all below the median value, most east and south neighborhoods are much above the median, in some cases, 50-90% higher. [Figure 2.15]

This trend is also clear when looking at average appraised value by block. Areas in the north have the lowest values, followed by moderately low values in the west central and the near southwest. Blocks in the east and south are higher value, even though these blocks include some undeveloped lots. This reflects the higher value needed for "greenfield" lots. The East-Central part of Salina, however, has a mix. [Figure 2.16]

Figure 2.15 and 2.16 both illustrate the struggle to construct new housing priced below $200,000. In neighborhoods with lower home and lot values, assessed valuations often cannot support new construction, while areas with higher lot values require higher value homes. These issues and potential solutions will be discussed further in Chapter 3.

HOUSING AGE

Approximately half of the Salina housing stock has been built since 1960 (52.3%).

Housing age varies greatly by neighborhood. Older neighborhoods in the central and northern part of the city have median housing ages in the 1940s and 1950s, while the southern and eastern parts of town are newer, with median ages in the 1970s and 1980s. [Figure 2.17]

Salina has one of the oldest housing stocks among the comparison communities – the median year of construction for Salina's existing homes is 1962. This often means there are a large number of units in need of rehabilitation that are not "move in ready." [Table 2.2]

REAL ESTATE TRENDS

Housing sales have been steady for the past several years. Sale prices correspond roughly to the overall housing value distribution for all existing owner-occupied units [Table 2.4 & Table 2.5] and reflect what local realtors say are selling well in the market.

TABLE 2.4: December Year-to-Date Sales, 2012-2014

	2012	2013	2014
Number of Sales	726	937	852
Median Sale Price	$107,275	$110,000	$120,000
Median Days on Market	48	47	41

Source: Multiple Listing Service 2014

TABLE 2.5: Distribution of Salina Existing Housing Values Compared to Distribution of Salina Housing Sale Prices in December 2014

Housing Value/Price Range	% of Owner Units	% Sales December 2014
$0 - 50,000	10%	9%
$50,000 - $99,999	33%	23%
$100,000 - $149,999	27%	24%
$150,000 - $199,999	17%	21%
$200,000 - $300,000	9%	15%
$300,000 +	4%	9%

Source: Multiple Listing Service and U.S. Census Bureau

FIGURE 2.16: Mean Block Value*

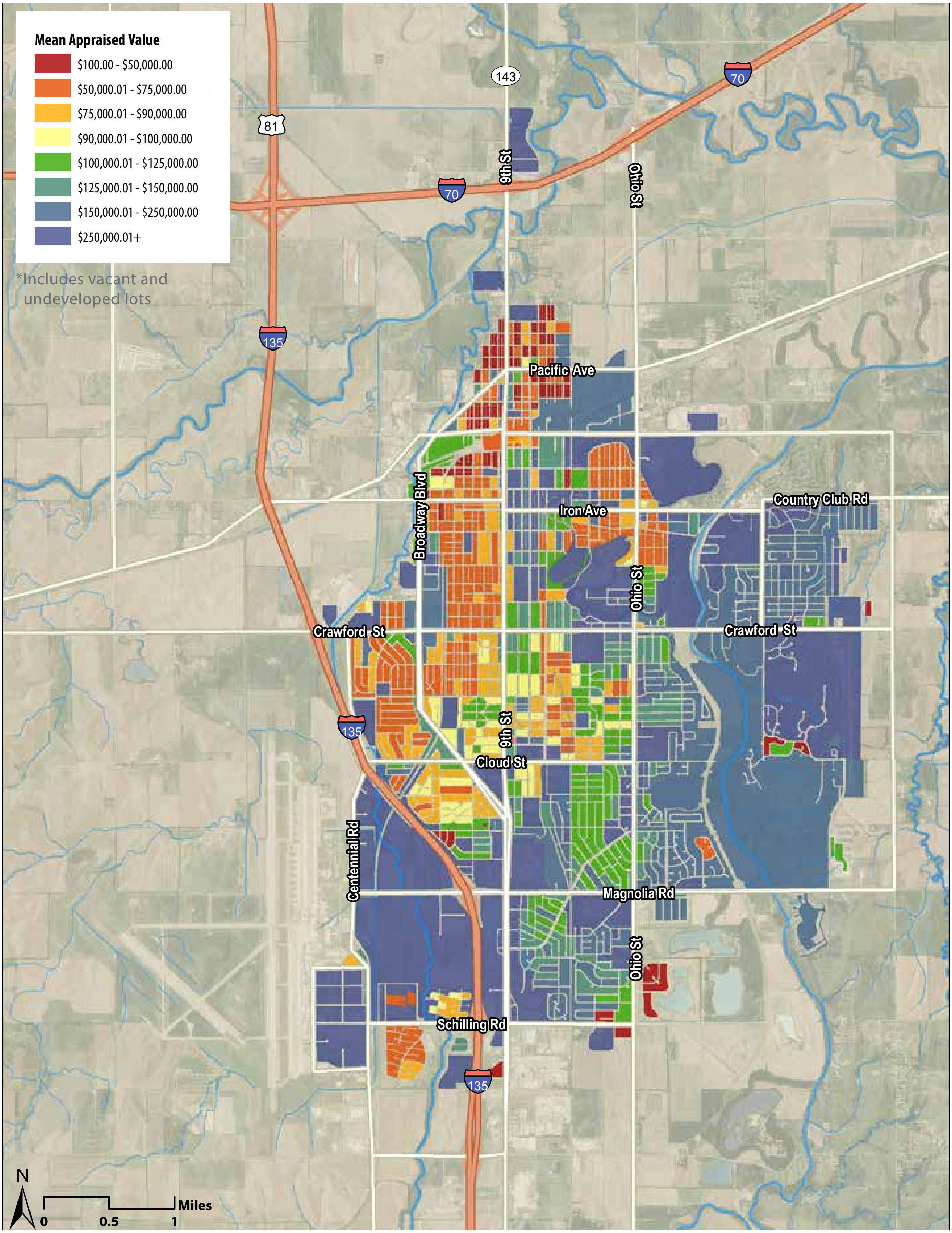
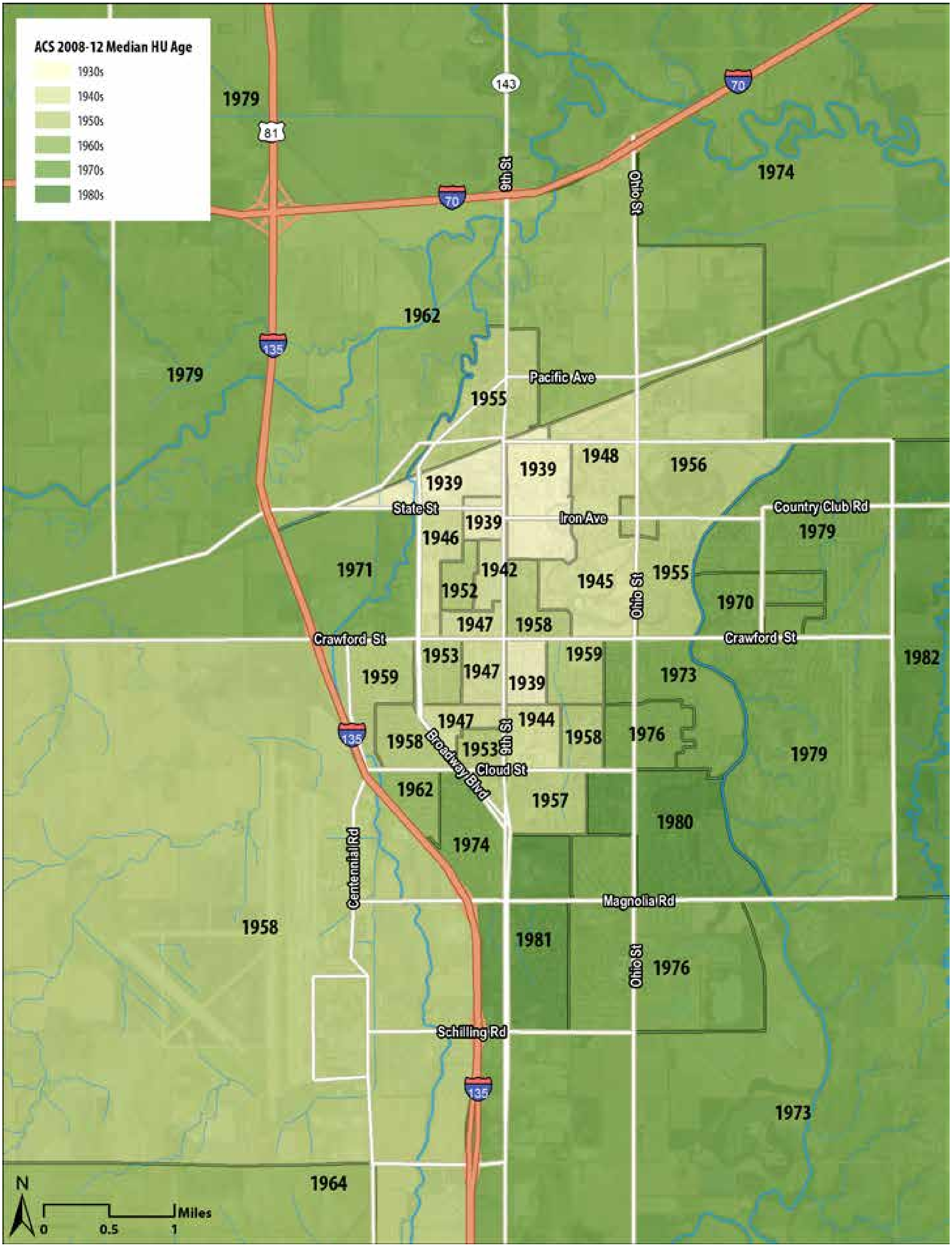


FIGURE 2.17: Median Year Built



HOUSING AFFORDABILITY

Salina has a shortage of housing on both the low and high end of the value spectrum, and affordability levels vary widely by neighborhood.

SHORTAGE OF LOW AND HIGH-END HOMES

An affordability analysis shows a shortage of housing for both ends of the income spectrum. [Table 2.6]

For the lowest income households, below $25k/year, there is an extreme shortage, with less than half of the need being met. This is common in many communities. These households include retirees on fixed income that live in homes with no mortgage or households that are spending more than 30% of their income on housing. The analysis also illustrates that there is an oversupply of units for households making between $25,000 and $50,000. It should be noted that these numbers do not take into consideration the quality of these units. Often housing in the poorest condition falls within these ranges, resulting in an undersupply of quality housing.

At the same time, higher value homes are undersupplied. This means that there are households with higher incomes that could potentially be willing to purchase higher value homes, but they are not available. This can have a negative impact on the entire housing market - since higher income residents are occupying mid-range housing, this reduces the available supply of affordable homes for mid-range and lower income residents.

Policy direction to address the needs of different price points is discussed in Chapter 3.

VALUE-TO-INCOME RATIO:

Good Overall: The ratio between Salina's median housing value and median household income is 2.6, meaning that the median value is 2.6 times greater than the median income. Generally a ratio between 2 - 2.5 is considered good, where the housing stock is affordable, but not undervalued. Salina's rate is comparable to Leavenworth, Emporia, Topeka, and much lower than college-dominated towns of Manhattan and Lawrence.

Variation By Neighborhood: The value-to-income ratio is vastly different depending on the neighborhood. The north and west neighborhoods have very low ratios below 2, which reflects that the housing stock is under-valued - well below values that could support new construction. For these neighborhoods it is difficult to construct new units or make major investments in existing units since their appraised values are lowered by surrounding properties. Lighter areas on the map – in south, east and parts of central Salina - have higher value-to-income ratios, but are still in a good range of affordability. [Figure 18]

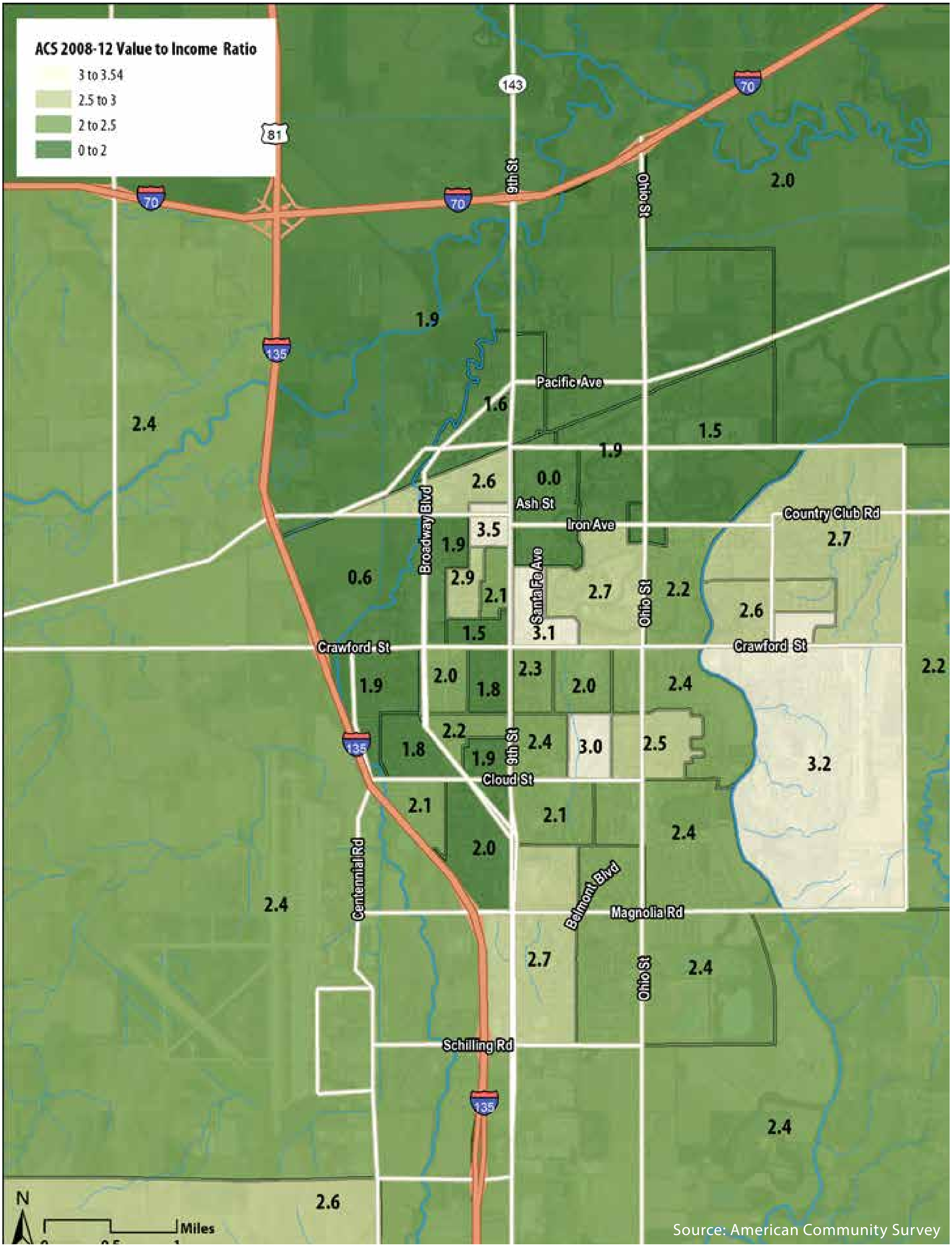
HOUSING CONDITIONS

A windshield housing survey was conducted to identify dilapidated and poor condition housing in Salina. [Figure 2.19]. Dilapidated housing is primarily concentrated in north Salina. Poor condition housing is in both the north and central neighborhoods, with concentrations north of Sunset Park, around Hawley Park, and along 9th Street between Crawford and State Street.

TABLE 2.6: Affordability Analysis for Salina Housing Stock

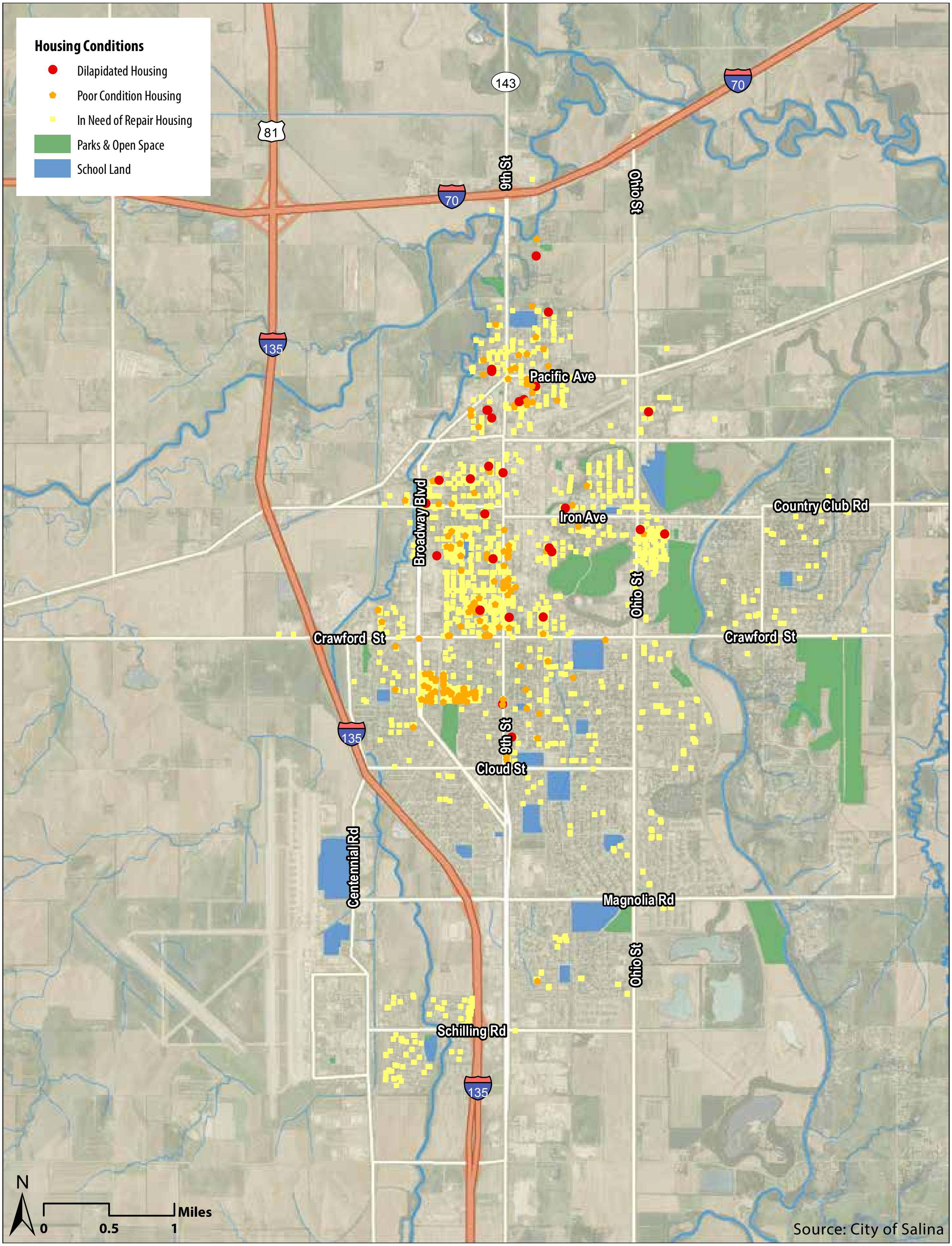
Income Range	# of Households in Each Range	Affordable Range for Owner Units	# of Owner Units	Affordable Range for Renter Units	# of Renter Units	Total Affordable Units	Balance
$0 - $25,000	4,905	$0 - $50,000	1,255	$0 - $400	720	1,975	-2,930
$25,000 - $49,999	5,818	$50,000 - $99,999	4,045	$400 - $800	4,615	8,660	2,842
$50,000 - $74,999	4,283	$100,000 - 149,999	3,313	$800 - 1,250	1,350	4,663	380
$75,000 - $99,999	2,079	$150,000 - $200,000	2,149	$1250 - $1,500	98	2,247	168
$100,000 - $150,000	1,542	$200,000 - $300,000	1,103	$1500 - $2,000	119	1,222	-320
$150,000 +	764	$300,000 +	544	$2,000 +	80	624	-140

FIGURE 2.18: Value to Income Ratio



Source: American Community Survey

FIGURE 2.19: Housing Conditions



Source: City of Salina

OUR NEIGHBORHOODS: PROFILE OF ASSETS AND CHALLENGES IN EACH QUADRANT OF TOWN

Salina is made up of many different neighborhoods, which can be roughly grouped into four sections of town: north, central, south and east [Figure 20]. The previous section provided a variety of housing, demographic and economic data - the profiles below draw on this data and local knowledge to create a summary of conditions and trends in each quadrant.

NORTH SALINA

HOUSING AND GROWTH TRENDS

North Salina has a number of challenges with its housing stock. Compared to other areas of Salina, this area has higher than average vacancy rates, very low property values, and older housing. North Salina housing is under-valued and less in-demand than other areas of Salina, as evidenced by the low value-to-income ratio for the housing stock and the 5-7% loss in population from 1980-2010 (compared to 14% population growth in the city as a whole during this time). Most of the city's dilapidated housing is located in this area. All of these factors make it a higher risk investment for any income range. North Salina also lacks neighborhood services and many of its commercial uses are run-down, marginal or vacant.

KEY ASSETS

North Salina has good access to the interstate and railroad, important civic institutions such as St. John's Military Academy and the Community Theatre, and recreation amenities such as the levee trail system and Thomas Park.

ENVIRONMENTAL FACTORS

North Salina has a handful of homes in the 100-year floodplain – on the northern end, a few homes along North 5th and E Stimmel, and to the East, a cul-de-sac development on River Place (off of Iron Ave), and homes along Riverside Drive (west of Lakewood Middle School).

CENTRAL SALINA

HOUSING AND GROWTH TRENDS

Housing in Central Salina is a mixed bag. The area overall has some challenges, with higher than average vacancy rates, lower than average property values, and older housing. However, Central Salina also has a large portion of the city's historic housing assets, along Santa Fe Avenue, Iron Avenue, and other areas near downtown. Although housing appears to be undervalued in western parts of Central Salina, locations east of 9th street fare better in their value-to-income ratio.

