LIVE SALINA:
A STRATEGIC HOUSING PLAN

2025 Update

LIVE SALINA: 2025 UPDATE

Live Salina: A Strategic Housing Plan, published in March, 2016, presented a detailed analysis of Salina's housing characteristics, markets, and opportunities and included specific recommendations and strategies to address key housing and neighborhood development issues. The 2016 document included an extensive community engagement process that included open houses, public surveys, and small group listening sessions and discussions. The original study was refined in 2021 and updated in 2022 and 2023 to include a supplement with key variables, the most recent available data, new analysis based on Salina's current position, and a housing policy framework to take advantage of opportunities for growth and development.

With the strong industry expansion and employment needs in Salina, the housing study is being updated on a regular basis. The next series of pages provides an update to critical market data as of June 2025, noting comparisons to the 2023 update. To be concise, only tables updated with new data from the 2023 update are shown in this 2025 update document. All other maps, strategies, and recommendations of the 2021 Live Salina document are important to consider in the context of housing need. **The 2025 update makes clear the continued, and increased, need for housing production in Salina. Construction and absorption of housing units remains strong.**

POPULATION CHARACTERISTICS

Figure 1 displays estimated population change in Salina compared to a sample of peer cities in the state. According to the 2020 Census, Salina's population declined slightly from its 2010 historic peak of 47,707 to about 47,000. We believe this is an undercount and detail our reasoning below. Figure 1. The Census Bureau has also recognized the undercount potential of the 2020 results. With the supplemental undercount analysis, we believe the actual 2020 population is conservatively around 48,600, which represents a 2.0% growth from 2010-2020.

FIGURE 1: Population Comparison

City	2010	July, 2024	% Change
Salina	47,707	46,109*	-3.3%
Emporia	24,916	24,354	-2.3%
Lawrence	87,643	97,271	11.0%
Leavenworth	35,251	37,370	6.0%
Manhattan	52,281	54,700	4.6%
Topeka	127,473	125,467	-1.6%

***The most resent population estimates available from the Census as of June 2025.** As described in the 2023 Update, an undercount is suspected because of the pandemic and the shortened time frame to follow up with people that did not voluntarily fill out their Census form in 2020. Historically, minority groups are less likely to fill out their Census forms voluntarily. In 2020, the Census Bureau reports an undercount of 4.99% for Hispanic or Latino populations and 1.48% for renters across the country. The reported Hispanic or Latino population in Salina was 12.5% in 2020, which is similar to Kansas (12.7%).

The likely under counting in Salina is supported according to a 2021 Finney County Economic Development Corporation report which finds that 10%-20% of Saline County's population was at-risk of being under counted, mostly attributed to Hispanic populations. When corrected for just one-fourth of the undercount risk, Saline County's estimated population growth is over 1,000 people between 2010 and 2020.

Therefore, to forecast a more accurate future housing demand, the reported 2020 Census count is inflated to capture one-fourth of the undercount risk, to a conservative 48,647 total 2020 population, and 50,359 estimate by RDG at the end of 2024, shown in Figure 2.

FIGURE 2: Salina Population Change with 2020 Adjusted Population, end of year

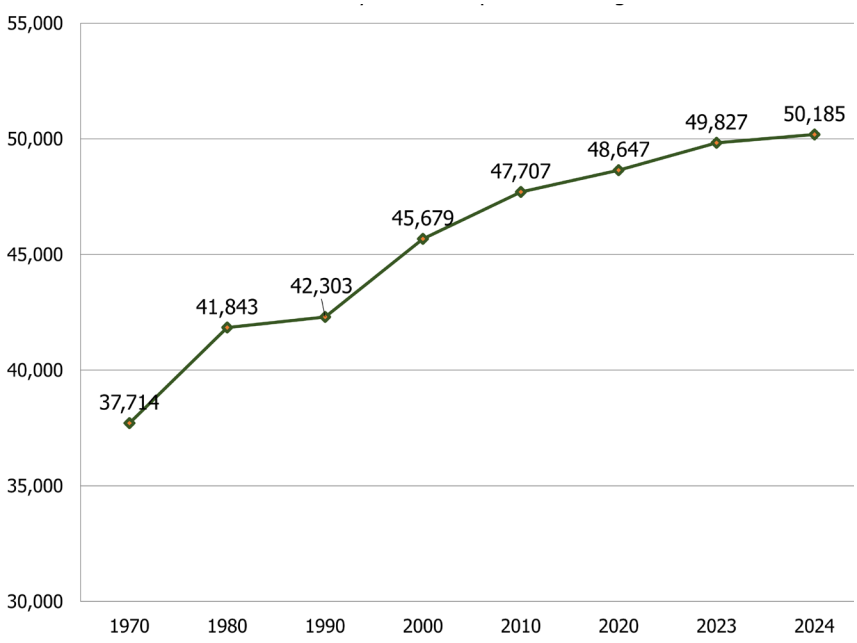
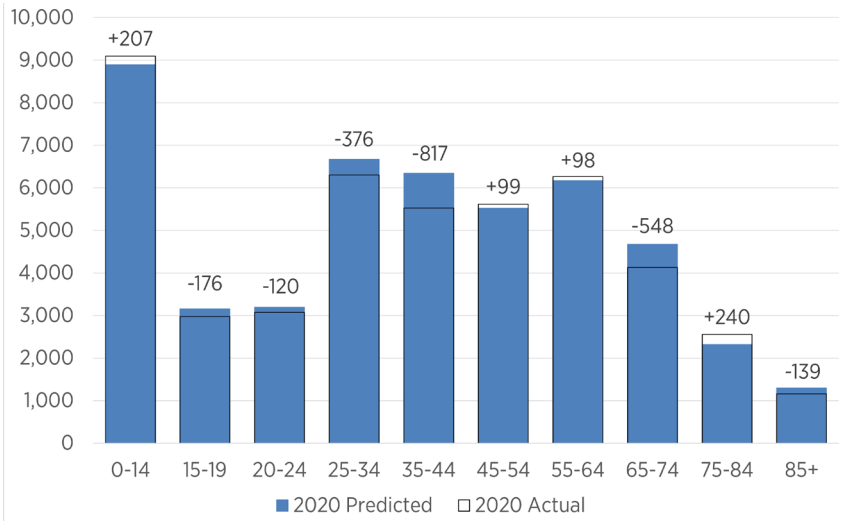