Central Salina has several concentrations of poor condition housing, north of Sunset Park, around Hawley Park, and along 9th Street between Crawford and State Street. While most of Central Salina is losing population, the area around Central High School is an exception.

KEY ASSETS

Central Salina has a variety of the community's important assets, including the downtown district, Oakdale Park and Kenwood Park, Central High School, Salina Christ Academy, and Kansas Wesleyan University. With the downtown and commercial along Crawford, this area is relatively well-served with commercial amenities.

ENVIRONMENTAL FACTORS

South of Kenwood Park there is a concentration of homes in the 100-year floodplain, a 6-square block area roughly bordered by Highland Ave, Front St, Prescott Ave, and Crawford St.

SOUTH SALINA

HOUSING AND GROWTH TRENDS

South Salina housing is faring better than average, with lower than average vacancy rates, higher than average property values, and newer housing. The area has been gaining population over the past several decades at a much faster rate than the city overall.

KEY ASSETS

South Salina has a number of important community assets, such as Kansas State University, South Junior High and South High School, Ivey Park, the Airport, and the interstate-oriented commercial district on 9th Street, including Central Mall.

ENVIRONMENTAL FACTORS

South Salina has a number of homes in the 100-year floodplain, including several blocks of single family homes north of Salina South Middle School, a large apartment development east of the Mall, homes to the west and south of Salina South High School, and a portion of the houses within the triangular area formed by Belmont Blvd, Magnolia Road and Ohio Street.

EAST SALINA

HOUSING AND GROWTH TRENDS

East Salina arguably has the strongest housing market in the community, with lower than average vacancy rates, the highest overall property values, and some of the newest housing. This area has been gaining population at a much higher rate than the city overall.

KEY ASSETS

East Salina has many of the community's natural and recreational amenities: Smoky Hill River, Lakewood Park, Salina Country Club, the Municipal Golf Course, the Sports Complex/ Indian Rock Park, the Soccer Complex, and East Crawford Recreation Area.

ENVIRONMENTAL FACTORS

There are quite a few east-side homes in the 100-year floodplain, primarily in the area between the Smoky Hill River and Ohio Street, from Crawford Street on the North to Magnolia Road on the South.

CITY-WIDE OPPORTUNITY AREAS

The existing conditions outlined above, combined with land availability data [Figure 2.22], help point to several primary opportunity areas for housing programs, investments, and infill development.

Figure 2.23 identifies these opportunity areas, and classifies them into three categories:

- Conservation Areas: Areas where the existing housing stock has a cluster of housing in fair condition. Policies for this area should be to conserve the existing housing stock with a coordinated rehabilitation strategy.
- Infill Areas: Areas with more serious housing deficiencies and vacant lots. These sites are large enough and clustered enough that a targeted program to remove deteriorated structures and develop vacant lots will have a major impact.
- Redevelopment Areas: Sites focused on areas with a number of vacant lots or a combination of vacant lots and deteriorated structures. These areas are large enough to support significant investment in new affordable housing. Infrastructure improvements should address stormwater drainage, urban street standards and any water and sewer infrastructure.

The following chapters will outline strategies for investing and redeveloping in these target opportunity areas and throughout the community.

FIGURE 2.20: Housing Quadrants

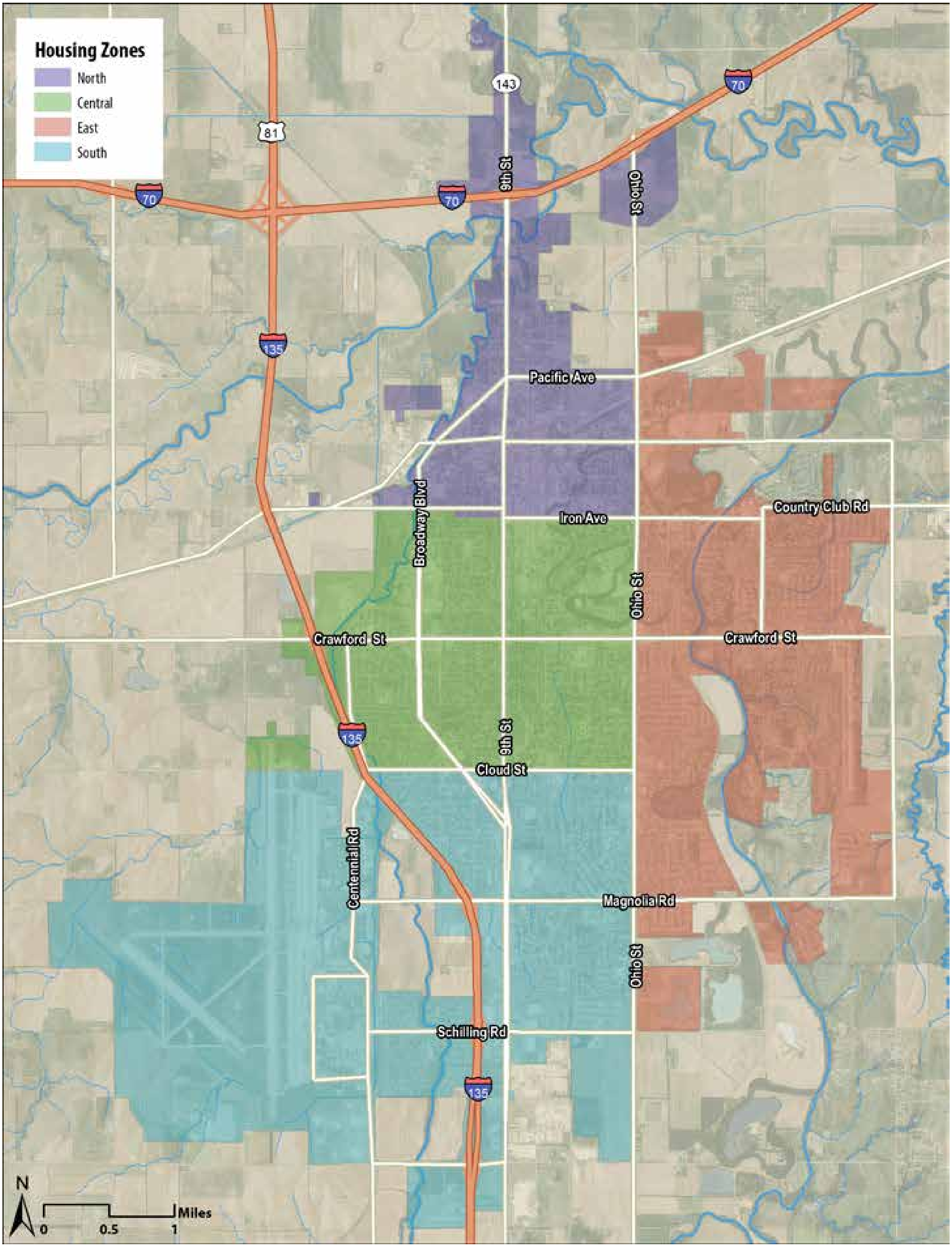


FIGURE 2.21: Hundred Year Floodplain

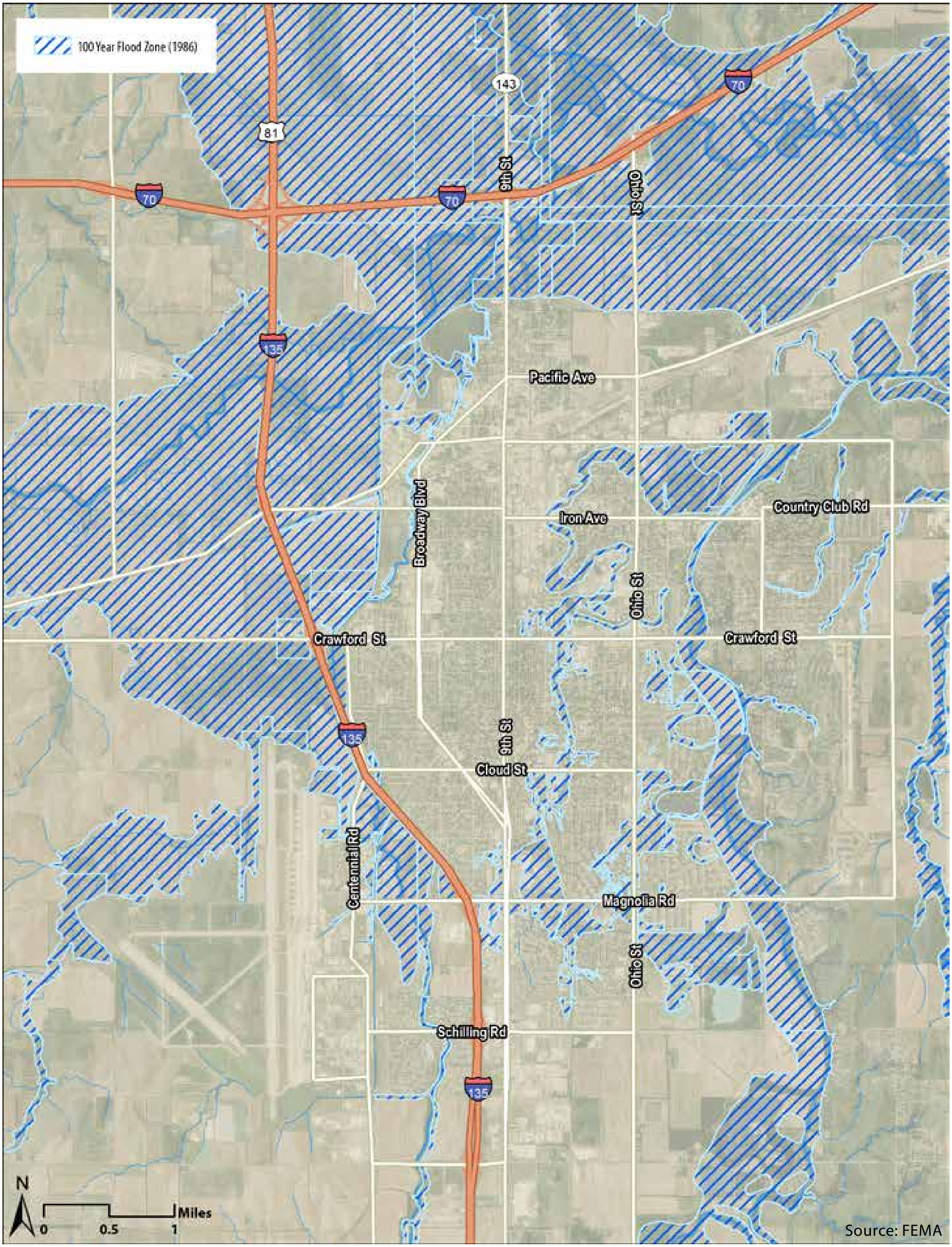


FIGURE 2.22: Vacant Properties

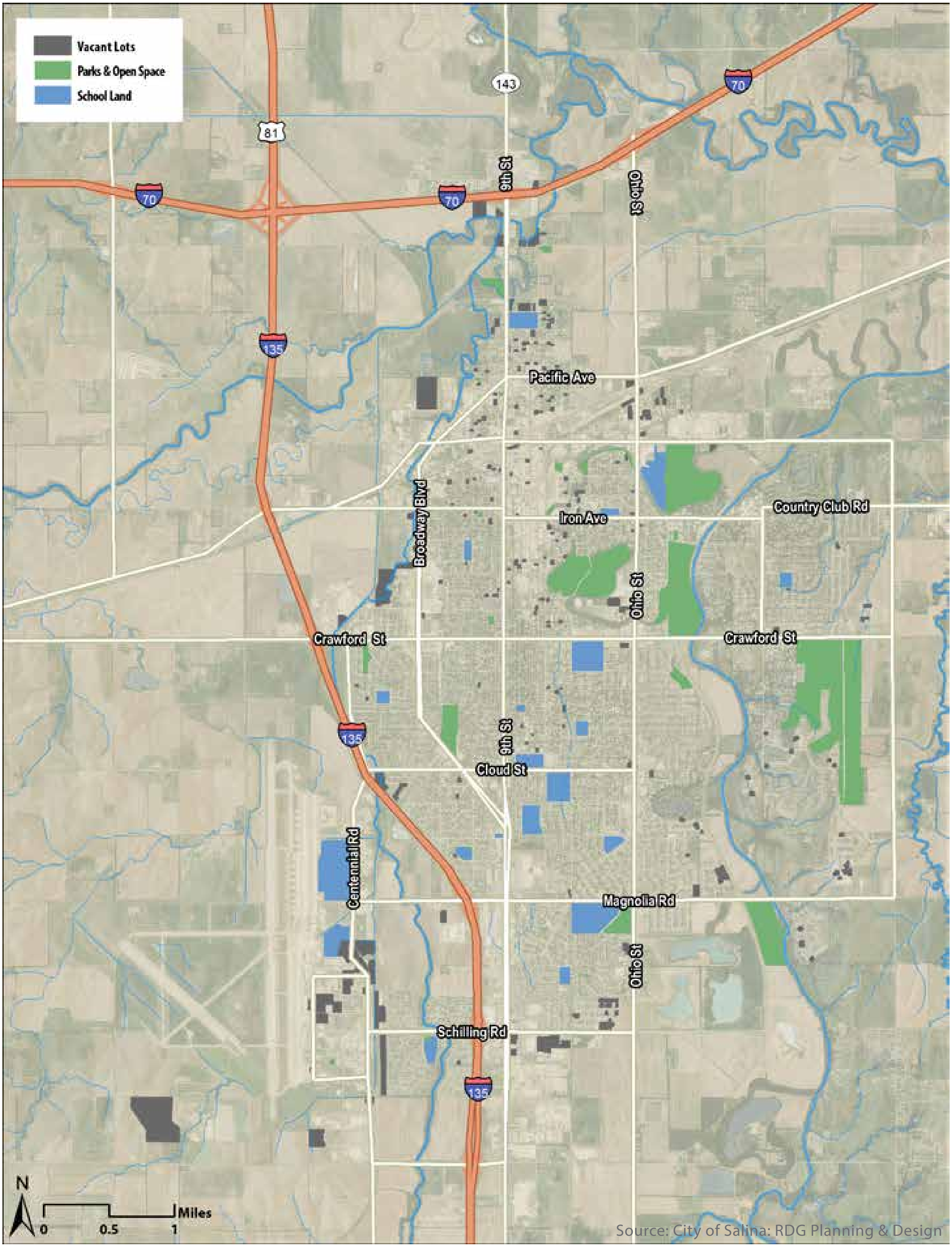
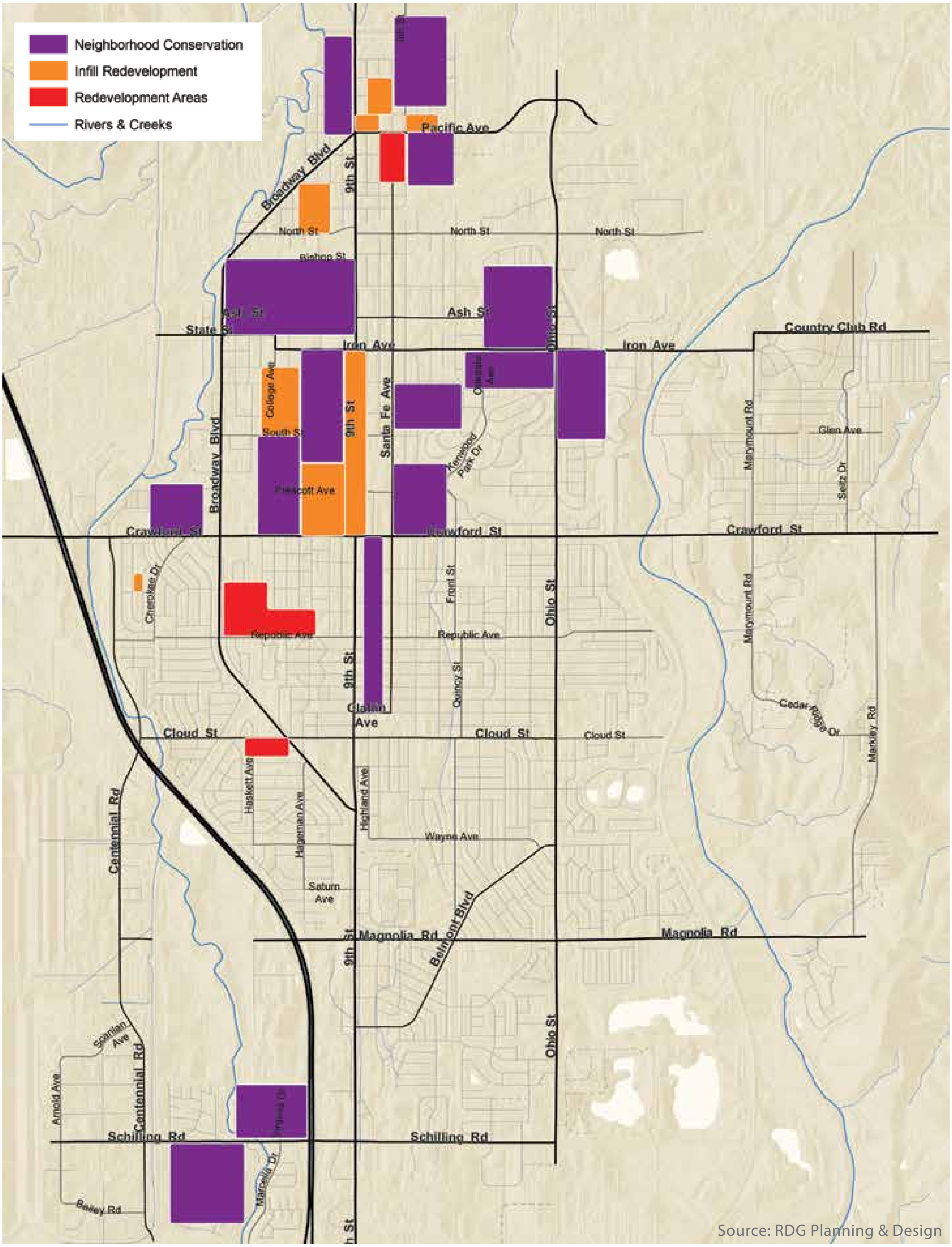


FIGURE 2.23: Opportunity Areas (see page 58 for additional detail)



Source: RDG Planning & Design

OUR FUTURE: POPULATION AND HOUSING PROJECTIONS

If current trends continue, Salina could grow by approximately 5,000 residents in the next 20 years, creating a demand for approximately 2,400 new housing units.

POPULATION

If Salina continues to grow at approximately the same rate as the last couple of decades, it will reach 54,000 residents by 2035.

Figure 2.24 shows 4 population growth scenarios. For the purposes of this plan, the 0.5% annual growth rate is considered the most likely scenario. This is consistent with recent growth rates:

- Average Growth Rate from 2000-2010 = 0.4%
- Average Growth Rate from 1990-2010 = 0.6%

HOUSING

Based on the population projection above (0.5% annual growth rate) and current housing characteristics, Salina would need 2,373 new housing units between 2015 and 2035 [Table 7].

10-YEAR DEVELOPMENT PROGRAM

It's important for Salina's new housing units to be constructed at a diverse range of price options, to serve the needs of all residents. Table 2.8 shows the projected housing unit need broken down by price range and by owner/renter status. The development program is split into two 5-year increments, 2015-2020 and 2020-2025.

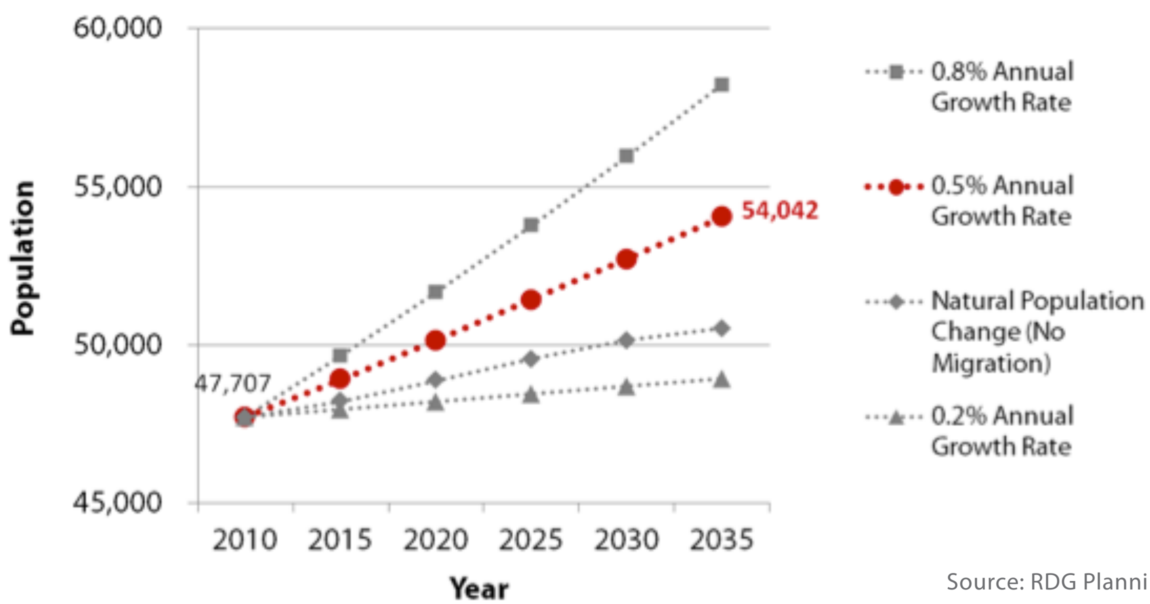
Approximately 48% of all owner-occupied units should ideally be priced below $125,000. Units at this price are often below construction costs; therefore many of these units may be produced indirectly by developing higher-cost housing that serves the "move-up" market of owners that now occupy the lower-value homes.

New development in Salina should be approximately 55% owner-occupied and 45% renter-occupied. This is a slightly higher percentage of renter housing than today's mix, which is needed to address previous shortfalls in rental construction.

Owner-occupied units will be distributed roughly in proportion to the income distribution of households. Most low-income residents will be accommodated in rental units.

Approximately 48% of all owner-occupied units should ideally be priced below $125,000 (current dollars). Units at this price are often below construction costs; therefore many of these units may be produced indirectly by developing higher-cost housing that serves the "move-up" market for owners that now occupy the lower-value homes.

FIGURE 2.24: Growth Rate



Source: RDG Planning & Design

TABLE 2.7: Salina Housing Projections, 2015 - 2035

	2015 - 2025	2025 - 2035	Total: 2015 - 2035
Population at End of Period	51,413	54,042	
Household Population at End of Period	49,819	52,367	
Average Household Size	2.41	2.41	
Household Demand at End of Period	20,672	21,729	
Projected Vacancy Rate	6.8%	6.8%	
Unit Needs at End of Period	22,180	23,314	
Annual Replacement Need	8	8	
Cumulative Need During Period	1,159	1,214	2,373
Average Annual Construction	116	121	119

Source: RDG Planning & Design

TABLE 2.8: Ten Year Development Program

	2015 - 2020	2020 - 2025	2015 - 2025
Total Need	573	586	1,159
Total Owner Occupied	315	322	638
Affordable Low: <$125,000	150	154	304
Affordable Moderate: $125,000 - $175,000	54	55	109
Moderate Market: $175,000 - $250,000	66	67	133
High Market: Over $250,000	46	47	93
Total Renter Occupied	258	264	522
Low: Less Than 450	151	155	306
Affordable: 450 - 700	52	54	106
Market: Over $700	54	56	110

Source: RDG Planning & Design

Note: Affordability ranges are also influenced by interest rates – people can afford more expensive homes when interest rates are low. Increases in residential interest rates may reduce the stock of affordable workforce housing and create an even greater demand for quality rental units.

SENIOR HOUSING DEMAND

With the aging of the baby boomer generation, Saline County's senior population is growing tremendously. This reflects a nation-wide trend of growth in the over 55 population, which is expected to continue through the coming decades. This section examines senior population characteristics and trends in the city to quantify demand for senior housing. These households are the primary market for targeted new residential products, including maintenance-provided ownership settings, senior independent living, and assisted living. As shown in Table 2.9, findings include:

- 26% of the Salina County's population is 55 and over; about 14% of the population is 65 and older.
- From 2000 to 2010, Saline County's senior population grew at a much greater rate than the general population. While the total population grew by 3.7%, the 55 and over group grew by 22%. A large part of this growth is from the 55-64 age group, which grew by 46% due to the natural aging of the large baby boomer age group.
- Some senior age groups experienced migration into the county, while others did not. The migration rate from 2000 to 2010 for the total population was +1.1%, and 3.1% for adults age 65-74. However, adults 75 and over migrated out of the county, with a loss of 1.8%.
- A variety of housing types may be appealing to the senior population in the coming years. These may include:
    - Townhomes in condo ownership configurations that decrease maintenance demands
    - Independent living units with some additional services, such as cleaning and laundry services
    - Assisted living
- Table 2.10 projects the population of each senior age group, based on recent migration rates and current population distribution.
    - Potential new demand for alternative senior housing settings in 2020, such as those listed above, is about 88 units. This represents just under 1% of the potential senior households.
    - Based on estimated aggregate value of homes and the number of householders over the age of 65, it appears that the average home value for these households is $126,400, a price range residents indicated was in high demand. If only 50% of the estimated 88 units were filled by Salina city residents an additional 44 units, averaging $126,000, would be added to the market.

CURRENT HOUSING PROGRAMS AND REGULATIONS

Salina has a system of organizations that help manage housing services, along with programs and regulations that influence the housing market.

HOUSING SERVICE ORGANIZATIONS AND ENTITIES

The **Salina Housing Authority** helps provide affordable housing for the community, and manages a number of programs, including:

- Section 8/Rent Vouchers. This program uses HUD dollars to provide rental vouchers to income qualified applicants. Participants rent from private landlords, and receive monthly rental assistance paid directly to the landlord.
- Shelter Plus Care. This program provides rental assistance to chronically homeless individuals with disabilities and families who have a qualifying disability.
- Public Housing. Salina Housing Authority has 163 units, consisting of single family houses, duplexes, triplexes and quadplexes ranging from 1 to 5 bedrooms.
- VASH. This program provides section 8 vouchers for veterans.

The **City of Salina Neighborhood Services Division** is a department of the City which administers a number of programs that affect the quality of our housing and neighborhoods, including:

- Code enforcement
- Neighborhood outreach, including clean-up and revitalization action plans
- Administration of state and local programs for housing, such as CDBG, HOME, and the Emergency Solutions Grant
- Neighborhood Revitalization Tax Rebate

The **Salina City Code** has a number of areas related to housing, including

- Chapter 8 – Building Code
- Chapter 22 – Mobile Homes and Trailers
- Chapter 31 – Property Maintenance
- Chapter 36 – Subdivision Regulations
- Chapter 42 – Zoning Regulations

TABLE 2.9: Saline County Senior Population Change, 2000 - 2010

Market Area	Saline County		Total	Percent Migration
	2000	2010	Percent Change	
Total Population	53,597	55,606	3.7%	1.1%
55 - 64	4,626	6,760	46.1%	0.1%
65 - 74	3,818	4,053	6.2%	3.1%
75 and Over	3,662	3,949	7.8%	-1.8%
Total 55 and Over	12,106	14,762	21.9%	1.3%
5-Year Age Groups (65+)				
65 - 69	1,927	2,231	15.8%	
70 - 74	1,891	1,822	-3.6%	
75 - 79	1,601	1,463	-8.6%	
80 -84	1,095	1,265	15.5%	
85 and Over	996	1,221	26.4%	
Total 65 and Over	7,480	8,002	7%	

Source: U.S. Census Bureau

TABLE 2.10: Projected Senior Population and Housing Demands for 2020, Saline County

	2020 Population Projection	Estimated Household Size	Total Housing Unit Demand	Demand for Alternative Senior Housing Settings (0.5% - 1% of Total)
55 - 64	7,555	2	3,778	38
65 - 74	5,921	1.75	3,383	34
75 and Over	4,187	1.25	3,349	17
Total 55 and Over	17,663	--	10,510	88

Source: RDG Planning & Design

If only 50% of the estimated 88 units were filled by Salina city residents, an additional 44 units, averaging $126,000, would be added to the market.

The **City of Salina Community Relations Commission** helps keep housing equitable by investigating fair housing claims.

The **City of Salina Planning & Community Development Division** administers regulations that govern housing and neighborhood development, such as zoning and development regulations, covenants, neighborhood infrastructure, easements, and special assessments.

Local Homeowner's Associations also influence housing through their codes and covenants, which typically address items related to the appearance of homes and yards. Cities can not enforce these covenants, and generally Salina has not had a history of active homeowner associations. The lack of activity among homeowner associations or neighborhood associations is not unusual in a city the size of Salina. These groups can help create stronger and more vibrant neighborhoods but require a significant commitment from volunteers. Homeowners taking responsibility for maintenance of common areas and collection of dues is challenging to maintain. When maintenance does not occur, it often falls to the city.

LOCAL HOUSING INCENTIVE PROGRAMS

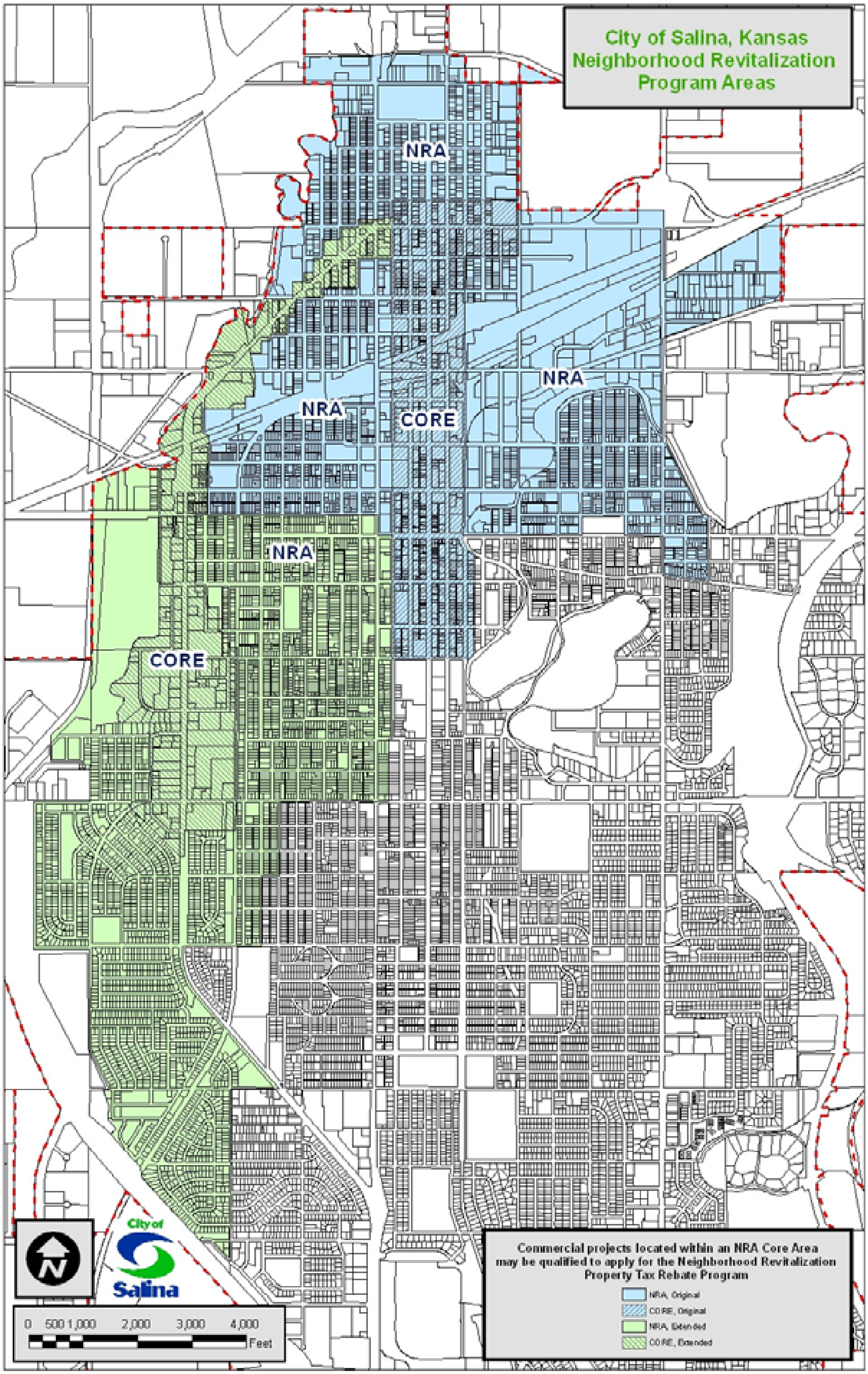
The City of Salina offers two incentive programs for housing, both administered by the City's Neighborhood Services Division:

- Neighborhood Revitalization Tax Rebate
  - Offers property tax rebates from 10.5%-99.9% for residential or commercial/industrial projects in the neighborhood revitalization area (see Figure 2.25).
  - Eligible improvements include new construction, rehabilitation, alterations or additions, and must cost more than $10,000 and increase assessed value by 10% or more (for residential).
  - The program has been used mostly by investors and very few homeowners. Targeted advertising to identified neighborhoods [Figure 2.23] should work to expand the use of the program. Marketing dollars may need to be raised to assist in this effort.

- Housing Rehabilitation Program:
  - Provides grants to homeowners to maintain and improve homes through minor rehabilitation of items such as: furnace, plumbing, electrical, emergency repairs, roof, house structure, doors, windows, side walls, siding, and minor foundation repairs.
  - Income qualifications apply.
  - This program has low use. Information on the program should be targeted to all homes that have been identified in Figure 2.19.

- Homeowners Assistance Program
  - This program has not been fully defined, but should provide assistance to owner-occupied housing.
  - Full funding and program guidelines need to be defined.
  - Once program is fully operational, targeted marketing should be done to those homes identified in Figure 2.19.

FIGURE 2.25: Neighborhood Revitalization Areas



CHAPTER 3:
A POLICY FRAMEWORK FOR "LIVING IN SALINA"

The information, analysis, and community engagement process presented in the previous two chapters indicate a number of key issues that face Salina as it considers its capacity to meet housing and neighborhood development needs during the next ten years. This material also suggests specific policy directions and initiatives that can help the city meet the residential needs of a range of residents and stabilize neighborhoods that are currently at risk. The purpose of this chapter is to articulate these specific issues and problems, and to provide a citywide policy framework for addressing them. The following chapter will look more deeply at specific opportunity areas and provide reinvestment concepts to take full advantage of their potential.

HOUSING DELIVERY CHALLENGES

As we think about public policy, we must remember that housing development in Salina and throughout the country is largely driven by the private market. Local public policy has a significant, but limited, impact on housing production. It has the ability to provide incentives (or disincentives) that can steer development in certain directions and in some cases fill gaps that are keeping the private market from meeting demands.

But while the private market dominates housing production, it is in many ways an imperfect market because it leaves many demands and needs unsatisfied. This is the result of a number of factors, including the cost of production, the expectations of both the provider and consumer sectors, the cost and availability of financing, and the economic resources and capabilities of customers.

- *From a business perspective, housing producers (developers, subdividers, homebuilders) are driven by two fundamental and highly rational objectives: to maximize return and to minimize risk.* Clearly, people in the industry are motivated by other factors as well – the desire to help build their city, contribute to society, continue family businesses and traditions, and gain personal satisfaction by doing good work. But they often seek directions that will meet the two basic objectives of maximizing return and minimizing risk. Based on this calculation, one of the most desirable business models is to build high-cost custom homes (with high profit margins) for a known buyer followed by higher-end speculative homes for a known market. One of the least desirable is to build an inventory of low-cost homes (with low individual profit margins) on a speculative basis, hoping to find buyers. This includes infill housing in what many developers would consider marginal neighborhoods.

- *Housing consumers also have expectations.* The most basic expectation is for a decent and affordable home, a place that provides a safe, secure, and reasonably comfortable place to establish a household, raise a family, or live out various periods of our respective lives. But the meaning of that expectation varies for people in different situations. For example, a home that embodied the American dream for GIs returning from World War II would be unacceptable in terms of space and features for many contemporary buyers – our standards for what we need in terms of space, finishes, and amenities have changed over the last seven decades.

  Homebuyers also tend to see themselves as investors as well as consumers. For most people, their home is their single largest capital asset, especially as their equity increases. At worst, people do not want to see this asset shrink in value, which happens when the actual cost of the house exceeds its market value. At best, they hope (and during the years leading up to the housing finance crisis of 2008, expected) it to increase in value and provide them with a return when they sell. The relative value of a house is determined by a variety of factors: changing market tastes, the condition and character of the structure itself, the state of the neighborhood and surrounding property, marketplace competition, and the availability of financing, among other things.

- *Construction costs are largely determined by the cost of materials, labor, and logistics, and are generally independent of other external market drivers.* Thus, the actual construction cost of a new, 1,500 square foot house is not affected by the value of surrounding property – such a house may cost the builder a

"The most basic expectation is for a decent and affordable home, a place that provides a safe, secure, and reasonably comfortable place to establish a household, raise a family, or live out various periods of our respective lives."

minimum of $150,000, even if the average market price of existing houses in a neighborhood is $80,000. Various techniques and technologies over the years have promised to lower construction costs, but these have largely failed for a variety of reasons, including an inability to deliver a product that meets consumer's expectations at lower cost and market perceptions of residual value. As a result, most housing production continues to be dominated by conventional construction. High quality manufactured construction may shorten construction time, but rarely reduces construction cost; and more moderately priced products are, rightly or wrongly, viewed as depreciating products rather than appreciating assets.

In many communities there is a perception that subdivision standards and code requirements elevate hard costs to an excessive degree. Like many cities, Salina follows similar building codes and subdivision requirements. These requirements are necessary to secure the long term investment in the neighborhoods and the housing stock, avoiding excessive costs in the future.

With the exception of individual builder efficiency, the one technique proven to reduce unit construction cost is economy of scale. Mass builders in high absorption markets who can build large numbers of homes at one time cut initial mobilization costs, use crews very efficiently, have a more competitive labor force, establish uniform designs and components, and order materials in large quantities, all of which help reduce construction cost per square foot. In small and medium-sized cities like Salina, where the demand is not sufficient to support mass construction, important efficiencies are realized by construction of even five to ten homes at a time. However, this brings the issue of risk into focus. In Salina's market, building this number of units simultaneously entails a speculative inventory that might expose a builder to considerable financial exposure.

The issues of value and construction cost affect rental economics as well as ownership markets, particularly for new rental supply. Local construction cost appears to require rents in the range of $1/square foot/month to make new, market rate rental development feasible, a fairly typical level for the Midwest. However, typical rents in most existing rental stock are in the range of $450-600 per month, well below $1/square foot. Programs like the Low Income Housing Tax Credit (LIHTC) were designed to address this gap for low and moderate income renters by providing developers and investors with substantial tax benefits. However, it does not address production for people whose income is too high to qualify for housing built with the assistance of the LIHTC program.

- *Availability of financing and capital clearly has a significant impact on housing production.* One of the causes of the mortgage crisis of 2008 was overleveraging – practices that loaned money to people (and sometimes builders) without adequate underwriting standards, subsequently creating a housing bubble that inflated prices and eventually saddled homeowners with debt that they could not repay. The reaction to the crash was twofold. Regulatory policy and lender practices dramatically increased underwriting standards to require buyers to invest substantial downpayment equity and demonstrate both good credit and adequate incomes to support mortgage payments. Monetary policy, on the other hand, reduced interest rates to stimulate the economy. These policy directions were completely rational but produced contradictions: financing was extremely affordable but extremely difficult to obtain. While Salina and other midwestern cities did not experience the housing bubble that helped create the financial crisis, it did suffer from the fallout of the crash. Tighter money, increasing construction costs, and low real income growth together make it harder for owners to afford new homes or reinvestment in existing houses.

  In a tighter lending environment, the issue of neighborhood property value takes on added importance. When the cost of a new ownership or rental unit is well above the typical value of housing in the surrounding neighborhood, it becomes difficult to find comparable sales values for appraisal purposes. This reduces the value of the property itself as collateral to potential lenders, and makes it extremely difficult to finance new construction. Builders and developers who participated in this planning process reported that this is a serious issue in Salina, particularly in potential revitalization areas.

HOUSING CHALLENGES AND SALINA

How then do these issues relate to Salina? As noted above, local community policy cannot solve every housing problem in a city. However, by taking a strategic approach, Salina as a community can move in very productive directions. And this strategic approach requires a clear appraisal of how these overall market characteristics relate to the city. These basic facts, derived from conversations with stakeholders in housing and neighborhood development in the city and the analysis of Chapters One and Two, include the following:

1. **Development in Salina tends to be incremental with relatively slow absorption of lots and new homes at typical new construction costs.** The calculation of risk and rewards, discussed above, in this development environment produces the following effects:

   - Slow generation of new subdivisions and lots with urban infrastructure. As discussed in more detail below, private financing of subdivisions (with land purchase, grading, streets, and urban infrastructure) involves a significant fixed investment that ties up a developer's resources and incurs interest cost. These exposures end when a lot sells to a builder or buyer, and a house is built. But when lots are slow to move, costs and risks add up and the expectation of return on investment drops. This is also true when special assessments are used to finance infrastructure, because until that lot is sold the developer is responsible for those specials.
   - Inability to achieve economies of scale in construction. In Salina, as in most comparable markets, absorption rates of homes encourage most builders to build for individual customers and discourage them from building a number of units at the same time. In such markets, building speculative homes without specific buyers, like accumulating an inventory of lots, exposes builders to what they consider as unacceptable risks without commensurate rewards.

2. **Consequently, Salina's residential industry builds housing for demonstrated markets in neighborhoods where comparable home values support the sales price of new construction.** The dominant product are single-family houses with prices above $150,000 (and in most cases above $180,000) in eastern and southern parts of the city, where appraised values of existing homes are consistent with the cost of new construction.

3. **Salina has a significant number of homes with code violations and deteriorating conditions.** A number of Salina's older neighborhoods, especially in the west and north, have older, smaller homes that have received little maintenance over the last several years. Deteriorating properties occur for several reasons, but most frequently it is tied to lower home ownership rates, high maintenance costs, and income levels that are challenged to update older homes.

4. **Home values in older Salina neighborhoods are typically well below the costs of new construction.** Figure 2.15 in Chapter Two displayed average home values in various parts of Salina. A wide disparity between average assessed and recorded sales values and the actual development cost of even modest new houses makes it extremely difficult to secure financing construction in older neighborhoods. The lack of comparable sales means that a potential lender has no certainty that the house's actual worth on the sales market approaches the potential size of the loan. From a potential owner's point of view, this also reduces the probability that they will recover their investment on resale. "Neighborhood value" is influenced by a number of factors that include:

   - age of housing
   - size and character of existing units
   - condition and maintenance of surrounding properties
   - land use conflicts, such as adjacent industrial uses, railroad corridors, or other potential incompatibilities
   - condition of the public environment, including streets, sidewalks, and parks
   - public safety
   - appearance and viability of nearby commercial property

   These disparities are especially challenging in north Salina, the area most in need of reinvestment. The revitalization process poses the classic "chicken and egg" paradox: substantial new investment establishes conditions that can lead to more new investment, creating a virtuous cycle that eventually leads to a normal, self-sustaining market. But existing conditions produce lower values that make investment unfeasible. Some form of intervention and risk-taking – public, private, or community-based – is necessary to move forward.

5. **Salina lacks a community-based development structure to reinvest in relatively risky or unproven markets.** The economic gaps that discourage necessary new development can be bridged by public/private partnerships that share or redirect risk and have access to patient capital that does not require immediate returns. Some projects have the scale, access to financing, or specific markets that allows them to proceed without the complexities of neighborhood effects or comparables for appraisals. Thus, a project like The Heritage at Hawthorne

Village used low income housing tax credits and took advantage of a highly demonstrable market for low-cost, high quality rental housing, providing an important asset (image and otherwise) for north Salina. The expansion of Salina Regional Health Center and the proposed Downtown Field House, while non-residential, also build confidence for their surrounding neighborhoods.