FIGURE 3: Salina 2020 Predicted vs Actual Population Change



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

2023-2025 Report Comparison

- An updated base population used for the end of 2024 that factors undercount reports and housing production activity in the last two years. Updated to a population of 50,185 at the end of 2024 in this report.
- Maintained the percent of jobs that will produce new households in Salina at 60% through 2030, based on the employment projections in the 2023 update that was based on data provided by employers regarding their growth plans.
- Slightly decreased the projected people per household from 2.35 to 2.32, based on new data from the 2023 American Community Survey estimates.
- An overall increase from in the forecasted households by 2030, from 22,602 (in the 2023 update) to 22,833 in this 2025 update. The slight increase is related to the slight decline in household sizes that reflects housing dynamics of aging population and smaller family sizes. However, continued strong job base still requires new working age households.

POPULATION PROJECTION

Figure 4 below displays Salina's forecasted population to 2030, based on past trends and growth projections as of June 2025. This calculation differs significantly from the 2016 study because of data provided by employers in 2023 about the number of new jobs that will be created by industrial expansion and realized housing construction in 2022 through 2024. This projection includes the following assumptions:

» **A basic annual growth rate of 0.50% is held through 2030.** The basic growth rate excludes projected population gain from new employment. It is based on building trends and past growth rates, **which still holds true in 2025.** The rate falls somewhere between the annual rate from 2000-2020 and the stronger estimated rate from 2020-2024. The growth is justified based on the potential spin-off business and attraction created by industrial expansions in the early 2020s and the significant increase in housing constructed in 2023 and 2024.

» **The market has yet to be saturated, even with the jump in housing production in recent years.** The 2023 update indicated over 2,000 jobs to be added in coming years that will increase the need for housing. In 2023 the demand estimate assumed that 60% of these new jobs would result in new households in Salina, and 70% of that would need to be absorbed by 2025 and the rest through 2030.

» **Population per household declines slightly to 2.32 for the next six years.** There has not been significant fluctuations in Census data. This will be a balance of aging households that decrease in size and migration of larger households that fill jobs. The percentage of people living in households (rather than group quarters) will remain at the current level of 97%. Households are the critical number in projecting new housing unit demand.

FIGURE 4: Salina Projected Population and Households, End of 2030

	2023-2024	2025-2030
Population with Basic Growth Rate (0.50% annually)	**50,185**	**51,709**
Growth Attributed to Job Expansion (from 2023 update)	1,316	**1,504**
Base Household Population	**48,675**	**50,154**
Population in Households with Job Expansion	**49,991**	**52,974**
Average People per Household	**2.32**	**2.32**
Number of Households Needed at End of Period	**21,548**	**22,833**

Source: RDG Planning & Design

INCOME DISTRIBUTION

Figure 5 updates income data from the 2016 study using 2023 estimates. While Salina remains a moderate income market compared to its peers, it has experienced significant income growth of about 44% between 2010 and 2023. This level of growth is more than inflation and similar to its group of peer cities with similar median household incomes.

Figure 6 provides the geography of income levels in Salina based on 2023 estimates. The highest median incomes remain in the East and Southeast parts of the city.

2023-2025 Report Comparison

- Incomes reported by the American Community Survey rose in all peer cities by more than inflation.
- Incomes in Salina rose to about $60,624 in 2023.

FIGURE 5: Annual Median Household Income, 2010 and 2023 - Salina and Comparison Communities

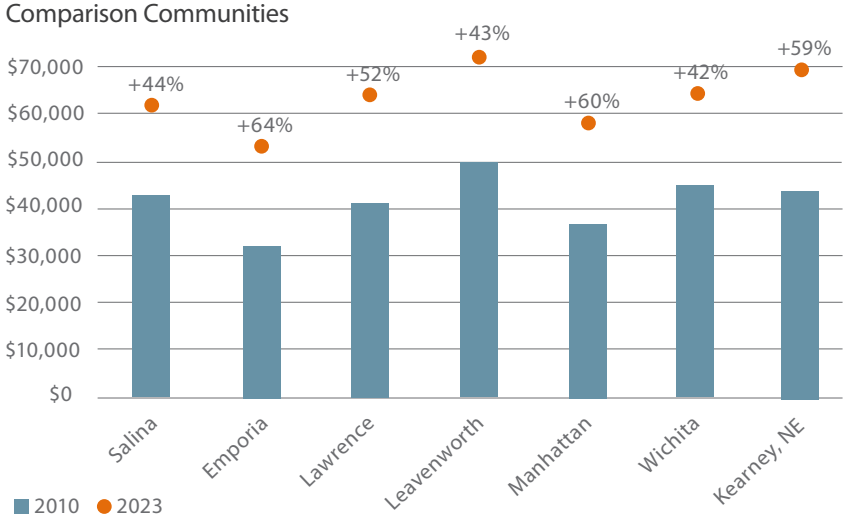
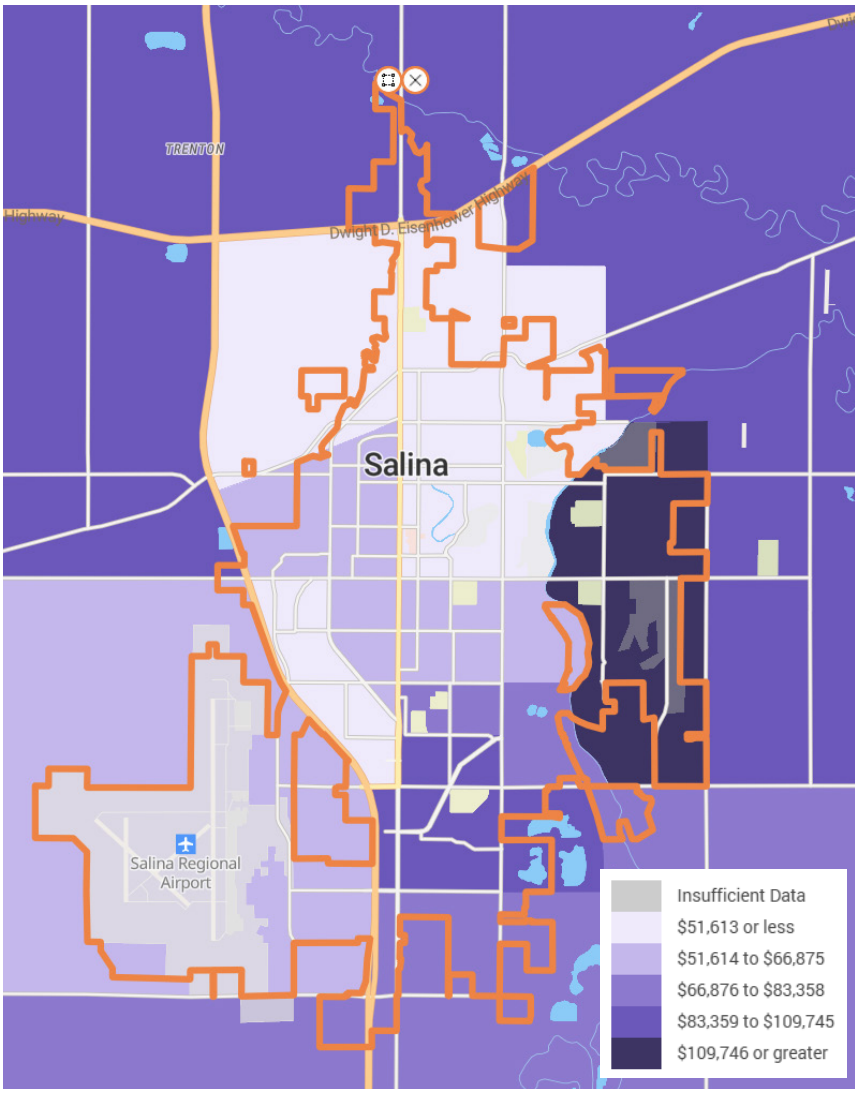


FIGURE 6: Median Household Income by Census Tract, 2023



Source: American Community Survey 5-year Estimates; policymap.com

FIGURE 7: Occupancy Change in Salina, 2010-2023

	2010	2023**	Change
Owner-Occupied	12,409	12,263	-146
Renter-Occupied	6,982	7,038	+56
Total Vacant	1,412	1,554	+142
For rent	*645*	*169*	-476
Rented, not occupied	*38*	*163*	+125
For sale only	*213*	*429*	+216
Sold, not occupied	*66*	*46*	-20
For seasonal, recreational, or occasional use	*55*	*94*	+39
For migratory workers	*8*	*0*	-8
All other vacant	*387*	*653*	+266
Vacancy Rate	6.8%	7.5%*	
Total	20,803	20,855	

*When excluding "other vacant" and vacation homes, the vacancy rate is 3.1% in 2021 versus 4.1% in 2010.
** Subject to margin of errors in the 2023 American Community Survey

HOUSING TENURE AND COMPARATIVE COST

Figure 7 shows estimates of tenure from the 2023 American Community Survey. Salina had an owner/renter occupancy split of about 63% owner to 37% renter. The ACS estimates indicate a vacancy rate of 7.5%.

However, the ACS also provides data about the reason units are vacant. Units nearly constructed but not yet occupied are counted as vacant units, even if a renter or homeowner is secured. Conversely, units that are condemned or exposed to the elements are not considered vacant.

To get a truer sense of the market, we subtracted the "other vacancy," vacation homes, rented/sold categories from the actual number of vacancies. These vacant units are not available options to fill housing demand because they are for occasional use, foreclosure, repairs, and legal reasons among others. The exclusion results in a vacancy rate around 3.1%, which is used for projection purposes on the following pages.

2023-2025 Report Comparison

- A decrease in the overall vacancy rate from 8.1% to 7.5%.
- A much lower vacancy rate when considering only units available for rent or purchase.
- A slight increase in the value-to-income ratio in Salina and an increase in the percentage of income that renter-occupied households pay for rent.
- Slightly smaller household sizes.