But smaller-scale projects that attract new residents, establish comparable values, and create momentum are the foundation of healthy neighborhoods. These projects are not being built by Salina's private sector, given the understandable aversion to risk in untested areas. This situation is by no means unique to Salina. Many cities with successful urban revitalization programs have organized a project delivery system that temporarily absorbs short-term risk and paves the way for the future evolution of a healthy private market. (Specific programs and even a case study are outlined later in this chapter) Cornerstones of such a system are 1) a nonprofit development entity with access to community-based capital and 2) a financing mechanism that insulates the private housing industry from excessive personal exposure. In the past, Salina had a nonprofit development organization in the form of a community housing development organization, but its actual production was very limited. Nevertheless, an effective community-based development structure will be essential to Salina's goals to build affordable housing and revitalize older neighborhoods. There are numerous examples of success stories including Holy Name Housing in Omaha Nebraska, a non-profit that began doing housing rehabilitation and graduated to larger infill projects. Neighborworks is another organization that provides technical assistance, training, and grants to non-profit developers.

STRATEGIC DIRECTIONS

This analysis suggests a four-point strategic approach:

1. Addressing and resolving the issue of urban growth policy, along with risk sharing of infrastructure to meet community housing demands and development goals.

2. Creating an effective housing delivery structure capable of filling housing needs that the private sector alone cannot satisfy.

3. Establishing a program that systematically increases the value of currently undervalued neighborhoods.

4. Identifying and executing up to three targeted neighborhood initiatives that begin the value enhancement program.

The following discussion considers each of these points in more detail. Chapter Four to follow presents concepts for potential target neighborhoods in different community settings.

POINT ONE: ADDRESSING AND RESOLVING URBAN GROWTH POLICY AND PUBLIC PARTICIPATION IN INFRASTRUCTURE

Necessary housing production is stymied in 2015 by a fundamental philosophical debate about the future of city development. In this debate, however, both sides are right.

Chapter Two considered the geography of platting and housing development in Salina. This analysis shows that the majority of relatively recent housing development in the city, driven by the private market, has taken place west of the Smoky Hill River and more recently in the south-central sector between Ohio and the River south of Magnolia Road. While much of this development was contiguous to pre-existing urban development, many people perceive it as growth on the edge. For the most part, housing development within the built-up city has involved occasional multi-family construction and new infill single-family and two-family units. But this in-city development represents a tiny percentage of the city's total housing production, and leaves the city with a fairly extensive inventory of vacant lots and skipped over sites. Moreover, without an injection of new housing, many of these areas tend to experience a plateauing of housing values, which in turn further complicates the economics of new development.

In the past, Salina has encouraged "greenfield" development by using special assessments to finance public improvements in new subdivisions. Under this commonly used infrastructure financing technique, cities issue tax-exempt revenue bonds to provide front-end financing for municipal infrastructure. These bonds are then retired by annual assessments on properties, paid over a specific term. While public sector approaches such as Rural Housing Incentive Districts (RHID) or Tax Increment Financing (TIF), grants, or direct development of infrastructure exist and have been used in Kansas, private financing is the primary alternative to the special assessment method. In Salina, special assessments are used to finance local streets, sewers, water lines, and sidewalks.

The special assessment technique has several virtues that contribute to its popularity among private sector developers and homebuilders and address the issue of risk in a medium-size housing market discussed earlier in this chapter:

- It shifts the risk of front-end investments in public infrastructure. With private financing, developers must borrow capital at a higher interest rate than a municipality would incur to build improvements and then service this debt themselves until lots are sold and homes built. In similar markets, subdivision development is at best a break-even proposition, and may be a significant drain on the developer's personal resources during downturns. As we have seen, this risk, accompanied by a low expectation of profit, discourages developers from proceeding with subdivision development, and can dramatically reduce the supply of improved, buildable lots. Public financing of infrastructure shifts at least some of this risk from the private to public sector. In the worst case scenario of a private default on special assessments, the community at least has the land as collateral. Defaults on special assessments, however, are most common in boom/bust markets, where a city has financed infrastructure in expectation of a dramatic increase in demand that failed to materialize.

- It reduces the initial cost of housing to homebuyers. In a private financing scenario, the direct cost of public improvements, a profit margin, and some allowance for previous costs and debt service are all added to the price of a home. This increases the initial cost of the home, which may put the unit beyond the reach of some buyers, and adds cost that in turn increases monthly payments. Table 3.1 below compares the typical costs of two identical hypothetical homes, one in a subdivision with improvements financed by special assessments and the other privately financed. Both examples assume similar development costs at $50/linear foot each for storm sewer, sanitary sewer, and water lines; $150/linear foot for streets; and $25/linear foot for sidewalks. These assumptions place the public improvement cost of a typical 70- foot single family lot at about $23,000. The private finance scenario also assumes five years of debt service at 5% interest and a 15% margin. In both cases, the typical home assumption is a 1,600 square foot structure and a cost (including profit) of $120/square foot.

In summary, the special assessment technique has been effective at encouraging development by addressing the two major obstacles to new subdivision development:

- The inherent market disincentives to developers of private infrastructure development in a housing market that tends to build out at a slow to moderate rate: high financial exposure and risk of personal resources and low expectations of return.
- The added initial cost and downpayment requirement to buyers of front-end loading of development costs. However, the difference in equivalent monthly payments is only about $80 per month.

TABLE 3.1: Comparative Costs of a Hypothetical Home with Private Financing and Special Assessments

	Private	Special Assessment	
Land Cost	12,000	12,000	
Structure	192,000	192,000	
Infrastructure Cost	32,000	NA	
Debt Service on Infrastructure	5,000		Assume 5%, 15-year debt retirement, 5 years average holding period
Profit (15% on infrastructure-related costs)	5,500		
Total Cost	246,500	204,000	
Comparative Monthly Payments			
Required Down payment	24,650	20,400	
Amount to Finance	221,850	183,600	
Monthly Principal and Interest	1,754	1,452	Assumes 10% DP, 5% interest rate, 15 year amortization
Special Assessment	NA	220	Assumes 3% interest rate, 15 year assessment period
Total	1,754	1,672	

The alternative position is that the majority of new housing development should occur within the established city, rather than at its edges. There are a number of strong arguments to support this perspective. Infill development, using vacant properties or skipped over parcels surrounded by or adjacent to well-established neighborhoods, will use existing infrastructure more effectively. It may provide reinvestment and comparable sales that sustain the quality and property value of the previously built-up residential areas. Placing a priority on infill development tends to increase the city's density, which in turn may:

- Reduce or minimize response time for first responders and other critical public services.
- Reduce the amount of hard infrastructure necessary to serve a given number of people and housing units.
- Use less land to accommodate the city's population, preserving open space and reducing farmland conversion.
- Support transportation alternatives such as pedestrian, bicycle, and public transportation, in turn increasing transportation choice and reducing capital construction and street maintenance needs.
- Expand economic opportunity by placing more people within the logical service area of a given business.
- Respond to preferences of a growing sector of the younger household market for stronger, more walkable neighborhoods, walking and biking distance destinations, and quality in place of quantity for housing and lot sizes.

These are highly desirable advantages. However, just as infrastructure development costs are an important obstacle to new development on the edge of the city, infill development faces its own substantial risks and barriers. Because in-city development typically uses existing infrastructure and public facilities, special assessments do not address the specific problems of infill development, discussed below.

The conversation in Salina, then, has become a debate between edge development versus infill development. Underlying this debate is the perception that special assessments constitute an incentive that pushes new housing out to greenfield development on the edges, placing the established city at a competitive disadvantage. The corollary to this position is that if the special assessment incentive were removed or limited, the private market will use infill sites to meet the community's continuing demand for new housing. The City Council established a temporary moratorium on the use of special assessments but has seen no increase in infill housing. Providing a policy framework for development financing is laid out in the following pages.

OBSTACLES TO IN-CITY DEVELOPMENT

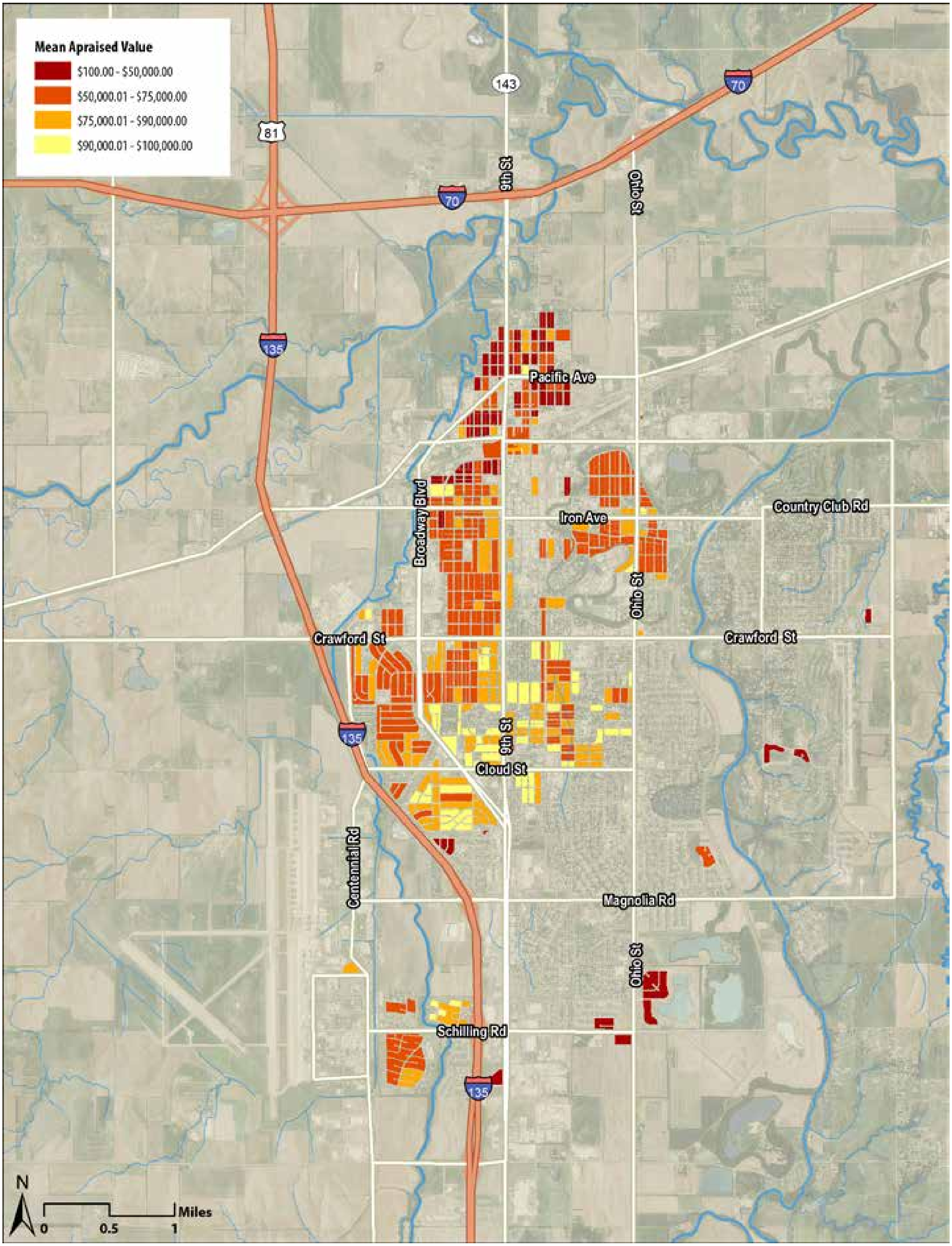
In recent months, Salina has experienced significant interest in downtown housing development, largely a consequence of the vitality of its city center and distinctive opportunities presented by structures such as the Lee Building. However, the hope of redirecting attention of the city's established builders and developers to in-city sites has, by and large, not been realized. In order to establish a sound policy framework to address the city's range of housing demands, we must investigate some of the obstacles to in-city development in Salina (and many other communities around the country).

Availability of contiguous sites. In greenfield development, sites are usually large enough to create a cohesive residential environment. Rightly or wrongly, homebuyers often want the level of security and predictability offered by a critical mass of adjacent homes. We see evidence of this when a small number of speculative homes built in a relatively isolated subdivision fail to sell. In established or older neighborhoods needing reinvestment, the average market value of surrounding homes is often lower than the offering price of a new home that meets consumer market demands. This makes critical mass especially important – enough units are needed to define the value of the neighborhood, rather than be defined by the value of adjacent and perhaps undervalued units. In addition, homebuilders are able to achieve some economies of scale by marketing and building units in the same project area.

While Salina has a reasonable number of vacant, infill lots, sites big enough to create their own neighborhood are relatively scarce for several reasons:

- Neighborhood fabric. Even when relatively distressed, most Salina neighborhoods have fortunately retained their fabric sufficiently to make assembly of large sites difficult without significant acquisition and relocation.
- Land ownership patterns. Some areas that appear to be vacant and potentially available are in fact parts of very deep lots that have occupied houses on them.
- Flood plain. The relatively expansive flood plains created by the Smoky Hill River network eliminate some well-located parcels (Map 2.21, page 33)

FIGURE 3.1: Blocks with Assessed Values <60% of Hypothetical Moderate Cost House*



*Includes vacant and undeveloped lots

Adjacent housing prices and rent levels. As discussed earlier in this chapter, the disparity between market value or assessments of existing housing and the probable cost of new houses that meet contemporary market requirements discourages new construction on available infill lots and larger sites even when they are available. At Salina's typical residential development cost (in the range of $120 per square foot), a relatively modest 1,200 square foot single-family home will approach $150,000. Typical construction costs in the Midwest, where labor is in short supply. Map 3.1 highlights areas where the average assessed value is less than 60% of that typical cost, or $100,000.

We have previously noted the problems created by an inability to obtain comparable appraisals to support mortgages for new housing. When surrounding values are low, these agencies do not have the collateral value necessary to secure the loan. In addition, moderate or middle income buyers cannot afford to risk equity because of the lower value of surrounding properties. A mitigating factor (and one that has driven much urban revitalization across the country) is a reasonable expectation of increasing property values, but many people cannot afford to take that risk or lack confidence in undervalued neighborhoods.

The environmental and physical condition of a neighborhood. People in some of Salina's older neighborhoods are housed in structures that are obsolete because of size or physical character, or are in poor condition. In some situations, public infrastructure such as streets, sidewalks, or street lighting, are also in poor condition. These characteristics put infill development at a further disadvantage to "greenfield" development where a certain standard of maintenance of property and infrastructure is more or less guaranteed.

Lack of experience with urban housing types. In many urban markets, developers and homebuilders tend to build the product that they know best, typically single-family detached homes on moderate to large-sized residential lots. Infill sites, where space is more limited, tend to require other, higher density forms that are less familiar and riskier to many builders. While Salina is beginning to experience interest in new housing forms including downtown adaptive reuse, its building community (and housing consumers as well) still has relatively little experience with higher density housing forms like small-lot single-family, single-family attached, and townhomes.

These issues, among others, discourage Salina's builders from developing in established neighborhoods as part of the normal course of business. It appears that rather than shift demonstrable demand into infill areas, they have simply slowed production of moderately priced housing.

A DEVELOPMENT POLICY CONCEPT

Developing a policy framework to meet Salina's housing needs requires us to understand the expected profits and risks entailed by serving different markets and community priorities supported by the community engagement process and market projections described in previous chapters. These market preferences can be placed in four categories: price point, contiguity, density/urban form, and reinvestment. Specifically:

Price points: Public policy should focus on encouraging development of affordable moderate and medium-cost housing, where financing gaps and challenges are more likely to keep the market from satisfying the need. (see Table 2.6 page 27 and Table 2.8 page 37)

Contiguity: Policy should encourage development on infill sites within the built-up city, or on greenfield sites that are adjacent to development and can feasibily and affordably access infrastructure. This policy is also laid out in the city's Comprehensive plan.

Density and form: Policy should encourage and moderate the risks of non-conventional or emerging forms of residential development that both provide urban settings that encourage local economic development and provide public service efficiencies on a per unit basis.

Reinvestment: Policy should provide strong, positive incentives for housing and mixed use investment in targeted revitalization areas such as north Salina, in conjunction with neighborhood-based specific plans.

POLICY DIRECTIONS BASED ON PRICE POINTS

Overall Policy Direction: Public policy should focus on encouraging development of affordable moderate and medium-cost housing, where financing gaps and challenges are more likely to keep the market from satisfying the need.

High cost (>$250,000). This type of development represents 8% of the 10-year demand and typically occurs in subdivisions. Most of this development has occurred in the eastern part of the city and typically in low-density settings. Infrastructure may be relatively expensive on a per lot basis, but this is a conscious choice made by high-income buyers seeking large lot environments. Public improvement costs also account for a small proportion of the total cost of this category. From a builder's perspective, this market represents the highest expectation of return and, since houses are often custom-built, the lowest expectation of risk. Public financing of this development type may be seen as an incentive to encourage the building of high cost, low-density housing within the city limits rather than on acreages outside of Salina's jurisdiction, a desirable outcome. But public financing is not necessary to serve this market, even within Salina's limits. Strong schools, good public services, park and open space amenities, and other community features are more powerful incentives than long-term infrastructure financing. *Policy direction: Use special assessment as necessary to avoid larger lot development out side the city limits and to provide options for move-up housing.*

Medium-cost ($175-250,000) or market rate rentals ($700+). This type of development represents 20% of the ten-year demand and now is usually built within subdivisions in the central and southeastern parts of Salina. Builders can deliver housing within this price range, but infrastructure costs begin to be a factor, particularly at the lower end. In addition, absorption rates of subdivision lots are slow enough that carrying costs become a significant factor. Public financing of infrastructure begins to be a significant need as infrastructure approaches 15 to 20% of the cost of a new unit.

From a rental perspective, households in this range can afford monthly rents needed to make the projects economically feasible. Typical rents in Salina are somewhat lower than this required level, normally in the range of $1/ square foot. This gap presents a challenge, but in many cases, new consumers expect higher rent levels than people who have been in Salina's market for many years. *Policy direction: Use infrastructure assistance through a form of front-end public financing to encourage development of market-rate rental products and medium cost owner-occupied housing.*

Moderate-cost ($125-175,000) or market rate rentals($450-700). This type of development represents 18% of the ten-year demand. Development at the upper end of this scale typically occurs in subdivisions, or in the higher-density small lot or attached developments that are relatively rare in Salina. The lower part of this range addresses workforce housing needs in Salina, but construction costs alone make it difficult for current builders to deliver a marketable product. This price category cannot support the cost of new infrastructure in conventional development. Infill development on sites or lots that use existing infrastructure and higher-density housing forms that reduce the unit cost of public improvements are viable approaches, but infill faces the various obstacles discussed above. Most development in this range can be accomplished privately with public incentives, but some project types may require participation of a community partnership, the second point in the strategic approach. *Policy direction: Use public incentives to support private development in this range and community partnerships for more untested housing types.*

Low-cost (under $75-125,000) or below market rate rentals. This type of development represents 52% of the ten-year demand and represent the majority of the rental construction in the last ten years. It is virtually impossible for new construction to serve this significant market category without deep assistance that includes land assembly, infrastructure, development financing, and in some cases mortgage assistance. Program approaches that preserve and rehabilitate existing housing stock or build alternatives for demographic groups like seniors can be effective in addressing this price category. These techniques may be necessary to encourage rental housing, in conjunction with existing tax policy incentives like Low Income Housing Tax Credits and New Market Tax Credits. Delivery will require a public/private partnership, discussed later, that includes an effective community development corporation, financial institutions, builders, realtors, and city government. *Policy directions: Develop public/private partnerships to ensure delivery of quality housing units for lower income households.*

POLICY DIRECTIONS BASED ON CONTIGUITY

Overall Policy Direction: Policy should encourage development on infill sites within the built-up city, or on greenfield sites that are adjacent to development and can feasibily and affordably access infrastructure. This policy is also laid out in the city's Comprehensive plan.

Encouraging new development contiguous to the limit of existing urban growth and that has direct and feasible infrastructure is strongly in Salina's municipal and public policy interest. Contiguous development reduces the marginal cost of extending urban services, minimizes increases in response time by emergency service, and utilizes existing infrastructure most efficiently. Policies related to contiguous growth must have their base in the comprehensive plan, and may be placed in the following categories:

Non-contiguous greenfield development within the subdivision jurisdiction and the urban services area (USA), but not currently served by municipal utilities. While development in these areas where utilities will eventually be extended may be compliant with the comprehensive plan, it may also be premature. Public financing approaches for these areas depend on specific context. In most cases, developments may be permitted, but would not receive public front-end incentives like special assessment financing unless they met another compelling public need. In cases where the city plans an infrastructure extension to open a development area (not a current condition), a special district may be established by which a pioneer line is financed publicly and developers platting within the benefitted area pay a per lot assessment at the time of platting to reimburse this construction. *Policy direction: Developments should be discouraged and should not receive public financing like special assessments unless they met another compelling public need.*

Contiguous greenfield development. Public front-end financing can encourage this desirable goal, even for higher end housing that would not normally need incentives. *Policy direction: Public financing, including special assessments can be used to meet the demand for new construction of higher end homes, necessary to support higher end job growth and to open lower price point housing.*

Infill development. While development within the built-up city typically uses pre-existing infrastructure, some sites within reinvestment areas may lack urban services entirely, or may have existing utilities that require reconstruction or relocation. In most cases, these necessary changes should be publicly funded, utilizing TIF, CDBG, GO bonds, or other direct public/private financing. Projects may also require other forms of development or financing assistance, but investments that create buildable sites are the first priority. *Policy direction: Use necessary public financing tools and partnerships to create buildable sites.*

POLICY DIRECTIONS BASED ON DENSITY, FORM, AND INNOVATION

Overall Policy Direction: Policy should encourage and moderate the risks of non-conventional or emerging forms of residential development that provide urban settings to encourage local economic development and provide public service efficiencies on a per unit basis.