FIGURE 8: 2023 Housing Characteristics - Salina and Comparison Communities

	Salina	Emporia	Lawrence	Leavenworth	Manhattan
Total Units	20,855	11,441	44,034	14,833	24,334
% Owner	63.5%	50%	42.9%	51.5%	41.3%
% Renter	36.5%	50%	57.1%	48.5%	58.7%
Vacancy Rates	7.5%	10.8%	7.0%	9.1%	10.9%
Median Value (Owner-Occupied)	$164,500	$127,500	$269,500	$176,000	$243,700
Median Rent (Contract)	$699	$623	$895	$911	$854
Median Year Structure Built	1964	1968	1988	1969	1983
Average household size of owner-occupied unit	2.48	2.66	2.46	2.33	2.45
Average household size of renter-occupied unit	2.05	1.85	1.90	2.59	2.00
Value-to-Income Ratio*	2.71	2.42	4.29	2.47	4.17

*see 2021 supplement document for definitions

Source: American Community Survey 5-year Estimates

2023-2025 Report Comparison

- The same trends year-to-year related to gaps in options for households with incomes under $25,000 and over $75,000 a year.
- Some relief was shown for households making between $75,000 and $150,000, even with an increase in the number of household in these income ranges. The increase in realized new residential construction in recent years is a primary reason.
- More households earning above $150,000 caused the gap to grow for this income range, even with an increase in the housing stock above $400,000.

AFFORDABILITY ANALYSIS

Figure 9 examines supply and demand through the lens of what is "affordable" to different income groups to answer the question: is there an adequate supply of housing options available for residents of different income groups? Figure 9 illustrates five major components in pursuit of the above story:

1. **Income Ranges.** The starting point of the analysis is the spectrum of incomes across all residents. From these incomes, corresponding "affordable" housing prices are established for ownership and rental opportunities.
2. **Number of Households in Each Income Range.** The number of households in each income range is the demand; these residents seek housing options that are affordable to them.
3. **Affordability Ranges.** An affordable ownership home is calculated at 2-3 times the household income depending on the income range. Lower income households tend to spend a higher percentage of their income on housing and higher income households tend to spend a lower percentage of their total income on housing. An affordable rental would be nearly 30% of household income.
4. **Number of Housing Units in Each Affordability Range.** The number of housing units in each affordability range is the supply of affordable options.
5. **The Balance of Supply and Demand.**
   - If the number of households exceeds the number of units available, those households must seek options in different affordability ranges.
   - If the number of units exceeds the number of households, it indicates that the units are occupied by households in different income ranges.
   - This analysis is meant to illustrate larger trends in how existing units are being occupied. It does not demonstrate exact market demand in certain price ranges.

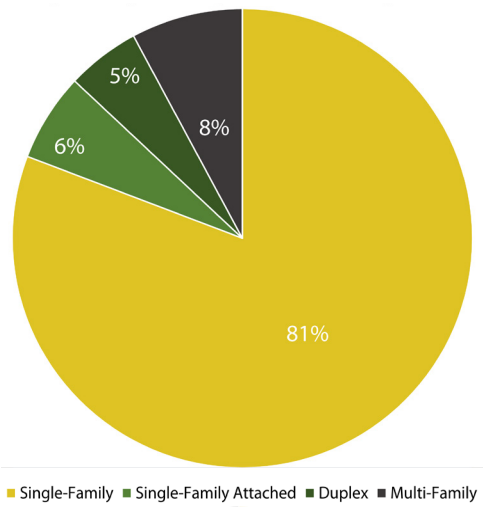
The analysis shows that higher income households are occupying some of the city's more affordable stock and that housing in the city may also be somewhat undervalued. The largest deficits are above $200,000 for owner-occupied housing and above $1,500 a month for renters. Figure 9 conclusions are on the next page.

FIGURE 9: Affordability Analysis for Salina Housing Stock, 2023

Income Range	# 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	3,869	>$60,000	976	$0-$499	1,324	2,300	-1,569
$25,000 - $49,999	4,070	$60,000-124,999	2,934	$500-$999	4,857	7,791	3,721
$50,000 - $74,999	3,864	$125,000-199,999	4,232	$1,000-$1,499	597	4,829	965
$75,000 - $99,999	2,570	$200,000-249,999	1,716	$1,500-$1,999	79	1,795	-775
$100,000 - $150,000	3,066	$250,000-399,999	1,847	$2,000-$2,999	181	2,028	-1,038
$150,000 +	1,862	$400,000+	558	$3,000+	0	558	-1,304

Source: American Community Survey 5-year Estimates

FIGURE 10: New Construction by Type (2010-2024)



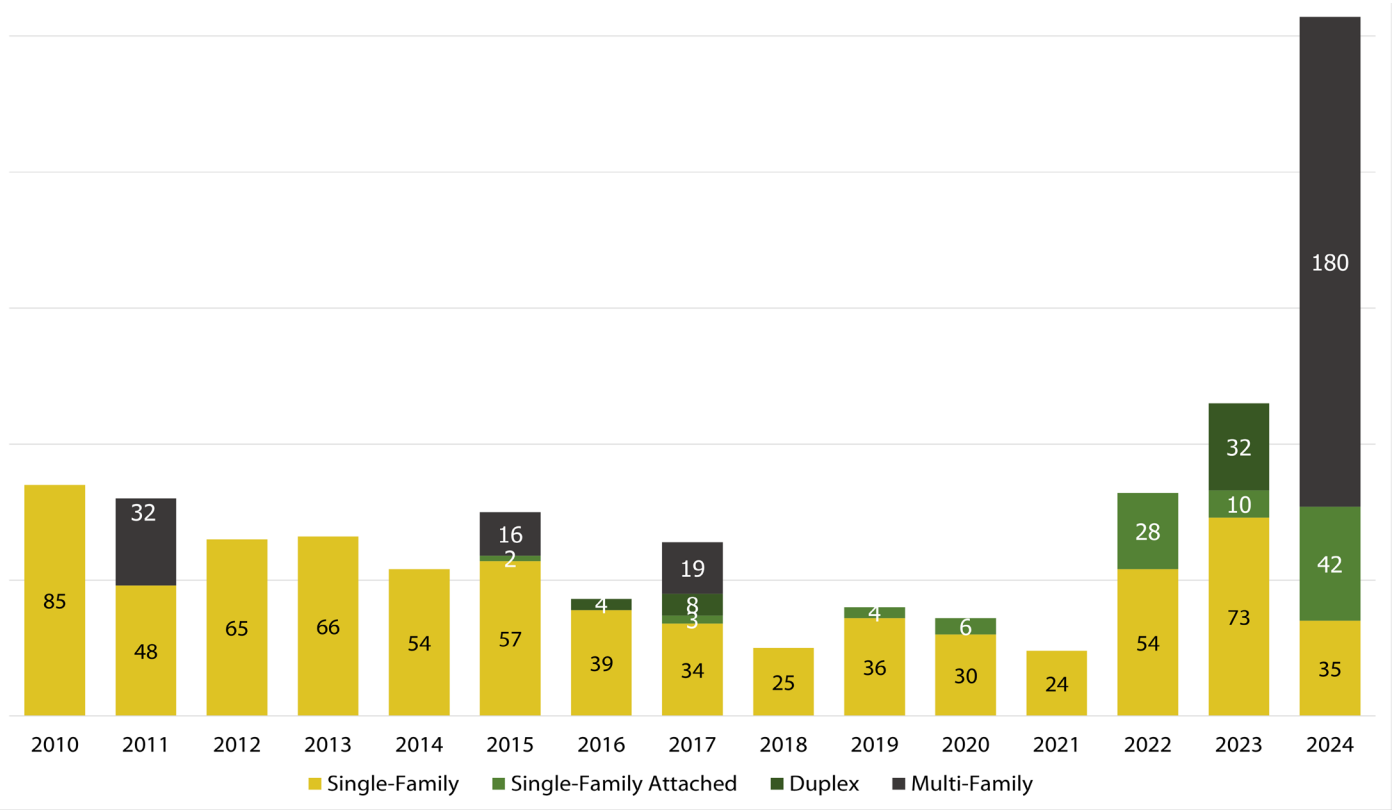
Source: City of Salina

- Competition for housing and rentals at mid-price points is extreme and growing. The imbalance of options for households making more than $75,000 and below $25,000 means there are many having to live in the mid-price point units. This is particularly concerning for the lowest income households who may have to share rent, double-up on units, or pay more than 30% of their income for rent.
- Significant opportunities for move-up housing, in turn opening lower-cost existing units for new or moderate-income households.
- **Production of market-rate units is increasing, and so are local incomes. Recent developments have started to provide relief but more is needed. Salina is seeing an increase in household incomes.**

CONSTRUCTION ACTIVITY

Figures 10 and 11 display construction activity in Salina from 2010-2024. Residential construction has been overwhelmingly in single-family detached residential until a large spike of new multi-family units in 2024. Salina's single-family production has grown in recent years as well along with more variety in single-family attached and duplex units. **Proactive housing strategies and incentives are becoming realized in 2022 through 2024 building permit numbers.**

FIGURE 11: Residential Building Permits by Unit



Source: City of Salina

HOUSING DEMAND PROGRAM

Figure 12 uses the population and household projections and affordability analysis to develop an updated demand projection through 2030 for Salina. Basic assumptions used to calculate demand include:

A slightly increasing vacancy rate

- The ACS indicates a 3.1% vacancy rate in 2023 when excluding the "other vacancy" reasons, vacation homes, and rented/sold units that are not yet occupied. This rate should increase slightly over time as new units are brought to the market. This is especially true as an influx of rental options need to come online with industrial job growth.

Replacement rate of about 15 units/year

- Replacement is generated by demolition and conversion of housing to other uses. Examples include loss from damage and redevelopment.
- Average annual residential demolition permits since 2015 was about 16 units.
- Forecast model assumes annual replacement need of about 15 units annually from 2025-2030.

Owner/Renter tenure split

- Salina has started to see more rental construction and this needs to continue through 2030.
- From 2025-2030, demand may level out somewhat and people, becoming vested in the city, are likely to increase demand for ownership housing. But rental demand could also remain prominent if housing costs remain inflated and aging populations look for more flexible living options.
- Given this reasoning, the program includes a 55/45 owner/renter split between 2025 and 2030.

The calculation indicates a potential need for over 1,600 new housing units through 2030, assuming projected growth in employment continues. It is important to note that this is not a prediction, but a projection of potential if the market responds and Salina competes successfully in attracting new households in response to announced and anticipated job growth.

FIGURE 12: Salina Housing Projections, 2025 - 2030

	Through 2024*	2025 - 2030
Population at End of Period	50,185	51,709
Base Household Population at End of Period	48,675	50,154
Population Growth from New Jobs	1,316	1,504
Total Household Population with Job Growth	49,991	52,974
Average Household Size	2.32	2.32
Household Demand at End of Period	21,548	22,833
Projected Vacancy Rate	3.2%	4.1%
Unit Needs at End of Period	22,248	23,723
Total Replacement Need		95
Cumulative Need During Period		1,645
Average Annual Construction		274

Source: RDG Planning & Design
*Salina saw 257 new units in 2024 and 11 demolitions. 180 of these units were multi-family.