Higher-density development, which increases the number of housing units per acre, creates significant capital and operational efficiencies. The development and housing financing structure should encourage introduction of housing forms or project designs that incorporate:

- Higher-density products that have proven successful in similar markets, including small-lot single-family detached or attached configurations, townhomes, and street-oriented multi-family development, with gross densities at or above 6 units per acre.
- Mixed housing environments that integrate different types and price points into coherent developments.
- Mixed use projects that integrate housing, services, retail, and/or employment.

POLICY DIRECTIONS BASED ON REINVESTMENT

Overall Policy Direction: Policy should provide strong, positive incentives for housing and mixed use investment in targeted revitalization areas such as north Salina, in conjunction with neighborhood-based specific plans.

Chapter Four looks in detail at specific redevelopment or reinvestment areas, identifying potential target areas and pilot infill projects. Reinvestment in existing areas is important to a community on many levels. Protection of the existing tax base, protecting community image and livability, and ensuring a variety of housing styles and price points are just a few of the reasons. Special programs and partnerships will be required to execute these projects, which include:

- Specific project plans
- Site acquisition, assembly, and conveyance to potential developers
- Rehabilitation and housing conservation
- Commercial revitalization in some cases

- Public infrastructure construction and rehabilitation
- Appearance and housing condition code enforcement

In some cases, specific projects alone may provide the reinvestment necessary to meet the dual needs of housing development and value stabilization. Other areas, notably north Salina, will require more comprehensive approaches.

The city may also consider ways to encourage community engagement. Residents tend to have greater ownership in their neighborhoods when they are engaged. This may be something as simple encouraging the development of neighborhood associations for older neighborhoods and homeowner associations for new developments. There are a number of on-line resources now that organized associations can use to help find resources, share news and monitor their neighborhoods. These include association websites, Facebook or Nextdoor.

A POLICY MATRIX

Table 3.2 below summarizes financing and incentive approaches for each of these contexts, but uses price points, the measure of fundamental housing affordability, as the starting point. It is intended to provide the basic structure for more detailed recommendations that follow in this section.

The State of Kansas has established the Rural Housing Incentive District (RHID) program, an innovative and effective variant of tax increment district tailored to the needs of residential development. The program was designed to remove the significant obstacles to housing development in slow absorption markets discussed earlier in this chapter. But because RHIDs require a dedication of tax revenues to internal project financing for a period of time, they should be strategically directed to developments that meet specific public policy objectives. It is essential that clear criteria be established for their use in Salina, and Table 3.2 provides guidance to decision-makers considering applications for the use of the RHID technique.

Based on the policies summarized in Table 3.2, we suggest that RHIDs be focused on the following types of projects:

- Projects contiguous to existing development that provide a mix of housing types and prices and/or mixed uses developments. This category of developments may include medium and high price ranges if combined with more moderately-priced housing.
- All projects contiguous to existing development with a focus on moderate or low price points. Consideration of non-contiguous projects depending on specific context and compliance with comprehensive plan objectives.
- Projects at any price point within designated reinvestment areas.

TABLE 3.2: Development Policies

		Market Drivers		
Price Range	**Price Point Alone**	**Contiguity**	**Density/Innovation**	**Reinvestment**
High (>$250,000)	Private Financing	Partial special assessment if contiguous (50% of development cost)	Full special assessment if mixed with other housing price points and/or uses.	Full development incentive package in reinvestment areas
Medium ($175-250,000 & rents above $700)	Private Financing	Partial special assessment if contiguous (100% of development cost)	Full special assessment if mixed with other housing price points and/or uses.	Full development incentive package in reinvestment areas
Moderate ($125-175,000 & rents $450-700)	Full special assessment Consideration of public infrastructure financing depending on context	Full special assessment Direct public infrastructure financing Development incentives (TIF or RHID) Direct development assistance	No requirement	Full development incentive package in reinvestment areas
Low (Under $125,000 and below market rate rentals)	Full special assessment Consideration of public infrastructure financing depending on context	Full special assessment Direct public infrastructure financing Development incentives (TIF or RHID) Direct development assistance	No requirement	Full development incentive package in reinvestment areas

POINT TWO: CREATING AN EFFECTIVE HOUSING DELIVERY STRUCTURE THAT FILLS MARKET GAPS

An effective public/private partnership with adequate financial and human resources will be central to Salina's affordable housing and neighborhood development effort.

Chapter 2 laid out a demand model (Table 2.9) that illustrated a continued need for additional housing priced below market rate. In the past some of this demand has been met through the use of low income housing tax credits but this has often not been enough to meet demand nor has it met the demand for housing just above these price points but below costs that are economically feasible for the private market to tackle alone. Much of the discussion in this chapter leads to a primary conclusion: that Salina's private homebuilder and development sector alone cannot carry out initiatives to meet the city's dual goals of meeting affordable housing needs and building value and confidence in neighborhoods. These primary initiatives include:

- Delivering new, moderately priced workforce products that are affordable to the majority of Salina's residents.
- Building enough units at one time to realize efficiencies of scale.
- Creating developments in potential revitalization areas with adequate critical mass to affect the image of the neighborhood and offer a higher degree of financial security to prospective residents.
- Developing market-rate rental housing affordable for moderate to middle-income households.
- Preserving existing residential buildings for a new generation of residents.

All five of these approaches involve a relatively low expectation of short-term return and a relatively high level of uncertainty. Yet, the private sector has an indispensable role to play in a partnership that can bridge these gaps and help create a more self-sustaining housing economy in older parts of the city. At the beginning of the revitalization process, such a partnership almost always requires a high level of public and private sector effort: incentives and investment on the public side, patience, risk capital, and persistence on the private side. But gradually, in a successful program, the need for exceptional effort is reduced as the private market begins to work.

During the planning process, we found significant private interest in participating in such a partnership. Financial institutions appeared generally open to the idea of a community financing tool that involved shared participation and risk. Homebuilders and developers also recognized the need for housing products that they could not afford to build alone. And all participants were keenly aware of the importance of strong neighborhoods to the health of central Salina. There are a number of precedents for effective partnerships around the country and the sidebar on this page explores the approach of Des Moines. Any of these approaches started with small steps, but have been very successful over the long term. But most successful housing and revitalization partnerships have common ingredients:

DES MOINES REINVESTMENT STRUCTURE

Des Moines, Iowa has a tradition of strong private/public partnership in neighborhood reinvestment. While nonprofit faith-based initiatives have been very effective housing developers, the city's two primary reinvestment organizations provide valuable precedents for Salina.

The Neighborhood Development Corporation (NDC) is a nonprofit developer that does residential, commercial, and mixed use development in revitalization areas. It was established in 1999 and has been especially active in multi-cultural areas like the 6th Avenue and East Grand corridors, which have similarities to 9th Street in Salina. NDC has three staff members and a twelve member board that includes city and county government staff, real estate developers, and business interests. Financing for projects comes from a variety of public and private sources. (www.ndcdsm.org)

The Neighborhood Finance Corporation (NFC) is a mortgage bank. Since beginning operations in 1990, it has originated $290 million in loans, affecting about 5,300 units. It provides loans for both home purchase and rehabilitation. It is capitalized by loan repayments, investments by city businesses and lenders, the housing trust fund, and $800,000 to $1 million in GO bond proceeds from the City of Des Moines and Polk County. Current investments in NFC total $253 million, primarily from regional banks. NFC has a 12 member professional staff and a 15 member board representing six banks, city and county government, neighborhoods, and the city's Neighborhood Revitalization Board. (www.neighborhoodfinance.org)

East Grand Avenue Master Plan and retail development by the Neighborhood Development Corporation, Des Moines.

COMMUNITY DEVELOPMENT CORPORATION (CDC)

A Community Development Corporation is a nonprofit developer governed by a Board of Directors and operating in the same entrepreneurial way as a conventional developer. They often grow out of established organizations that have identified housing as vital to their work, or of other community organizations (such as churches, human services groups, or community action agencies) that identify housing as a critical need. In some places, for example, Habitat for Humanity organizations have moved beyond their original mission of volunteer-built single homes for low-income owners to become larger scale developers of affordable housing. CDCs such as Holy Name Housing Corporation (HNHC) and the Omaha Economic Development Corporation (OEDC) started as faith-based neighborhood revitalization efforts. In other situations, these development entities were Chamber of Commerce or city initiatives. When successful, they operate as private developers and need the same permanent expertise and adequate capitalization as a private enterprise.

A community development corporation may be either a for-profit or nonprofit organization. On the nonprofit side, a corporation may be organized as a "community development housing organization," or CDHO, as occurred in Salina. CDHOs require majority community board representation, in return, they enjoy a special allocation of tax credits for affordable rental housing financing through the state housing finance agency.

While the original mission of a CDC in Salina will be housing development, it should also maintain the right to do commercial projects as well. Many contemporary projects involve some level of use mixing, with both retail and residential components. Also, the health of adjacent commercial development affects the marketability and value of houses. Des Moines' Neighborhood Development Corporation (NDC), for example, has been an efficient commercial and mixed use developer in revitalization settings, and this work has helped to support housing developments. This dual role, while requiring more sophistication, is especially relevant to north Salina, where businesses have been especially involved as neighborhood revitalization advocates.

While much of the focus here has been on new development, a CDC also can have a significant role in preserving existing housing. Based on stakeholder group conversations, investors are buying lower value but habitable single-family houses when they become available, making minor improvements, and renting them. While this activity is both profitable and fulfills a short-term need for relatively inexpensive rental housing, it works against the long-term goal of self-sustaining, sound neighborhoods. A CDC, with less concern about profit margins, can provide an option by buying these houses, completing major rehabilitation, and selling them to new owners. This activity has worked successfully in many places and is especially useful because its lower sales prices make quality homes more affordable with smaller appraisal gaps than new construction.

FINANCING AND ACCESS TO CAPITAL

A community development corporation (CDC) must have a source of financing to do its work. Such a financing program should be designed for maximum leverage (in the language of community development, "leverage" is the ability of program dollars to generate private investment in response to a principal investment); shared risk; and quick turnover rather than long-term financing. The partnership should include a "lenders consortium," a cooperative venture among lending institutions active in Salina that spreads individual exposure. These cooperative ventures can attract the support of other agencies such as the Kansas Department of Commerce and the Federal Home Loan Bank.

A community-based financing mechanism typically has two overall roles to consider:

- Interim financing for projects of the community development corporation or a participating private builder. A primary function is providing working capital for the CDC that shares risk among a number of lenders so that no individual institution is heavily exposed. This permits construction of enough units to both achieve some economy of scale and, in owner-occupied projects, provide security to prospective owners. A hypothetical example would be a project by the CDC to develop a cluster of twelve new homes in two phases. The CDC master plans the project and receives interim financing sufficient to build six units. When the homes sell, the proceeds cycle back and are used to complete the second phase. Some CDCs have their own construction capability, but working with one or more homebuilders on a turn-key basis is more common. The consortium may also work directly with private builders who will undertake a project in return for limited risk.

- Direct loans to low and moderate income homebuyers for new homes or property owners rehabilitating existing homes. Some community lending consortiums also provide direct loans to homebuyers for houses built as part of a CDC or other community-based programs. In addition to expanding the number of people who might qualify for mortgages, this type of lending often helps bridge the appraisal gap, either by structuring the mortgage into repayable and deferred or forgivable components or by blending consortium loans with public sources like HOME Investment Partnership or Community Development Block Grant funds.

  Let us assume, for example, that a new home in a revitalization area has a replacement cost of $140,000 but is unable to achieve comparable appraisals in the neighborhood above $90,000. This value gap, common in north Salina and other older Salina neighborhoods, makes conventional financing virtually impossible. In this situation, the homeowner is able to invest 10% in a downpayment, still leaving a $36,000 gap. The mortgage may be structured as a $90,000 first mortgage, consistent with comparables, with a $36,000 deferred or forgiveable second mortgage drawn from the consortium or public financing, with repayment obligations only from appreciation of value. This technique has successfully overcome the short-term financing gap in areas with depressed property values. By reducing monthly payments, it also makes a greater number of households bankable. The Des Moines Neighborhood Finance Corporation (NFC) and Omaha's Omaha 100 use these loan types in combination with other city housing development efforts.

THE CITY OF SALINA

The City of Salina is a critical partner in many elements of the housing and neighborhood revitalization process. Point One focused on one of its roles, infrastructure finance, but this primarily addresses new construction, typically in greenfield areas. This is consistent with the responsibility to provide and maintain urban infrastructure and municipal services. Under point two, other City roles that address housing and neighborhood revitalization issues include assembling or acquiring property for development or redevelopment as needed, removing obstacles to desirable development, direct financial participation, and taking actions in the public realm that encourage private reinvestment. Point Three below discusses these roles in detail.

LAND BANK

The assembly of property and who should hold that property can often be a challenge. The formation of a land bank provides an organizational structure for the assembly and oversight of vacant, bankrupt, and deteriorated properties. In Kansas this tool has historically been used by the state's largest cities but interest is growing in medium sized communities. Features of a land bank include:

- Governance by a board of trustees

- The ability to consolidate, assemble, or subdivide parcels

- Retention of the special assessments. Any existing specials will remain in place but the city can work with the land bank to abate or defer those specials while the lot is held by the land bank. This may not be an issue in Salina, where most lots in the older portions of the city will no longer have special assessment.

POINT THREE: ESTABLISHING A VALUE-ADDED NEIGHBORHOOD DEVELOPMENT PROGRAM

The City of Salina should establish a strong, multi-faceted, and reliably funded Neighborhood Revitalization Program.

Traditionally, Midwestern city governments have not seen neighborhood reinvestment as part of their basic responsibilities. Clearly, some projects – such as local park improvements, a community center, street resurfacing, or sewer reconstruction – benefit affected areas. But they are rarely part of a concerted neighborhood policy. Community development has largely relied on federal programs and tax-based incentives (tax increment financing, tax abatements through designation of revitalization districts, and rural housing incentive districts). But federal funds are in decline and are no longer a reliable funding source. Cities are increasingly on their own, and should take the initiative.

A lack of public reinvestment has clear consequences that over the long term cost everyone in the community money. The effects include stagnant or declining property valuations, added costs because of deteriorating infrastructure, and declining population and support for neighborhood commercial services. Ultimately, declining neighborhoods cost more than they produce and drain municipal resources. Productive reinvestment can reverse this negative trend.

Many of the struggling neighborhoods also face higher foreclosure rates and abandoned structures with accumulated back taxes. These homes and lots further deteriorate the value of the neighborhood, discourage reinvestment, and lower the tax base necessary to support public investment in the city overall. Pro-actively adding these lots and units to the tax rolls benefits the entire community.

The concept of a coordinated neighborhood revitalization program starts with predictable resources. Neighborhood development should be an annual budget item, funded through general revenues or bonds as necessary, and administration of this program should be transparent, strategic, and accountable. It should focus on specific measures appropriate to Salina that support neighborhood growth but are not funded under other program categories. These focuses include:

- Site assembly and preparation. Site control can be a critical obstacle, especially since reinvestment sites should be large enough or clustered sufficiently to create their own reality. Acquisition and preparation of these sites (including demolition of existing deteriorated structures), following a specific neighborhood plan, is a major area of public action.
- Street, sidewalk, and curb rehabilitation. Streets and sidewalks in poor condition convey a sense of neglect that causes property owners to respond in kind. Peer cities like Council Bluffs, Iowa have found that local street and sidewalk rehabilitation causes property owners to respond with their own improvements and better maintenance. Similarly, investments in public assets like parks and community places are confidence builders that promote reinvestment.
- Infrastructure for new development. Subdivision or multiple unit scale developments will use existing urban infrastructure but will still require improvements such as local streets, alleys, sidewalks, and sewer and water service. Public financing without special assessments can make housing in these developments more affordable.
- Support for other projects and development efforts. In the Des Moines area, public investment in the Neighborhood Finance Corporation leveraged considerable private capitalization and was vital to launching that program. Individual projects of a CDC could also require investment to fill gaps.

In addition to a budgeted neighborhood program, other areas for public action include:

- Designations of project areas as Rural Housing Incentive Districts (RHIDs), tax increment districts, or urban revitalization districts that open additional avenues for financing and investment incentives. RHIDs, a type of tax increment district available in Kansas and tailored to the needs of residential development, were previously limited to cities with populations under 40,000. However, the State has increased this ceiling and Salina now qualifies for this attractive program.
- Review of development regulations that can discourage the development of efficient housing forms such as small lot single-family, attached or semi-detached single-family, townhomes, and mixed uses. These residential types reduce unit costs by increasing density and using infrastructure efficiently. But traditional zoning regulations like Salina's, oriented to single-use districts and suburban development standards, may include items that discourage innovative housing forms.
- Making city-owned sites available for desirable development projects. Some public lands provide excellent sites for new housing, while still maintaining and even enhancing public use.
- Considering the need for more assertive property maintenance and code enforcement approaches. This may include implementing a rental inspection program or a targeted code enforcement campaign. Any of these would require additional funding and staffing by the city.

POINT FOUR: IDENTIFYING AND EXECUTING TARGET REVITALIZATION PROJECTS

Salina should begin an active revitalization program by identifying and completing specific projects that address different development opportunities.

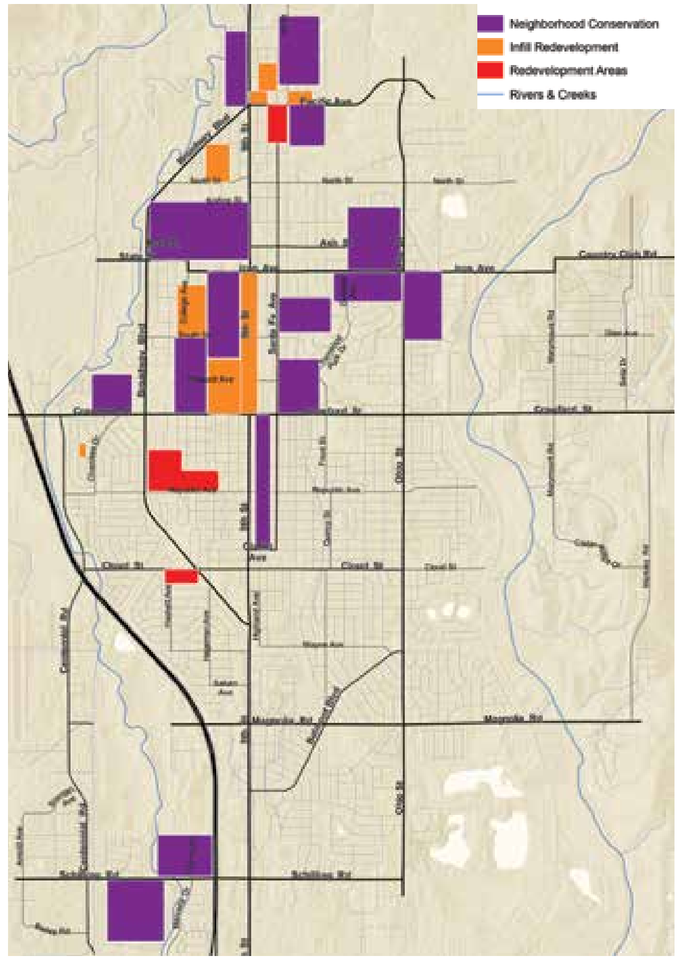
The first three points of the overall strategy address growth policy issues and infrastructure finance, and establish the organizational and financial basis for a housing and neighborhood revitalization delivery network. With these elements in place, the next step is putting the program into operation. It is not possible to do everything at once, so the program should identify specific initial target projects. Figure 3.3 identifies opportunity areas divided into three broad categories:

- Neighborhood conservation areas, where the basic fabric of the neighborhood is intact, with few vacant lots or large vacant or deteriorated sites. Appropriate strategies for these areas include housing rehabilitation, code enforcement to prevent incipient problems, neighborhood organization, and supporting public actions like neighborhood street rehabilitation. From a development corporation perspective, acquisition/rehab/resale that preserve the value of homes are appropriate programs.
- Infill redevelopment, where existing housing conditions may be eroding and/or vacant lots and somewhat larger available sites can promote new construction of significant scale.
- Redevelopment areas, where neighborhood quality has declined to the degree that major new development becomes both feasible and desirable to reverse disinvestment.

This analysis presents a general diagram for initial revitalization focuses. In general, these first projects should be:

- Large enough to change the image of a neighborhood, help stabilize values, and provide economies of scale and security to prospective residents.
- Visible enough to be seen by the public and have a significant amount of surface area to create positive momentum in surrounding areas. Initial projects should avoid isolated areas that are outside normal lanes of commerce or travel.
- Important enough to be on the community agenda.
- Strong enough to maximize chances of success and have significant community anchors such as schools, churches, campuses, activity centers, quality of life features, new housing, and other assets.

FIGURE 3.3: Opportunity Areas (for larger view see page 35)



These standards should be applied to any project that falls just outside areas that are identified in Figure 3.3.

Based on this plan's analysis of city conditions and development patterns, we have selected several demonstration areas that are candidates for these targeted projects:

- The Five Points area in north Salina, including a radius of about three to five blocks around the central intersection of 9th Street/Pacific Avenue/Broadway Boulevard. Most participants in the planning process regard north Salina as the city's primary and most challenging revitalization area. Yet, this immediate district has several strong assets, including an active development corporation, Hawthorne and Thomas Parks, possible trail connections, the Heritage at Hawthorne Village apartment complex, relative nearness to Downtown, and infill sites that have promise for new development.

- The Depot area between 12th and College Avenue south of the Union Pacific tracks. This target has a relatively good housing supply and a commercial area along Bishop Street that has the character of a special community district.
- Centennial Park. The center of this solid, post-World War II residential area is an underutilized neighborhood park and an adjacent city-owned site that was cleared after homes were destroyed by a storm. Proposed reuse of the underutilized non-park part of the site was opposed by the surrounding neighborhood and was abandoned by the city. However, an opportunity exists to enhance the park and use the surplus ground productively and respectfully.
- Fourth and Prescott. This area is near the Salina Regional Health Care Campus and is located between the hospital and Kenwood Park, the city's central commons. It includes a full square block for potential development and can have an impact on surrounding areas.
- Broadway and Cloud, a highly visible intersection with underused property surrounded by a mix of residential densities.

Each of these sites has the potential to contribute to the city's supply of affordable housing and help sustain the value of surrounding neighborhoods. Chapter Four presents concepts for how the revitalization partnership can accomplish this.

POINT FIVE: INTEGRATING HOUSING INTO SALINA'S DOWNTOWN DEVELOPMENT STRATEGY

Salina benefits from its diverse and active downtown, with a strong retail and entertainment mix, appealing physical environment, civic institutions, a major adjacent medical center and close connection to the amenities of the Smoky Hill River Greenway and its signature parks, including Kenwood and Oakdale. This strong downtown benefits surrounding neighborhoods, whose stabilization and revitalization is advanced by nearness to the city center. The city is embarked on a wise and significant effort to reinvest in this crucial asset through a variety of projects, including:

- The 13.5 million renovation of the Bicentennial Center. The Field House project at 5th and Ash.

- Improvement of the Santa Fe Avenue public environment, currently in the concepting stage. This project could include sidewalk widening for outdoor dining and other amenities, parking enhancements, downtown open spaces, and building façade improvements.

- The proposed Alley Entertainment Center, including a bowling alley, recreation facilities, and food services.

A common thread uniting these projects is their ability to provide a superior assemblage of quality of life attraction in Downtown Salina, which in turn creates an excellent base for downtown living. The market is beginning to respond to this opportunity with several projects, including:

- Mixed use rehabilitation of the former Simply Baby and Townsite buildings, including 20 upper-level housing units and upgraded office and retail space at street level.

- New office space for the United Way at 4th and Walnut, incorporating up to four housing units.

- Continuing interest in the Lee Buildings, which would be the city's largest adaptive reuse undertaking. A current proposal calls for 105 low and moderate income rental units, with equity financing raised through the use of Section 42 low-income housing tax credits (LIHTC). LIHTC-financed projects in other cities have found markets among low and moderate income downtown and medical workers, artists, and other small households with moderate incomes.

Salina is investing in projects that are providing the foundation for Downtown's emergence as a superior residential environment, and housing development should be a critical part of overall downtown strategy. Among its other virtues, housing extends the hours of activity of the city center, provides a higher level of both perceived and actual security, and creates a dense, walking distance population that supports new business. On the other hand, downtown with its site and building resources can help satisfy housing needs identified earlier in this document.

As other cities have entered the downtown housing market, they have typically started with small, market-cost adaptive reuse projects and larger adaptive reuse projects that have used substantial financial incentives such as tax increment financing, low-income housing tax credits, and historic tax credits. Salina is currently following this course. However, successful programs (and we have every reason to believe that Salina's downtown housing program can be highly successful) have diversified beyond this narrow focus into larger market-rate rentals, mixed income projects, new construction, and medium-density urban family formats like townhouses. In some cases, projects are transformative – they develop and succeed in unlikely sites, including quasi-industrial areas adjacent to railroad rights-of-way – and change the entire perception of the surrounding area. Areas with potential

The Lee Buildings and surrounding properties. The Field House project at 5th and Ash can provide a powerful quality of life anchor for accelerated residential development in this area.

The former Salina Regional Medical Center and adjacent parking lot provide an opportunity for substantial residential development near Downtown. A logical option includes a hybrid of adaptive reuse and new construction, preserving the historic u-shaped building core as senior or market-rate rental housing utilizing historic credits, and redevelopment of other parts of the site with new, medium-density owner-occupied residential.

TABLE 3.3: Program Matrix

Household Incomes	% of Households 2013	Potential Demand from Existing Households	10 Year Demand	Affordable Rent	Affordable Homeownership	Applicable Housing Type & Strategies
<$15,000	38%	10	306	<$450	-	- Rental - Public housing - Section 8 certificates & vouchers - Low Income Housing Tax Credit rental development - Senior only housing tax credit rentals
$15 - $25,000	13%	4	106	$450-$700	<$50,000	- Most households are in rental units - Low Income Housing Tax Credit rental development - Senior only housing tax credits
$25 - $50,000	24%	7	413	>$700	$50 - $125,000	- Mixture of rental and entry level homeownerhip - Market rate rental development - Existing housing rehabilitation/Neighborhood Revitalization Program - Infill development (see Points 2,3, & 4) - Rural Housing Development Program for new developments - Moderate-Income Housing (MIH) Program - Market rate senior housing
$50 - $70,000	8%	6	109	>$700	$125 - $175,000	- Mixture of rental and homeownership - Market rate rental development - Existing housing rehabilitation/Neighborhood Revitalization Program -Infill development - Rural Housing Development Program for new development on lower end - Special assessments for infrastructure development
$70 - $100,000	10%	7	133	>$700	$175 - $250,000	- Mostly homeownership with some rental - Market rate rental development - Subdivision development with infrastructure financing
>$100,000	7%	5	93	>$700	>$250,000	- Majority homeownership - Market based single-family development - Subdivision development with infrastructure financing under specific conditions

Source: RDG Planning & Design

for transformational change, including introduction of dense but family-oriented housing settings and new, market-rate rental development include areas generally north of Ash Street to North and Bishop Streets. A renewed focus on this industrial "frame" can also complement neighborhood development efforts in North Salina and the Bishop Street depot district, described in the next chapter. Another promising area is the former site of the Salina Regional Medical Center and surrounding property, now an unused parking lot.

SUMMARY

Table 3.3 summarizes the demand identified in Chapter 2 along with appropriate strategies for implementation of the policy directions identified in this chapter.

CHAPTER 4:

BALANCING GROWTH: AN INFILL DEVELOPMENT STRATEGY

Most of Salina's new housing has gravitated toward greenfield development on the south and east edges of the built up city. As described in Chapter Three, this has created considerable concern about the ability of older neighborhoods to maintain and renew themselves by attracting their share of new growth. The previous chapter analyzed the factors that tend to favor development at the edges and proposed a policy framework to produce a greater balance of new development and redevelopment. This chapter proposes a specific neighborhood-based development sequence designed to create the conditions for balanced development – improved existing housing, new destination commercial, reduced impact of commercial and industrial uses, and incremental new construction. It is not an immediate process, but rewards persistence and gradual reinvestment. This chapter has a special focus on the area of the city most frequently mentioned as requiring new investment: north Salina. But we also know that if values are increased and development balanced in the north, all parts of the established city will benefit.

BALANCING GROWTH

Chapter Three discussed issues, controversies, and policy solutions related to housing development in Salina. The community has significant differences of opinion on such issues as development financing, annexation, and location and character of new development. But all participants in the planning process agree on several important points:

- Salina needs a way to develop housing affordable to its moderate income workforce and the private market is not able to meet this need successfully without assistance.
- Major parts of Salina require reinvestment, but the area that requires the greatest focused attention is the northern portion of the city.
- The entire city would benefit from a greater geographic balance of development. To date, most new housing construction occurs in the southern and eastern parts of Salina.
- Infill development is important to both the goals of providing affordable housing and stabilizing older neighborhoods. But infill development faces very difficult obstacles, including availability of sites and lack of comparable housing value.

"Salina benefits from having a private sector that understands the need for reinvestment and is poised to participate in the neighborhood development process, but it cannot economically do the work alone. "

Salina benefits from having a private sector that understands the need for reinvestment and is poised to participate in the neighborhood development process, but it cannot economically do the work alone. It also benefits from having elected officials and a private sector who are committed to infill development and neighborhood reconstruction, and who may be positioned to provide resources to accomplish this task. The goal of this chapter is to propose a strategic and targeted neighborhood development program that takes advantage of these important public and private sector attributes. It does assume that three key mechanisms discussed in Chapter Three are either in place or are in the advanced state of organization:

- A public-interest developer, such as a community development corporation (CDC) or community housing development organization (CHDO), with the staff capable of executing projects.
- A source of private working capital, such as a lending consortium.
- Availability of public funding through the city's general or capital budget, tax-increment based mechanisms such as Rural Housing Incentive Districts (RHIDs), various federal and state programs such as CDBG and HOME funds, and tax incentives like New Market Tax Credits.
- A capacity to acquire and landbank sites for redevelopment.

THE OVERALL STRATEGY

This program is an incremental strategy based on the following sequential principles:

- First, demonstrate the credibility and potential acceptance of a new moderate-cost ownership project. This should occur on a readily available infill site that suggests a high probability of success. Execution of this project can encourage private builders to become involved in this market with relatively shallow subsidy, and enable them to develop their own projects at sites around the city.

The Heritage at Hawthorne Village demonstrates the ability of new development on a visible site to improve the image (and hence the value) of an established neighborhood.

Landscaping project at 9th and Broadway completed by north Salina Community Development underlines the importance of image building projects on neighborhood value.

- Second, establish a target neighborhood as a focus for a major neighborhood development effort, recognizing that such a turnaround requires a significant multi-year commitment. We consider north Salina to be the most logical target neighborhood for reasons described below.
- Third, establish a beachhead by creating a destination that attracts people from different parts of the city, building "pilot" quantities of relatively low-risk housing products that will nevertheless increase neighborhood property value, reinvest in neighborhood infrastructure, and minimize or eliminate blighting effects of surrounding uses. This beachhead must meet certain criteria, including high visibility and surrounding assets to build on.
- Fourth, expand the beachhead onto adjacent sites, and develop a substantial new infill project on redevelopment sites.
- Fifth, increase the size of new housing developments, expanding the former target neighborhood into a significant community growth center.

The actions specified for each step should progressively increase the value and decrease the risk to developers, consequently reducing the amount of assistance necessary to make projects work economically. Rebalancing development directions and encouraging infill growth have major long-term benefits, among which are:

- Increasing the value of property and neighborhood quality of Salina's existing built environment, ultimately maintaining the city's revenue base.
- Strengthening key community attractions and features like Downtown and the riverfront park network.
- Making city services more efficient and economical by encouraging concentric and compact development. This reduces the demand for dispersing urban services to maintain acceptable response times and customer convenience.
- Providing population that sustains neighborhood retail services in all parts of the city.

These benefits will generate a far healthier Salina than a continuation of current trends, in which new growth and higher values extend to the south and east, and the value and marketability of older neighborhoods to the north tends to diminish. However, creating conditions that support infill development and rebalanced growth requires a significant and continuing investment of effort and funds. The experience of other cities indicates that a sustained community effort will be rewarded by a revived market that advances through its own momentum. Downtown Salina is already beginning to experience some of this momentum, and that in turn will help to build a stronger foundation for revitalization of surrounding neighborhoods. But land must be assembled, blighting influences mitigated, financing gaps filled, infrastructure upgraded, and risks abated in the short-term for neighborhood revitalization to take root. As a community, we must be in this process for the long-haul. This chapter provides a scenario that is based on markets and we believe will help lead over time to the reinvestment and neighborhood health that people in Salina clearly desire by implementing a logical structure for approving and assisting new development in current growth areas and creating conditions that make balanced growth logical and economical.

STAGE ONE:

DEMONSTRATE A MARKET FOR MODERATE COST HOMEOWNERSHIP

Objectives:

Execute a successful initiative to develop moderately-priced, owner-occupied housing in an established neighborhood setting.

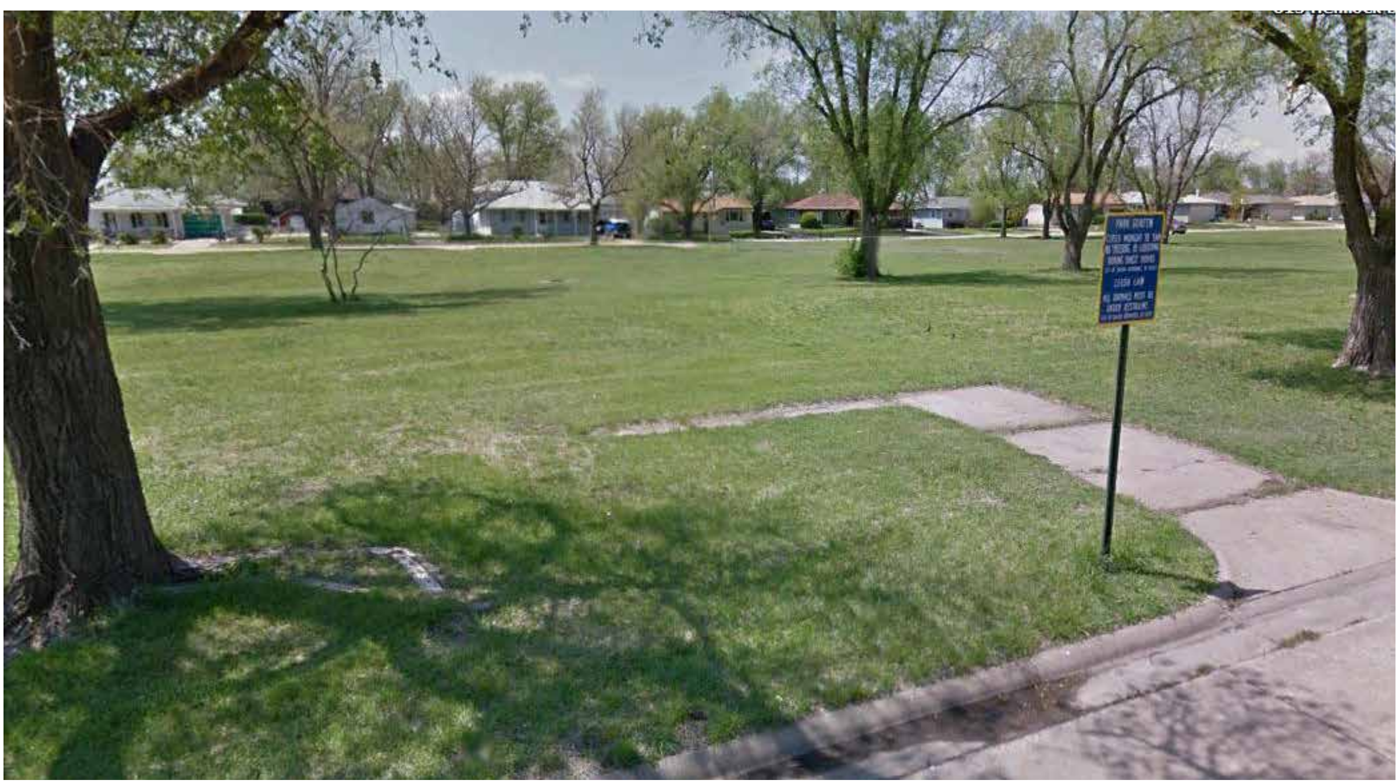
Provide a model that private homebuilders might replicate with relatively minimal city assistance.

Comprehensive neighborhood revitalization requires a major, multi-year effort, but private development of at least some moderately-priced housing is feasible. Such a demonstration project can be accomplished while the organizational infrastructure necessary for a major revitalization effort is being assembled. It can also introduce Salina's existing private developers, several of whom recognize the need for workforce housing and are willing to participate in this process, to a new market segment which they may then pursue either on their own or with some city assistance. Finally, this type of project can make relatively immediate use of existing state programs, such as a current (as of July, 2015) request for proposals for Moderate Income Housing issued by the Kansas Housing Resources Corporation (KHRC), funded through the state Housing Trust Fund.

It is important that this initial project be located on a site that offers a high probability of success; that is, a stable neighborhood with values and housing conditions that reasonably support the probable higher cost of new housing. The ideal site should also have good access to features like an elementary school, neighborhood park, and retail services. Finally, the site should be in "friendly" hands; that is, in public ownership or on land owned or controlled by a candidate developer.

POTENTIAL SITE

An excellent site that meets these criteria is the Centennial Park site, north of Plum Drive between Birch and Hemlock Drives in west central Salina. This prospective site included homes that were destroyed by a tornado. It is adjacent to a neighborhood park with a community center; about two blocks from Sunset Elementary School; surrounded by sound, 1950s/1960s era homes; and about six blocks from a neighborhood shopping center at Broadway and Crawford. Residential use of this vacant land has been proposed in the past, but has encountered neighborhood opposition. Opposition grew from concerns that the development would be high-density and/or "low-income" housing and support for maintaining this land as permanent open space. Vestiges of about 18 houses (driveways and slabs) remain visible on the parcel.



Rear driveway homes on relatively narrow lots (Top: Junction City, KS & Bottom: Crescent Creek in Raytown, MO)

The site concept proposed here envisions a 10 home, single-family residential development on the southern part of the site, with significant open space enhancements that enlarge the overall usable area of the park. New homes would be oriented to Plum Drive and a new street separating them from the park would maximize open space frontage. Garages would open off an alley to avoid interrupting the street frontage with driveways. Two potential house models are illustrated in the diagram: an attached rear garage concept and a patio home with an enclosed connection to a semi-detached rear garage.

In this concept, all driveway and slab encroachments into the open space would be replaced by three multi-use play

Concept for rear loaded single-story housing

areas and a lawn defined by existing mature trees. Sidewalk connections to the community center would be improved with a path connecting the new residential street to the park building and existing splash pad. The result is a better, more usable and attractive park, along with ten new, owner-occupied homes.

PROJECT CONCEPT AND FINANCING

This project anticipates private building and sale to new homeowners of the ten homes on the site. The illustrated building footprints are 1,500 square feet (30x50) plus a one or two-car garage, making them somewhat larger than surrounding houses. Typical nominal sales price may be in the range of $150,000, placing them above the appraised value of surrounding homes. Successful funding through the Moderate-Income Housing (MIH) Program could be used as 1) part of interim financing to the builder and 2) as a subordinated, deferred payment loan to fill the gap between sales and comparable value and to make the larger units more affordable. MIH funds could also be used for the street and alley construction, sidewalks and paths, and related improvements.

STAGE TWO:
IDENTIFY A TARGET REVITALIZATION NEIGHBORHOOD

Objective:

Identify a target neighborhood whose comprehensive revitalization will have the greatest beneficial effect on other older city neighborhoods.

A project like the proposed Centennial Park concept hopes to involve the private sector in building affordable, primarily owner-occupied housing by creating a model that can be repeated where opportunities present themselves around the city. However, the second part of our strategic approach involves identifying a larger revitalization target, a neighborhood of large enough scale that its transformation would both expand the housing supply and change opinions about the geography of growth in Salina. We believe that the north Salina neighborhood should be this target area for a number of reasons:

- Throughout the planning process, participants mentioned north Salina most frequently as the area in the city that most needed a comprehensive reinvestment program. The neighborhood's relatively low-valued housing stock makes new construction in the area difficult and may even affect housing values in other potential infill neighborhoods. Similarly, a successful revitalization effort would have beneficial impacts that other neighborhoods would feel.
- North Salina is highly visible, with direct access to I-70 via 9th Avenue. It is the most direct connection between the interstate and Downtown Salina, and represents a significant gateway to the city.
- The neighborhood already has an active community development corporation, North Salina Community Development, that has undertaken and completed projects, holds regular meetings, and has a structured board of directors.
- North Salina is a mixed use area that has a variety of businesses and industries. While this mixed use character sometimes presents conflicts between residential, commercial, and industrial land uses, it also introduces economic vitality to the area.
- The neighborhood has significant anchors, including the St. John's campus, the community garden, Hawthorne Village apartments, Thomas Park, and the Five Points intersection.

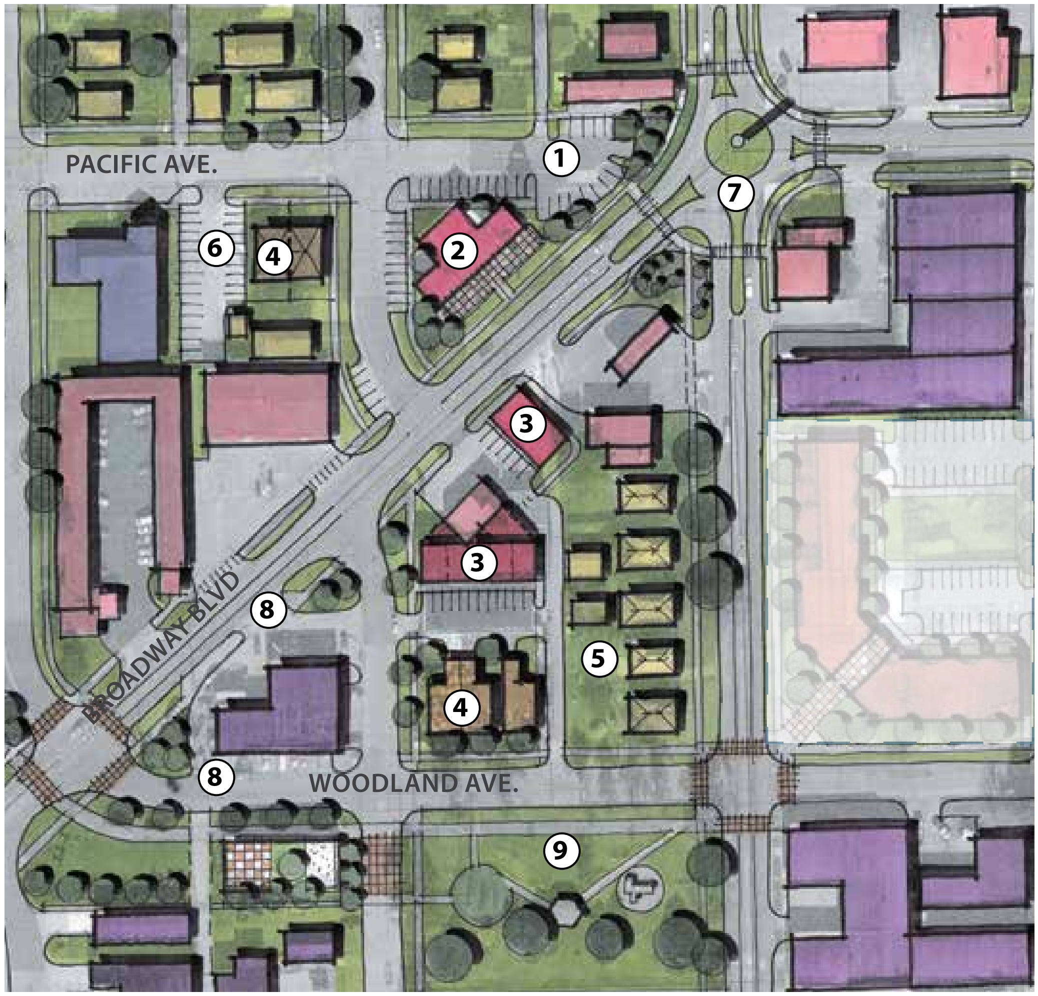
Top: The former Midas building or a similar building could house a destination business that would attract people to the Five Points district. Recently, this building was reoccupied, but the concept remains valid.
Above: 3 Amigos restaurant in Williston, ND is a highly successful adaptation of a similar building, also at a key community intersection in an older part of town.