2023-2025 Report Comparison

- Forecast total housing need is slightly under what the 2023 study update would have shown as of the end of 2024 (1,645 vs. 1,789). The average annual construction need through 2030 is 274 versus 298 in the 2023 update. However, most of this difference is related to adjustments in future household sizes and target vacancy rates.
- The forecasted need between owner and renter units is adjusted to 55%/45% from 2025-2030. More people are expected to seek rental options because of the high cost of ownership from interest rates, insurance, and other fees.

DEMAND BY PRICE POINT

Figure 13 distributes the forecasted demand by price point, based on estimated 2023 distribution of household incomes in Salina. This assumes that the lower income ranges of the income distribution will be served by existing housing, a more realistic assumption given development costs. The demand for owner-occupied units is in all ranges in 2023 dollars, and in rents around $1,000 per month.

Because the most recent available data was from 2023, the price ranges likely need to be slightly higher because of inflation and on-going high construction cost rates already experienced in 2024 and 2025. For example, the <$225,000 category may be close to approaching <$250,000. In addition, sustained higher mortgage rates through 2025 can add several hundreds of dollars to monthly ownership costs, which will drive households to rent longer or choose renting over owning when first moving to Salina. These types of households can likely afford higher rents when the ownership market is that much more out of reach.

FIGURE 13: Development Program, 2025-2030 (Including demand from existing and future job openings)

	2025 - 2030
Total Need	**1,645**
Total Owner Occupied	**905**
<$225,000	**466**
$225-$300,000	**151**
$300-$400,000	**180**
Over $400,000	**109**
Total Renter Occupied	**740**
Less Than $625	**199**
$625-$1,000	**210**
$1,000-$1,500	**199**
Over $1,500	**132**

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.

2023-2025 Report Comparison

- The percent allocation for each housing type remains the same except that the ratio of ownership and rental options for small lot, attached , duplex, and townhomes were decreased in the lowest price point and increased in the low-medium price point range. Is is increasingly difficult to meet the lowest price points with new construction and rehab.
- There still remains a need for a variety of housing types to meet households' preferences and ability to afford housing.
- There are still hundreds of units in planning, approved, and under construction. These include conventional single-family, "missing middle" types, and high-density townhomes and multi-family units, split between ownership and rental.

DEMAND BY HOUSING TYPE

The analysis illustrated in Figure 14 has important implications for the types of housing products built in the Salina market. In the past, most of the city's housing production to date has been conventional single-family detached homes on relatively large lots, typically 8,000 square feet and more, and multi-family development in either new construction or adaptive reuse in projects. Nationally, a significant amount of attention has been given to the "missing middle" – moderate and medium density housing forms that can be more efficient and affordable to family households entering the ownership market. These products include single-family attached, duplexes (including owner-occupied duplexes where a household rents out the attached unit), townhouses and rowhouses, and small footprint studio apartments. These products are scarce in the Salina market but are trending upward as the nearly 900 units approved and planned for construction since 2023 and onward show. This should continue in order to meet housing needs.

Figure 14 distributes the forecasted 2030 housing demand by price point over different housing forms, assuming that single-family detached homes will continue to dominate higher-end markets, but other solutions like attached units will be needed to deliver family-friendly, affordable products.

FIGURE 14: Target New Construction Housing Distribution by Price Point - 2025-2030

	Total Demand	Conventional 1-Family	Small Lot 1-Family, 1-Family Attached, Duplex	Duplex, Low-Density Townhomes and Rowhouses	High-Density Townhomes and Multifamily/Studios
Typical Density (units/acre)		<4	4-8	8-12	>12
OWNERSHIP					
<$225,000	465	0 (0%)	163 (35%)	163 (35%)	93 (20%)
$225,000-$300,000	151	30 (20%)	68 (40%)	53 (35%)	15 (10%)
$300,000-$400,000	180	108 (60%)	27 (15%)	27 (15%)	18 (10%)
>$400,000	109	76 (70%)	11 (10%)	11 (10%)	11 (10%)
RENTAL					
<$625	199	0 (0%)	30 (15%)	50 (25%)	100 (50%)
$625-$1,000	210	0 (0%)	52 (25%)	73 (35%)	105 (50%)
$1,000-$1,500	199	0 (0%)	60 (30%)	70 (35%)	70 (35%)
>$1,500	132	0 (0%)	46 (35%)	46 (35%)	40 (30%)
TOTAL BY TYPE	**1,645**	**214**	**457**	**493**	**451**

Cells with 0% indicate that a housing type is not feasible and/or desirable at that price point. For example, it would be very difficult in the 2025 market to construct and sell a conventional 1-Family home for under $225,000.

Source: RDG Planning & Design

FIGURE 15: Alternative Housing Forms

Small lot single-family

Townhouses

Owner-occupied duplexes

Rowhouses

Single-family attached

Small footprint apartments

SENIOR HOUSING DEMAND

(this section was not updated in the 2025 update because of limited new data)

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 that are **maintenance-provided ownership settings, senior independent living, and assisted living.**

Findings include:

- 32% of the Salina's population is 55 and over.
- From 2010 to 2020, Salina's population 55 and over group grew by 20%. A large part of this growth is from the 65-69 age group, which grew by 48.8% due to the natural aging of the large baby boomer age group.
- Some senior age groups experienced migration into the city, while others did not.
- Figure 17 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 through 2025 is conservatively about 75 units. This represents 0.8% of the potential senior households.
- Note, the demand for 75 units will include a need across different price points. Not all seniors have an income that can support a move to a new living complex.

FIGURE 16: Salina Senior Population Change, 2010 - 2020

5-Year Age Groups (55+)	2010	2020	Percent Change
55 - 64	5,501	6,252	13.7%
65 - 69	1,817	2,704	48.8%
70 - 74	1,543	2,118	37.3%
75 - 79	1,243	1,483	19.3%
80 -84	1,126	1,084	-3.7%
85 and Over	1,103	1,174	6.4%
Total 55 and Over	12,333	14,815	20.1%
Total 65 and Over	6,832	8,563	25.3%

Source: U.S. Census Bureau; 2010 and 2020 Decennial Census

FIGURE 17: Projected Senior Population and Housing Demands for 2025, City of Salina

	2025 Population Projection	Estimated Household Size	Total Households	Demand for Alternative Senior Housing Settings (0.5% - 1% of Total)
55 - 64	4,864	2	2,465	25
65 - 74	5,294	1.75	3,119	31
75 and Over	4,724	1.25	3,913	20
Total 55 and Over	14,883	--	9,496	75

Source: RDG Planning & Design

Analysis of market conditions and housing economics since the 2021 Supplement report still show significant challenges to make a housing project "work." This has not changed between the 2023 and 2025 updates. Inflation in housing material costs were stabilizing and even dropping, but pressures from international tariffs are creating significant price uncertainty as of June 2025. Price volatility will remain a challenge through at least the end of 2025.

2023-2025 Report Comparison -

- The loan rate was kept at 7.0%, which is similar to current rates in June 2025. There is little indication whether rates will drop in 2025.
- Increased construction and land costs by inflation.
- Maintained on-site parking at 1.5 stalls.
- Contingency increased because of market volatility.

AN EXERCISE IN DEVELOPMENT ECONOMICS

The 2021 Study Supplement helped answer several questions regarding appropriate public assistance toward housing projects, based on the following conclusions.

» **Salina has a very low vacancy rate, especially in good quality, multifamily housing.** Many properties have no vacancies, and new residents have few options in the city.

» **Existing rents in Salina are at relatively modest levels.**

» **Rental development has been very limited in the past until 2023 and 2024, and will continue in the next few years.** New projects will include developments with income qualification requirements and market rate rents.

» **Very little "missing middle" housing forms have been developed in Salina.** Most new development has been conventional lot single-family detached homes and a relatively small number of rental units. This demand is picking up interest from the development community. Recently approved projects will help prove demand even more.

» **Typical apartment density is about 13 to 14 units per acre, with the exception of downtown area adaptive reuse projects.**

The Economics of New Rentals: A Hypothetical Case

A financial analysis built around a hypothetical 50 unit apartment project in Salina can help test the need for and effectiveness of development incentives. Figure 18 below presents the basic parameters of this study, built around typical project character in the city. **This hypothetical project is a basic development without considering significant site features and amenities like covered parking, public spaces, and pools.**

FIGURE 18: Key Variables for Hypothetical Project

Variable	Units	Assumptions
Dwelling Units	50 units	
Site Area (Acres)	3.85 acres	13 units/acre
Site Area (SF)	167,500 SF	
Gross Residential Area (SF)	52,941 SF	85% efficiency
Net Residential Area (SF)	45,000 SF	
Average Unit Size	900 SF	
On-Site Parking	75 stalls	1.5 stalls/unit

Source: RDG Planning & Design

As an example, $2.273 per square foot translates to a monthly market-rate rent of:

- Studio (450 SF) ~ $1,022
- One-bed (700 SF) ~ $1,590
- One/Two bed (900 SF) ~ $2,046
- Two bed+ (1,200 SF) ~ $2,725

Figure 19 below summarizes development costs for this hypothetical project, again based on local land and construction costs.

Figure 20 lists typical financing assumptions for a project of this scale.

Then Figure 21 on the next page displays a simplified proforma and concludes with the amount of rent necessary per square foot to "make the numbers work" on this hypothetical development. The calculation indicates that a project developed along these relatively typical lines requires about $2.273/SF/month.

- The rent assumption is based on all private funding and average unit sizes. Market rate studios tend to rent more per square foot than 1-2 bedroom units. The rents on the left include other fees that residents could be charged, such as parking. However, the rent per square foot does not factor any public assistance that may be granted to the project - discussed more on the following pages.

FIGURE 19: Hypothetical Development Cost -
Scenario: 50 Unit Multifamily Structure at an Average 900 SF Per Unit

Component	Cost (rounded)	Assumptions
Land Cost	$712,000	$4.25/SF for improved land
Building Construction	$8,471,000	$160/SF
Parking	$144,000	$5.5/SF, 350 SF per stall
Other Site Development Cost	$377,000	$2.25/SF
Contingency	$582,000	6%
Hard Cost	$10,286,000	
Soft Cost	$2,572,000	25% of hard cost
Total Development Cost	$12,858,000	

FIGURE 20: Hypothetical Sources of Funds
Scenario: 50 Unit Multifamily Structure at an Average 900 SF Per Unit

Component	Assumption	Notes
Equity	30%	$3,857,000
Debt	70%	$9,000,000
Construction Loan Rate	7.0%	
Permanent Loan Term	25 years	
Permanent Loan Take-Out Year	Year 2	
Expected Cash on Cash Return	5%	Note: 5% annual cash on equity may seem like a low rate of return. It is important to remember though that many equity investors realize their return from tax advantages rather than annual cash return. In Low Income Housing Tax Credit (LIHTC) projects, an investor may receive a tax credit up to 9% annually (a direct reduction of income tax liability) for ten years plus the residual value of their capital investment and depreciation.