North Salina, as identified in the following Stages, focuses mainly on the area north of Elm Street. This area has room to grow, and undeveloped land masses on the periphery large enough for new residential growth. While the Dry Creek flood plain limits current development, areas between Dry Creek and the Mulberry Creek levee are outside of flood plain areas and could accommodate significant residential development in the future. There are also potential growth areas between Front and Ohio Streets north of Pacific. These areas are identified for future residential use in the Salina Comprehensive Plan. Their development could help balance growth, but both are dependent on changing perceptions of the central part of north Salina.

Stage Two should begin while Stage One is underway. This step, while less prescriptive, is essential to laying the ground work and building buy-in for implementation of any of the following stages.

Five Points "Beachhead" Concept

1 Parking Plaza
2 Destination Commercial
3 New Commercial
4 Infill Residential
5 Rehabilitated Homes
6 New Parking Lot
7 Roundabout
8 Landscaped Screening
9 Hawthorne Park



STAGE THREE: ESTABLISH A BEACHHEAD WITHIN TARGETED NEIGHBORHOODS

Objectives:

Define a critical starting point from which other reinvestment initiatives radiate.

Create a destination project (probably commercial in nature) that attracts people to the area as a matter of routine.

Upgrade parts of the public environment to reinforce existing businesses and encourage reinvestment in residential properties.

Develop needed infill housing on a small-scale, low-risk basis.

Begin to assemble vacant properties and minimize blighting influences.

We believe that the north Salina revitalization process begins at "Five Points" – the intersection of 9th Avenue, Broadway, and Pacific Avenue. North Salina Community Development has explicitly recognized the importance of this intersection with its landscape project on the southwest corner. This Beachhead Plan builds on that initial effort to reinforce Five Points as a destination and neighborhood environment. This in turn provides a base for more ambitious development in later phases.

Elements of the Five Points Beachhead Plan include:

Creating a retail/restaurant destination on the Pacific-Broadway triangle west of 9th Avenue. Previous modifications of the Five Points intersection cut the west Pacific Avenue leg off from 9th Avenue. The terminated street now provides several parking stalls for the adjacent CK Graphics, an important commercial anchor at Five Points. Minor additional changes would add a parking circle, additional landscaping, and off-street head-in parking to

strengthen the public environment of this triangle, creating a setting that could support a retail or restaurant anchor. As this plan was being developed, the former Midas building with overhead doors and setback from the street was ideally suited to creating a consumer destination at this highly visible location. This building has since been re-occupied but the concept of a retail anchor supported by a quality public realm remains valid. An example of such a project that converted an auto service building into a successful community anchor is the 3 Amigos restaurant in Williston, North Dakota, pictured on page 68. This building houses an innovative, southwestern-themed restaurant and frozen yogurt shop. While projects like these are not residential, they strategically improve the housing market and desirability of surrounding areas, increasing their value and decreasing their isolation.

A project like this could develop privately as a response to city improvement of parking and landscaping on the triangle. The City of Salina could guide the ultimate use of this strategic property by acquiring the building through an organization like NSCD, advertising it for redevelopment proposals, and providing some financing assistance if necessary to implement its successful reuse.

Redeveloping the block between Woodland to Broadway from 9th to 10th Street. This block currently includes a convenience store improved with landscaping by NSCD; Doright Glass, a vacant automotive building, and five single-family houses. It is particularly important because it links the Five Points intersection with Hawthorne Park. The redevelopment idea illustrated here would:

- Acquire and redevelop an available and strategically located vacant building as a retail or restaurant anchor.
- Provide space for expansion of Doright Glass.
- Develop two new commercial buildings.
- Redirect traffic to provide more off-street parking and reduce conflicts with Broadway traffic.
- Build three new housing units with rear garage access and front doors oriented to Hawthorne Park. These and other early stage housing units are envisioned as rent-to-own units. In a rent to own program, a portion of rent payments is set aside as equity, permitting the renter to accumulate downpayment funds to purchase that unit or another one in the neighborhood or city. Rent-to-own units may be financed with the help of Low Income Housing Tax Credits, but LIHTC units must remain in qualified occupancy for 15 years. Thus, homes built in this way in most cases are not purchased by their original occupants. Rent-to-own can be a transition to full homeownership, builds equity

Stage Three Diagram

1 Five Points Beachhead
2 Rent-to-Own infill (either side of 9th as starting point)
3 9th Street Crosswalk
4 Heritage Village Completion
5 Rehabilitation Focus Area
6 Motel Acquisition

without exposing the buyer to excessive cost or risk, and improves visible housing quality and, therefore, value in the neighborhood.

- Provide a clear and pleasant pedestrian path between Five Points, Hawthorne Park, and Hawthorne Village.
- Rehabilitate the five 9th Street homes.

While not a required part of this stage of development, the illustration also suggests reconfiguration of the Five Points intersection as a roundabout. A roundabout here may have functional advantages by calming traffic movement through the intersection, providing a smoother flow, accommodating trucks with large radius turns, and providing safer pedestrian movement.

Rehabilitation focus on the Pacific to Hamilton Avenue blocks between 9th and 12th Streets. This focus includes:

- Rehabilitation of residential streets, including resurfacing, curbs, and sidewalk repair or replacement without assessment to properties. This can strongly encourage better maintenance and private rehabilitation of residential property.
- Focus by a Community Development Corporation on purchase, rehab, and resale of housing units when they become available.
- Exterior code enforcement of site and building envelope standards.
- Targeting of available rehabilitation financing for homeowners.

Construction of single-family rent to own units on sites in the immediate area. Potential sites include land east of the Seventh Day Adventist Church along the south side of Pacific Avenue, including improved church parking; infill sites on 11st Street between Pacific and Harsh and the corner of 9th and Harsh; and most significantly, a large site along 9th Street between Hamilton and Antrim Avenues. These sites together can add 12 units of new single-family housing.

Completion of Hawthorne Village units along 10th Street as per original plans.

Clean-up and landscaping of industrial sites at strategic locations. Poor maintenance of these sites at visible locations or near proposed development can have a dampening effect on overall quality. These may be resolved through code enforcement, but frequently some assistance or incentive is required to screen these locations attractively. Important sites include the southeast point of Broadway and Woodland; sites along 13th Street between Woodland and Pacific on the Pacific Park block; and the loading area west of Hawthorne Village.

Acquisition of the Airliner Motel and adjacent commercial for future development. This land may offer a significant opportunity for more contemporary housing and commercial development.

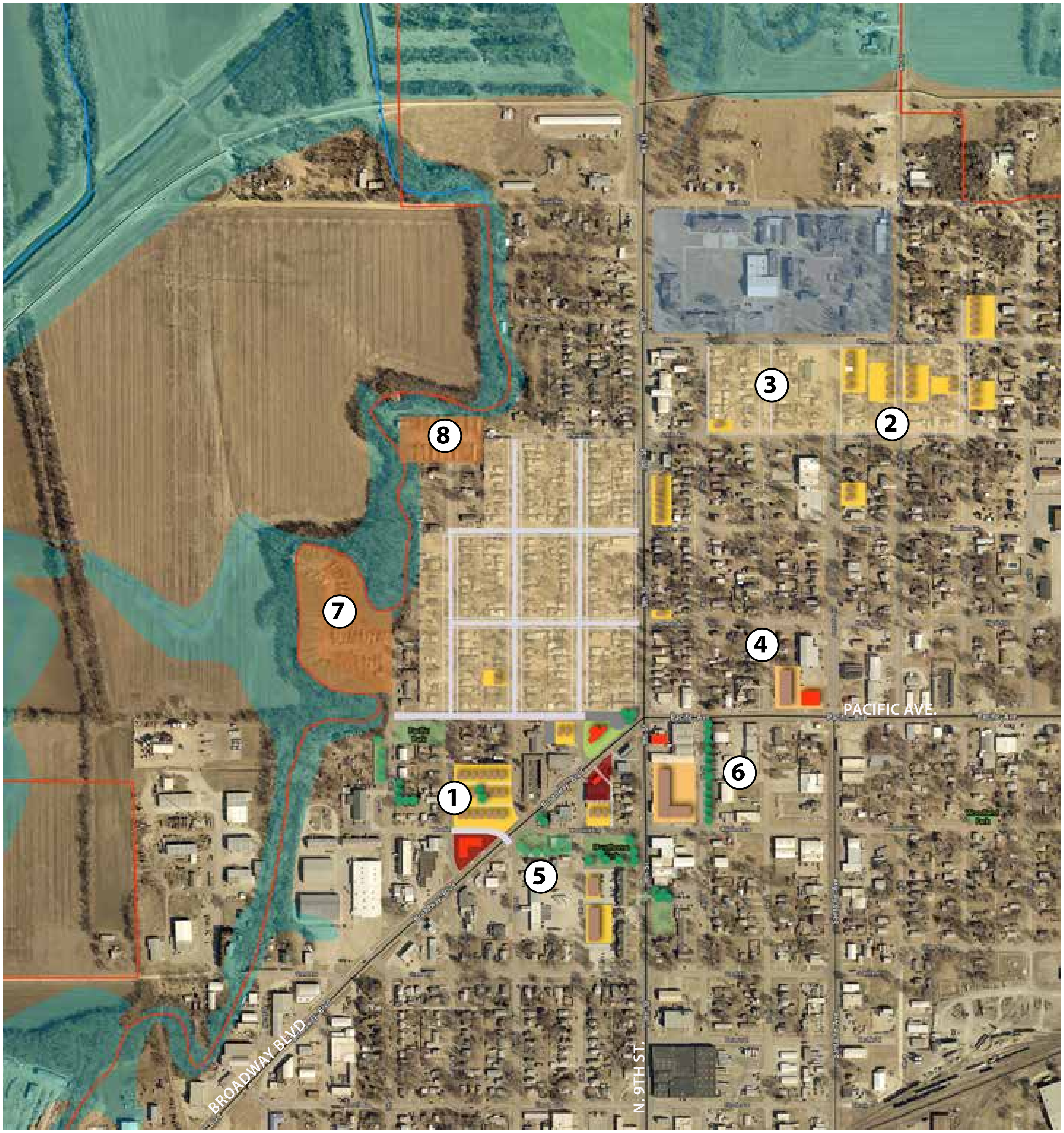
9th Street Pedestrian Crossing. A signalized pedestrian crossing at a midblock location across 9th Street between Woodland and Grand Avenues would link the Hawthorne Village complex with the north Salina Community Garden and Grand Avenue Methodist Church. A pedestrian refuge median should be included in the center lane at this crossing location.

9th Street. From top, potential infill site and commercial frontage, both providing resources for further development.

Expanding the Beachhead

1 Airliner Residential Redevelopment
2 New Retail Building
3 Hawthorne to Pacific Park Greenway
4 Improved Crosswalk
5 New Multifamily Development

Towns at Little Italy. This successful development in Omaha, NE is a possible model for residential redevelopment at the Airliner site.



Stage Four Diagram

1 Airliner Redevelopment
2 St John's Infill Cluster
3 Rehabilitation Focus Area
4 Pacific Avenue Mixed Use Project
5 Hawthorne-Pacific Greenway
6 Defensible Edge
7 13th Street Mobile Home Park Acquisition
8 Antrim Avenue Acquisition

STAGE FOUR:
MAJOR INFILL DEVELOPMENT

Objectives:

Complete two major infill initiatives to establish a market for homeownership.

Continue and expand rehabilitation programs.

Acquire redevelopment sites for new residential subdivisions.

Begin a major greenway system in north Salina as a community amenity.

With Five Points established as a community focus and growing center, the housing revitalization effort starts to grow with major new construction projects in concentrated areas. These projects, within the built-up part of the neighborhood, include both single-family urban housing and new multi-family settings.

Elements of the Major Infill Stage include the following:

Redevelopment of the Airliner site. The site concept illustrated on page 73 proposes 20 single-family units on small urban lots with a neighborhood open space in the center. Houses are organized along east-west lanes, providing access to garages and gardens. The triangle formed by Broadway, Woodland, and 12th Street would include a new commercial/ retail site with parking along 12th Street and Woodland Avenue. Infrastructure would be financed through the RHID program, and mortgage financing of owner-occupied units would use the blended gap-filling program proposed for the Centennial Park project. However, these larger projects will start to set comparable appraisals for subsequent new construction, and overall neighborhood vitality should tend to make deeper subsidies less necessary.

Infill development near St. John's. The area formed by Santa Fe Avenue to 4th Street and Antrim to north of Otis Avenue provides an opportunity for contiguous infill development. These units could be developed as equity or rent-to-own units, and are anchored by the St. John's campus. These sites can accommodate up to 22 single-family homes, with another scattering of new homes on adjacent blocks to the south. In addition to providing needed new affordable housing, these blocks also move the edge of new development closer to Ohio Street, bringing the northeastern development area into play.

Acquisition of the 13th Street and Antrim Avenue mobile home parks for future platting. These two small and substandard parks, while providing housing for a specific market, have generally had a negative effect on neighborhood image and values. New housing developed in earlier stages of this program may provide something of a relocation resource, and a market should emerge for a more standard, planned mobile home park in Salina to replace these substandard facilities. Future development on these sites will reduce density and provide a gateway for new development in the northwest sector.

New Northwest Subdivisions

1 13th Street Extension
2 13th Street Redevelopment
3 Antrim Extension
4 Antrim Avenue Townhomes
5 New Northwest Phase 1
6 Dry Creek Trail
7 Floodplain
8 Harsh Avenue Extension

New multi-family development at strategic sites. Multi-family development on the site of an unused industrial building at the northeast corner of 9th and Woodland would add to the potential walk-in customer base for the Five Points area and continue residential definition of Hawthorne Park. The plan concept envisions an L-shaped building with a ceremonial corner entrance facing the park, and parking behind along the 8th Street industrial edge. A site on the north side of Pacific between 7th Street and Santa Fe has a similar transitional location. Here, the concept recommends a residential building oriented to 7th Street with a separate or attached commercial/retail structure on the Pacific Avenue frontage.

- **Rehabilitation focus on the Hamilton to Antrim blocks between 9th and 12th Streets, and the Otis to Antrim blocks between 4th and 8th Streets.** This target area includes the same features as the Pacific to Hamilton blocks in Stage Three, including residential street and sidewalk rehabilitation; purchase/rehab/resale program; focused exterior code enforcement; and targeted rehabilitation financing to homeowners.
- **Hawthorne Park Greenway Extension.** This project envisions eventual acquisition and relocation of an existing truck equipment building and lot on the south side of Woodland Avenue between Broadway and 10th Street. Acquisition and open space development, along with improved pedestrian crossings of 9th Street at Hawthorne Village and Broadway, along with the Airliner redevelopment, provide a continuous pedestrian greenway possibility from the Community Garden through Hawthorne and Pacific Park, and ultimately to a trail and greenway system along Dry and Mulberry Creeks, linking to Thomas Park. This would provide a significant open space amenity throughout north Salina.
- **Development of "Defensible Edges."** Landscaping and screening along 8th Street between Woodland and Pacific and the Hawthorne Park extension described above provide strong and attractive division lines between residential and industrial uses, managing changes in the character of the neighborhood, and helping to ensure comfortable co-existence of potentially incompatible land uses.

STAGE FIVE: NEW SUBDIVISION DEVELOPMENT

Objectives:

Transition north Salina to a future growth center by completing subdivisions on redevelopment and greenfield sites.

Open areas west of Dry Creek with streets and infrastructure.

Continue and expand rehabilitation programs.

Connect north Salina development areas with Thomas Park.

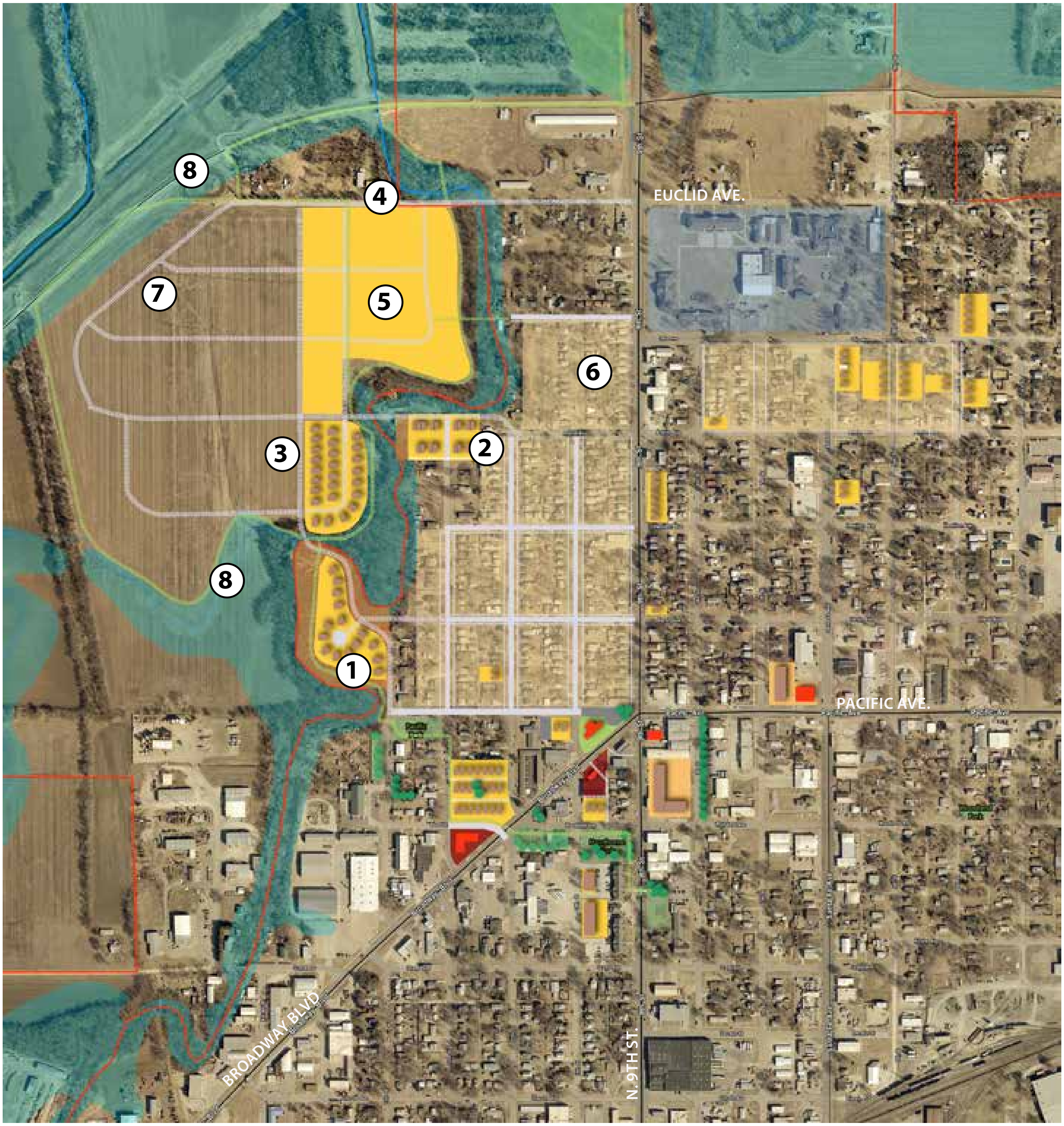
This stage now moves out from the revitalizing north Salina core and begins the process of bridging Dry Creek with new development and infrastructure, opening up a new northwest development area. These projects now become feasible with the expected increase in value and marketability of north Salina. It is still likely that development in this sector, while for the most part market rate, will be more moderately priced than housing in the traditional south and east directions. These initial subdivisions, built on portions of mobile home sites and adjacent areas that are out of floodplains, will eventually lead to larger projects in this growth sector.

Elements of this stage include:

13th Street Development. This project redevelops portions of the current 13th Street mobile home park that are out of the floodplain. New infrastructure includes reconstruction of 13th Street and extension across Dry Creek to Antrim Avenue. This project, developed at conventional single-family density, provides about 15 lots.

Antrim Avenue development. New development along the Antrim corridor anticipates up to 15 units in a design with townhouses and single-family attached and detached units on the site of the existing 12th and Antrim mobile home park. A parcel on the west side of Dry Creek to the extended 13th Street adds another 25 single-family homes. Antrim Avenue would be reconstructed and extended across the creek to 13th Street, providing the basic street infrastructure necessary to reach the northwest growth center. The Antrim Avenue extension requires a realignment around existing homes at 12th and Antrim.

Harsh Avenue Extension. In addition to the extensions of 13th Street and Antrim Avenue, extension of Harsh Avenue west



Stage Five Diagram

1 13th Street Redevelopment
2 Antrim Avenue Townhomes
3 Northwest Phase 1
4 Euclid Avenue Extension
5 Northwest Phase 2
6 Rehabilitation Focus Area
7 Mulberry Creek Loop
8 Levee and Greenway Trails

greatly improves street connectivity between the established and emerging north neighborhoods.

Antrim Avenue Rehabilitation Focus. The rehabilitation focus program used in earlier phases would now extend to the area north of Antrim and west of 9th Street to Dry Creek. Potential infill sites northeast of 11th and Antrim and east of Dry Creek between Euclid and Otis may be available as well, but now appear to be part of large occupied residential lots.

Dry Creek Trail. A multi-use trail along Dry Creek would extend from Pacific Park to Mulberry Creek and Thomas Park, creating an attractive park network that would add further appeal to this emerging growth center.

Potential redevelopment and landscaping opportunities

STAGE FIVE-A: ACHIEVING BALANCED GROWTH

Objectives:

Continuing north residential development and achieving a self-sustaining housing market in the area.

At this point, north Salina has become a growth center that for the most part proceeds on the same financing basis as subdivision development in the southern and eastern parts of the city. Public policy here will provide major streets and infrastructure that open the north area to growth. Development in the northwest sector is limited by the Mulberry Creek floodplain and incorporates about 60 acres of development. At an average density of 3 units/acre, this corresponds to a capacity of 180 to 200 units. The northeast sector is defined by Front, Ohio, Pacific, and Euclid, but excludes industrial frontage along Pacific. It provides about 100 developable acres, or the equivalent of about 300 units at conventional density.

Project initiatives include:

Phased extensions of the street system. Extensions of major streets would be publicly funded. Street extensions in the northwest sector include continuation of 13th Street from Antrim to Euclid Avenues; and paving and extending Euclid to 13th Street. A later increment would complete this sector by connecting Euclid and Antrim Avenues with a collector loop. In a northeast growth sector, it would include Antrim and Euclid Avenues from Front Street to Old US 40, and north-south Columbia Avenue from Pacific to Euclid Avenues. Local streets would be financed through special assessments or tax increment-based finance techniques such as the RHIDs.

Sewer extensions. Interceptor or trunk sewers into the northwest area would be funded through the city's capital budget, while local connections would be financed through special assessments.

Trail development. The northwest sector concept would add a new path at the periphery of the development area to the existing Mulberry Creek levee trail, completing a loop to 13th Street and Pacific Park. The northeast sector is adjacent to the levee trail, which in turn connects to Thomas Park and Kenwood and Lakewood Parks. A system of internal paths should connect residential areas in this sector to the peripheral trail.

THE DEPOT DISTRICT

Placemaking and providing opportunities for investment and innovation can have a beneficial impact on neighborhood value in cities of all sizes, especially when they reverse physical conditions that offer important possibilities. The "Depot District" on both sides of the Union Pacific right-of-way and incorporating a small business block along Bishop Street appears to provide this potential for overall north Salina revitalization. This small district is close to the north Salina target area, includes a commercial building stock that could accommodate incubator and "life-style" businesses, and also includes infill and residential rehabilitation possibilities. Establishing rehabilitation focuses north along 12th Street and Grand Avenue links the Depot District to the Hawthorne Park area and the rest of the north Salina strategy area discussed above. Similarly, extending rehabilitation focuses to the south link this area to high-quality central-west residential areas along Park Street, which in turn links north neighborhoods to City Hall and the downtown center. As such, initiatives to help establish the Depot District with its landmark railroad station as a creative and entrepreneurial center add substantial energy and desirability to the entire north part of town.

Elements of a Depot District revitalization program include:

Focus on the Bishop Street frontage. Actions include streetscape enhancement along Bishop Street between 12th Street and Philips Avenue, enhanced street lighting, identifying graphics, and perpendicular parking off the north side of Bishop Street. Commercial rehabilitation and business financing should be available to qualifying businesses in buildings on or adjacent to Bishop between 12th and 13th.

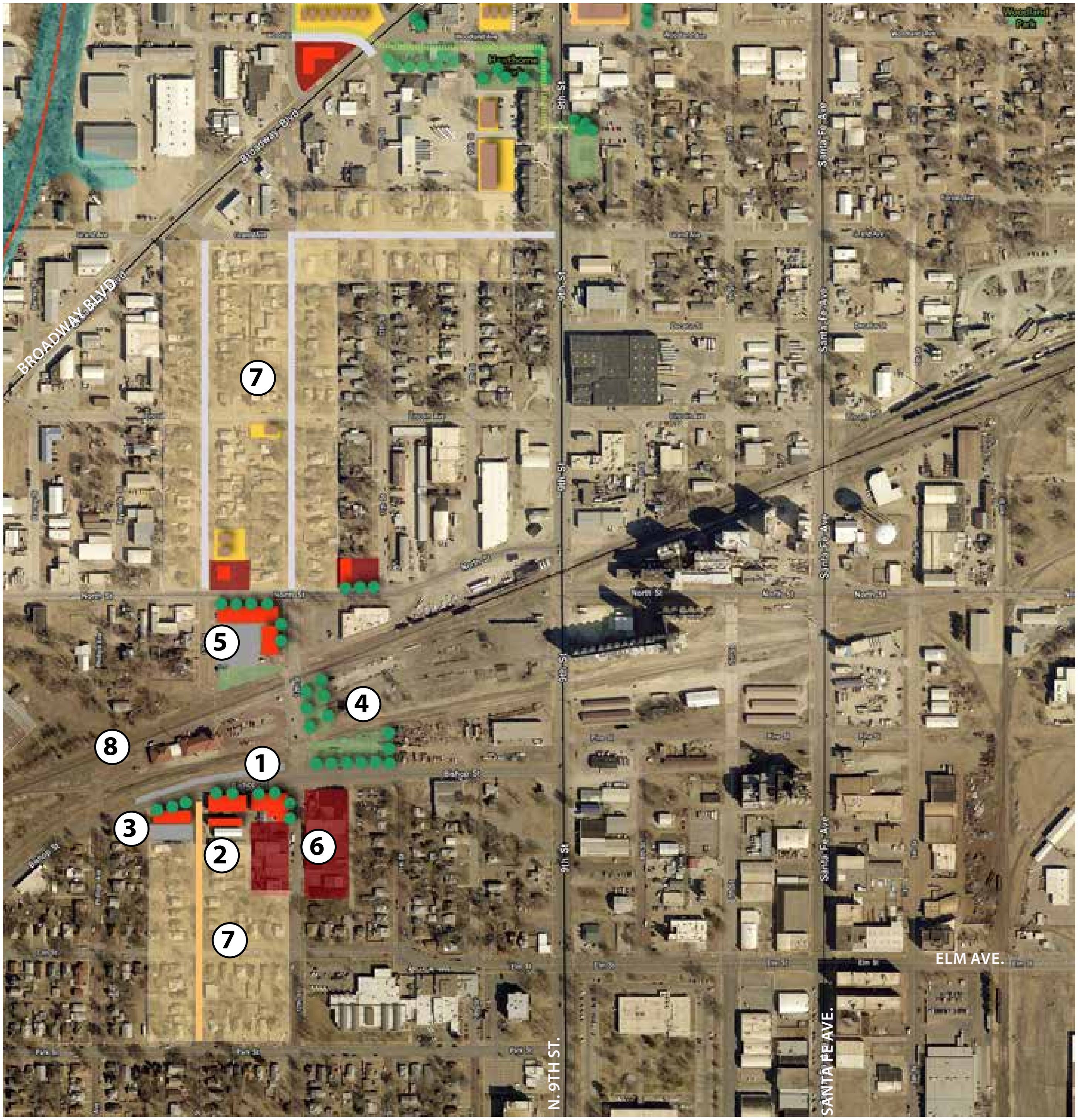
Live/work development. Live/work buildings combine retail or workshop space at street level with housing on one or more upper levels, often lived in by the proprietor of the street-level business. This development form integrates residential use into proposed mixed use environments and, if properly structured, can provide both security and a financial incentive for young businesses. Nonprofit development corporations have been successful in a number of settings at similar commercial and small-scale mixed use development, but patient financing is essential to allow selection of appropriate tenants. Attractive sites for new construction live/work development are a vacant site on the southeast corner of 13th and Bishop, adjacent to the initial target block and the south side of North Street between 12th and 13th Streets. This site could also lend itself in the shorter term to new workforce rental housing, using the RHID or low-income housing tax credit incentives.

Commercial rehabilitation or redevelopment. Commercial and business financing incentives, including façade and building rehabilitation loans, tax abatement through revitalization district designation, and business incentives for rehabilitation or demolition and replacement of vacant buildings should be focused at 13th and North, 11th and North, and the 12th Street block between Bishop and Elm Street.

Green space on blighted sites. Unnecessary and unsightly salvage or vehicle storage on visible sites should be leased or acquired for use as green space. Remaining salvage or storage uses should be screened from the Bishop and 12th Street target blocks. Sites for landscape and screening treatment include the east side of 12th Street between the tracks and Bishop Street, and the north side of the railroad corridor between 12th and 13th Streets.

Rehabilitation focuses. This includes acquisition/rehab/ resale actions by the community development corporation, rehabilitation loan financing, and neighborhood street and sidewalk rehabilitation for the 12th and 13th Street blocks between North Street and Grand Avenue; the Grand Avenue blocks between 9th and 13th Streets; and the 12th and 13th Street blocks between Bishop and Park Streets.

Possible development site with multi-family possibilities along North Street between 12th and 13th Streets.



Depot District

1 Bishop Street Streetscape
2 Commercial Reuse Focus
3 New Live/Work Units
4 Railroad Greens
5 New Commercial or Live/Work Development
6 Commercial or Mixed Use Rehab/Redevelopment
7 Rehabilitation Focus Areas
8 Depot Preservation

AFTERWORD
A BRIDGE AHEAD

In this study, we have examined the dynamics and needs of the Salina market, the characteristics of Salina's neighborhoods, and the basic goals of housing policy in Salina (and most other cities) -- to provide residents with a range of housing choices and costs that permit them and their households to live in good places within their means. Overlaid on this basic goal are a variety of other goals – to maintain a growing economy, to create good neighborhoods, and to develop community. In Chapter Three, we explored the needs and expectations of housing producers and consumers, the primary players in the housing market. Private producers have the expectation of being rewarded financially for their work and minimizing their risk of loss. Housing consumers, especially homeowners who may have a substantial portion of their assets tied up in a house, also must minimize their risk of loss.

We learned that these needs and expectations often make it difficult to accomplish the overall goals of good, affordable housing for all people in strong neighborhoods for all of Salina's residents. As so often happens in economies, it is far easier for the private sector to meet the needs of people with more resources than those of people with more limited needs. And the exigencies of housing finance, such as underwriting standards and the need to establish comparable appraisals creates gaps that must be filled. Thus, in Salina and most other cities, private developers and builders concentrate on those geographic areas and products where they know they can make money to support themselves, and consumers with the ability to pay tend to follow suit. To balance these natural trends requires partnerships and cooperation that involve a third principal player – the community sector, including but not limited to city government.

This document proposes a policy framework based on three basic understandings:

- Housing development, even at the high end in predictable neighborhoods, can be risky.
- Most people, especially when a big percentage of their assets can be at play, don't like risk.
- Therefore, excessive risk is the leading obstacle to meeting housing and neighborhood development goals.

So how do we move forward? As with a house, the first steps to take involve building a foundation. This foundation requires the following:

1. Adopt a formal policy that provides a spectrum of public participation in financing, based on the interplay of public interest and private risk. For example, high-income residential development that is not contiguous to the developed city is generally not consistent with city growth goals. Whether such developments are approved is a matter of land use and infrastructure planning and should be guided by policies based in the comprehensive plan. But in most cases, these developments should not receive public incentives that are designed to ease risk. They should be privately financed.

On the other hand, private development proposed to help transform an undervalued area involves both high risk to prospective builders and residents and are strongly consistent with the public interest in terms of retaining tax base and improving neighborhoods. These projects should receive a high degree of "gap-filling" incentives to reduce that risk. Ultimately, if the strategy works, the amount of risk, and the need for help, decreases and hopefully disappears.

This policy then spells out when the various levers that the city has should be used. Each of these levers, which include special assessments, tax credits, RHIDs, and federal programs, should be specific about the contexts in which they are used. This clarity is extremely important in guiding both public policy and private decision-making.

Chapter Three should provide the information necessary to craft this specific policy and put it into operation. But it is always important to structure both some level of flexibility and regular evaluation into the process.

2. Execute a neighborhood-based demonstration showing the market for affordable owner-occupied infill housing in an established neighborhood. Establishing precedents for success for products that are badly needed but not being produced also reduces risk and expands the reach of private housing producers. The plan proposes the Centennial Park site as an opportunity for such a success because of its context, surrounding resources, and ability to meet the needs of both existing residents for improved neighborhood amenities and sales values and prospective owners for good housing. There are other sites as well, but this possibility should be looked at very carefully.

3. Establish the partnership for development and reinvestment in the North Salina target neighborhood. This partnership involves two primary components:

- **A Housing Development Corporation**, potentially a revitalized version of the CHDO, a subsidiary of an innovative and creative housing authority, or a new entity, that has the community support, internal expertise, and financial ability to take short-term risks that the private sector cannot.
- **A Housing Finance Corporation**, a cooperative private sector consortium that can supports the development corporation's work and distributes reasonable risk in such a way that no one institution is over-exposed. This recommendation is by no means a reversion to the wild mortgage markets that fueled the crisis of 2008 (and earlier). Rather, its work should provide short-term working capital for a thoughtful, step-by-step revitalization process that takes a long, patient view toward development in a strategic neighborhood.

4. Include a line item allocation for neighborhood development in the city's annual budget. We cannot depend on federal programs like Community Development Block Grants, HOME, and the like to finance local needs. Those programs are nice while they last, but they are continuing to decline in light of other national priorities, including debt reduction and national defense. City funding must be predictable and dedicated to supporting actions that add neighborhood value. These could include strategic property acquisition, land banking, street reconstruction, neighborhood open space, and occasional project financing.

5. Integrate housing into downtown development efforts. Downtown Salina is a huge asset that, in its prosperity, will help sustain all the neighborhoods around it. The Star Bond and other projects underway will vastly increase the value of neighborhoods around the city center, but especially those to the south and west, that are not separated by railroad or natural barriers. But downtown will be greatly enhanced if it also becomes its own neighborhood. This will eventually require diversification beyond the "Stage One" developments, typically small market-rate adaptive reuse projects and low-income housing tax credit projects. Opportunities exist around the central district to transform the industrial frame and reuse underutilized assets to create major anchor residential projects. Again, these will not emerge by chance, at least in the early going, but will require guidance and assistance.

We always have been impressed by the dynamism of Salina, from small things like the presence of a community art theater and a downtown center for young people to its zoo and lovely system of riverfront parks. It is gratifying to see Salina recognize these assets and continue to reinvest aggressively in its future. Addressing its housing and neighborhood development challenges creatively and aggressively will be yet another triumph for this great community, and we are confident in Salina's ability to meet these challenges.

APPENDIX A:
COMMUNITY INPUT

SALINA COMMUNITY SURVEY: METHODOLOGY & ADDITIONAL RESPONSES

The Salina housing survey was distributed during the spring of 2015 through a variety of avenues, both online and in paper copies. Distribution methods included:

- Online Survey Link, posted on Salina City website and distributed by e-mail
- Door to door surveys
- Distribution of paper copies in City mailing

As an incentive, survey respondents were offered the chance to enter a drawing for 2 airline tickets. A Spanish language version of the survey was made available online, but received only one response.

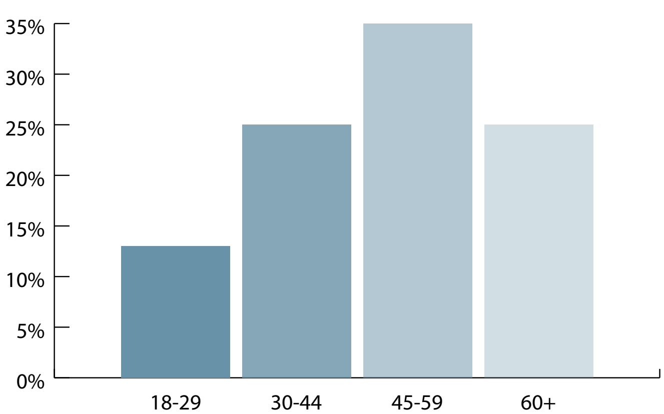
Across all distribution methods and versions, the survey received a total of 847 responses. Approximately 540 were collected online, and 300 were received on paper.

The results of the primary two survey questions are shared in Chapter 1. These questions were:

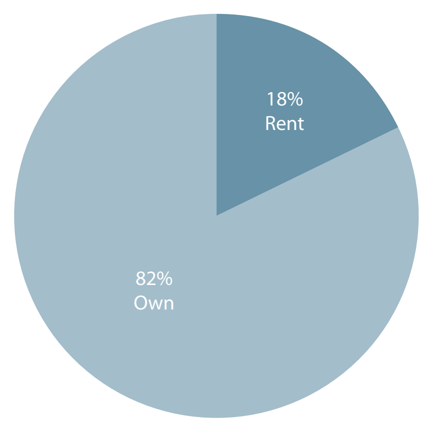
- Do you believe that the current housing supply adequately meets the needs of the following types of potential homebuyers?
- What new housing products do you think would be successful in Salina today? (8 choices were given)
- The results of the other survey questions are shared below.

CHARACTERISTICS OF SURVEY RESPONDENTS

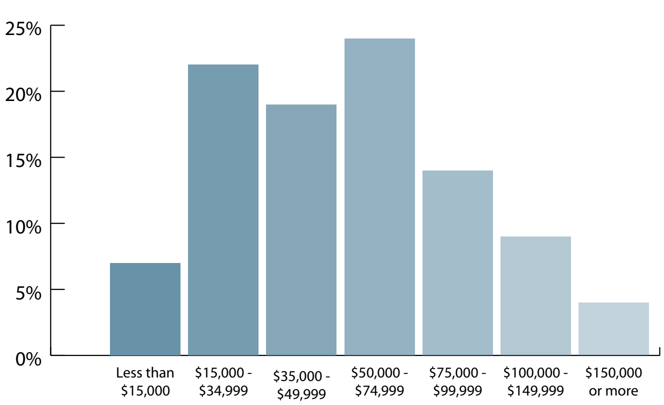
WHAT IS YOUR AGE?



DO YOU OWN OR RENT YOUR HOME?



WHAT IS YOUR ANNUAL INCOME?



OPEN ENDED COMMENTS

Respondents had the option to submit additional comments at the end of the survey. 187 respondents submitted a comment. The most common types of comments were:

- Housing costs are too high (38 comments)
- Need to renovate older housing, clean up existing neighborhoods (24 comments)
- Need more "affordable" options (19 comments)
- Need more independent living options for seniors (17 comments)
- Need better rental upkeep, more responsible landlords (14 comments)
- Need more low income housing options (10 comments)
- Need more housing for Low-to-Moderate Income households that make too much to qualify for assistance (7 comments)
- Need more quality and higher-end apartment options (7 comments)
- Need affordable handicap accessible housing (6 comments)
- Need improvement in north Salina (6 comments)
- Build more townhomes (6 comments)
- Recent construction is cheap and "cookie cutter" (5 comments)
- Reduce use of special assessments (3 comments)

STAKEHOLDER GROUP INTERVIEWS: FULL SUMMARY OF PARTICIPANT COMMENTS, BY ISSUE CATEGORY

- Rental properties
  - There is a perception that rents are high compared to other cities
  - The relationship of rents to income and rents to housing quality are out of sync
  - Little to no market-rate rentals are being built
  - No incentives when single-family homes are so affordable for either ownership or as income properties
- Struggling Neighborhoods
  - Developers can not get the assessments necessary to support new construction in struggling neighborhoods
  - Need neighborhood amenities in north Salina, such as a school, and services, such as retail, to feel like a neighborhood
  - The lack of a school in north Salina leaves a gap in the neighborhood, since a school is a central meeting point and focus of neighborhood identity
  - The unused land south of Centennial Park provides an opportunity for infill residential development. This should be paired with park improvements.
- New construction
  - Special assessments were not seen as a benefit by developers. Many developers could not get the private financing necessary to do the improvements.
  - Special assessments should not have been turned off overnight. If the city wants to stop special assessments, they need to be phased out.
  - Developers can't get the appraisals if the cost is put into the lots instead of specials; the comparables are not available
  - Infill development needs more incentives since it is challenging to finance the site preparation cost and get the assessments necessary
  - Developers don't have access to the lots they need to do new construction - the lots that are available are the least desirable or most expensive
  - Developers should be a tool but they should not be putting the deals together
- Ownership
  - Salina needs quality housing in the $92,000 to $115,000 range
  - Salina has very little, if any, rehabilitation and/or flipping of older homes
- Specialty markets
  - Salina needs more senior housing. There are few market rate units with amenities available. There is also a need for more memory assisted units and options for low income seniors.
  - Townhomes have been an appealing product and have held value
  - Salina needs housing for middle-aged disabled individuals – homes need more universal design to be accessible.
- Overall statements
  - Salina needs to do "a little bit of everything" in the housing market; Variety of housing with a variety of funding sources and avenues

LANDLORD SURVEY: METHODOLOGY & FULL SUMMARY OF RESPONSES

The Salina landlord survey was distributed to the 70-member e-mail list of the Salina Landlord Association, and received 18 responses (26% response rate). The 18 respondents represented a total of approximately 1,600 rental units, including 6 respondents that represented a total of 600-700 subsidized units. Their responses are summarized below. (Please note: Irregularities in response numbers below are due to the fact that some respondents did not answer every question.)

Strength of Rental Market:

- 10 of 17 responses said the market is "good" or "strong"

Diversity of Rental Market:

- 8 of 15 responses said diversity is good; 2 said it is average

Quality of Rentals:

- 7 of 18 responses said "low" or "poor" and 3 said "fair"
- 3 or 18 responses said there is a wide range

Gaps in the Market:

- 4 of 15 responses – need more larger, 3 bedroom homes
- 3 of 15 responses – need more market rate housing
- 3 or 15 responses – need more 1 bedroom units

Vacancy Rates:

- 5 of 18 responses had rates of 5% or less while 6 additional responses indicated that it is rare for them to have vacancies
- 3 of 18 had rates of 5%-10%

Rental Price Ranges: Respondents reported the following rental ranges for their properties

- Studio
  - Median - $400; Average - $392; Range $280-$450
- 1 Bedrooms
  - Median - $425; Average - $422; Range $225-$595
- 2 Bedroom
  - Median - $550; Average- $558; Range: $275-$715
- 3 or More Bedrooms
  - Median - $800; Average - $790; Range - $525-$1400

Misc comments:

- Provide incentives for landlords that serve lower income renters (3 respondents)
- Need to hold landlords to higher standards; we are allowing a "slum lord mentality" (2 respondents)
- We have plenty of rentals, don't overbuild
- Having hard time renting high-end large units (4 br)
- Increasing regulations making it hard to provide high quality for low rent
- Low income renters don't make enough to pay for housing
- Not much multi-family
- Incentives should be geared toward "entrepreneurs" instead corporations or government agencies
- The city over-regulates rentals and their conditions