Source: RDG Planning & Design

2023-2025 Report Comparison

- Because of maintained interest rates, continued rise in construction costs, and an increased tax rate, the typical rent for a new rental product in this scenario conservatively rose from $1,937 to $2,046 from 2023 to 2025.

Filling the Gap

A variety of financial tools and incentives are available to reduce this financing gap. Since this hypothetical project is designed as a market rate development, the Low Income Housing Tax Credit is not included in this analysis. The techniques evaluated include:

- Tax Incentives, including Rural Housing Incentive Districts and tax abatements through Industrial Revenue Bonds (IRB's) or the Neighborhood Revitalization Program. RHIDs are a tax increment device, allocating added taxes created by the project to financing eligible project-related improvements. IRB's offer sales tax exemptions and a ten year abatement of property taxes.
- Interest rate subsidy.
- Land contributed without cost to a project.
- Increasing the density yield on the site to achieve higher revenues. In this example, an increase in density from 13 to 20 units/acre would increase the density yield from 50 to 77 units and reduce the rent rate per square foot by $0.29.
- Deferral of annual cash on equity return. If the project is sold to limited partners (equity investors) who are in the project for tax benefits and residual value at the end of a given period rather than annual cash return, the required yield drops substantially
- Grant through the State of Kansas Moderate Income Housing program, with a maximum grant of $650,000.
- Lengthening the loan term from 25 to 30 years.
- Waiving building permit fees (3%).
- Up front cash subsidy to total development costs.

Figure 22 displays the impact of each of these incentives or variations have on the base $2.273/SF rent requirement. This calculation shows that the most effective strategies are tax related tools such as IRBs/RHIDs or tax abatements; deferral or elimination of annual cash on equity payments that are at least partially a tax driven policy as well; and promoting higher density development on a given site to increase revenues and reduce marginal cost per unit.

FIGURE 21: Simplified Typical Year Proforma - Without Incentives Scenario: 50 Unit Multifamily Structure at an Average 900 SF Per Unit

FIXED COST ITEM	Cost (rounded)	Assumptions
Annual Debt Service	$763,000	7.0%, 25 year amortization
Annual Operation and Maintenance	$132,000	$2.50/SF annualized
Property Taxes	$139,000	1.5% Saline County rate
Annual Cash on Equity Return	$193,000	5%
Total Annual Fixed Cost	$1,227,000	
REQUIRED REVENUE YIELD		
Leasable Area (SF)	45,000	
Necessary Annual Revenue/SF	$27.28	
Necessary Monthly Revenue/SF	$2.273	
Rent for Typical 900 SF Unit	$2,046	

Source: RDG Planning & Design

FIGURE 22: Impact of Selected Tools to Reduce Rental Gap (some of the tools can be used simultaneously)

STRATEGY	Savings on Monthly Rent per SF/month
Tax Abatement or IRB/RHID Increment	$0.26
Interest Subsidy by 2%	$0.24
Free Land	$0.15
Increase in Density to 20 du/A on Full Site	$0.29
Increase in Density Reducing Site Size	$0.08
Deferral of Annual Cash Return	$0.36
Maximum Moderate Income Housing Grant	$0.09
Increase in Loan Term to 30 years	$0.08
Waiving Developer Fees (3%)	$0.03
Up Front Cash Assistance of $1 million	$0.14

What Influence Can Salina Have?

As Figure 22 illustrates, there are several tools that the City can pursue to help lessen the financial cost of development, and ultimately the price paid by renters or owners. However, as Figure 23 illustrates, there are limits to how much Salina can influence housing prices.

Figure 23 applies the savings to the hypothetical development project in Figures 18-21, where the needed market rent for a 900 square foot apartment is $2,046. Note, the savings application assumes the developer applies 100% of the assistance toward rental price reductions.

- **These savings are on a basic 50 unit apartment, without additional features like covered parking, public spaces, and pools.**
- **While some of these strategies can be combined for one project, the options to combine tools requires the involvement of banks, property owners, and developers themselves.** Also, the level of savings per tool is the best case scenario given perfect efficiency in application and filtering of the incentive to the end renter.
- **For a typical scenario where the City offers RHID/IRB incentives, the savings on rent is limited.** If the project is awarded the maximum State MIH Grant, the savings on monthly rent rises to $231 a month in this scenario.*

FIGURE 23: Savings tools applied to final rent price for this project example (some of the tools can be used simultaneously)

STRATEGY	Savings on Monthly Rent per SF/month	Reduced Market Rent for Scenario 900 SF Unit	Savings for Renter per Month
Tax Abatement or IRB/RHID Increment	$0.26	$1,814	$231*
Interest Subsidy to 2%	$0.24	$1,826	$220
Free Land	$0.15	$1,912	$134
Increase in Density to 20 du/A on Full Site	$0.29	$1,785	$261
Increase in Density Reducing Site Size	$0.08	$1,976	$70
Deferral of Annual Cash Return	$0.36	$1,724	$321
Maximum Moderate Income Housing (MIH) Grant	$0.09	$1,966	$80
Increase in Loan Term to 30 years	$0.08	$1,971	$75
Waiving Building Permit Fees (3%)	$0.03	$2,021	$25
Up Front Cash Assistance of $1 million	$0.14 per $1 million cash	$1,922	$124