

# SALINA HOUSING ECONOMIC INCENTIVE POLICY



The policies and process below focus on the need to implement a systematic evaluation system for different types of housing incentives to meet the City's strategic housing goals. As additional incentives are developed or used, it is the intent of this document to be amended in order to encapsulate additional or modified housing incentive policies.

This policy is subject to review as deemed necessary.

## INTRODUCTION AND NEED

Salina in 2021 was presented with unusual opportunities, created by both the prospect of substantial employment growth and major investments that the city had made to enhance its quality and improve its competitive position. Its downtown initiative created a renewed city center that is both visually attractive and economically strong. Continued public and private investment also strengthened its previously strong foundation of community assets and institutions. Finally, its strong and diverse base of major industries and other employers was expected to continue to generate new positions. However, one major issue remained a constant and unresolved community priority – the creation of a self-sustaining housing marketing that served the needs of all people and parts of the community. Ultimately, the resolution of this issue was identified as a critical need for the city to capitalize fully on its investments and potential.

The persistence of the housing problem was certainly not because of lack of community or City Commission interest, and the housing affordability and production remain priority issues throughout the State of Kansas and in most parts of the nation. In 2016, the City commissioned the Live Salina study, which included a detailed analysis of housing and neighborhood characteristics in Salina and provided policy recommendations for addressing specific housing issues. Major issues included:

- The perceived competition between “greenfield” versus infill development, and the appropriate use of financing tools such as special assessments; and
- A neighborhood development strategy based on building and sustaining neighborhood and housing values necessary to create a self-sustaining market for infill housing and rehabilitation.

The City made significant progress on those issues since 2016. Special assessment financing, which was paused during 2016 because of the greenfield versus infill debate, was resolved and that technique is still in use. The city's extensive downtown renovation increased the attractiveness and economic value of adjacent neighborhoods, and the adaptive residential reuse of the historic Lee Building introduced major residential development into the downtown core. The City also gained greater familiarity with housing production incentive tools available in Kansas. These tools included Rural Housing Incentive Districts (RHIDs), Moderate Income Housing (MIH), Neighborhood Revitalization Program (NRP), and Industrial revenue Bonds (IRBs).

Despite these advances, new housing construction demand lagged, focused on conventional single-family development outside of the price range of much of the potential market, and generated relatively little new rental development. In existing neighborhoods, replacement costs continued to exceed market value of homes, discouraging infill development or redevelopment of distressed areas and properties. Consequently, Salina had very little availability of contemporary rental housing and, in common with much of the country, a very limited supply of

new ownership housing affordable to its potential workforce. A complicating factor was the increasing cost of new construction caused, at least in the short run, by material shortages and supply chain problems.

In 2021, the City implemented a housing strategy with policies that addressed the following basic goals:

- Providing housing in the immediate term to accommodate both pent-up demand and new households attracted by employment growth.
- Creating and encouraging greater housing variety and affordability across income ranges for both the rental and ownership sectors.
- Expanding housing development and conservation of existing residential inventory in established city neighborhoods.
- The strategy further recognized that both housing and neighborhood development require a certain degree of patience and a long-term view. In this light, a policy framework is adapted to the following time frames:
  - Immediate-term (by 2024), addressing critical short-term needs created by existing demand and likely community growth, with a probable but not exclusive focus on new rental development and some greenfield development for owner occupied units.
  - Medium-term (2024-2029), achieving steady housing production consistent with market demand, with growing components of ownership and infill development.
  - Long-term (2029 and the future), achieving a substantially sound and secure inventory of existing housing in established neighborhoods and eliminating the gap between replacement and market value in these neighborhoods.

*Detailed descriptions of overall strategies are provided in the Live Salina Plan – 2021 Supplement.*

## AN EVALUATION SYSTEM FOR PROJECT ASSISTANCE APPLICATIONS

The City's use of incentives for housing is about meeting the identified and documented need for housing. If through the use of incentives and natural market demand the City's identified housing needs are met, then the use of housing incentives will be reflective of that reduced need. Once identified housing thresholds are met, applications for housing incentives may still be made but an additional step will be required in the process. Those applications submitted after the housing thresholds have been met will still be required to go before the City Commission to seek permission to apply.

The use of any economic incentive within this policy must be consistent with all local, Federal, and State of Kansas statutes and program regulations.

## INDUSTRIAL REVENUE BONDS (ONLY APPLIED TO RENTAL DEVELOPMENTS):

### EVALUATION

Only rental projects qualify for IRBs. IRBs exempt the new property taxes created by the development for a period up to ten years and can include all associated project costs, including vertical construction. They are also exempt from sales taxes on labor and material during the construction period. An IRB can use either or both property and sales tax exemption. They typically use the sales tax exemption in combination with other incentives.

#### 1. BASIC CRITERIA FOR CONSIDERATION

##### Objectives:

- To ensure that projects are of sufficient size and completed in time to address immediate housing needs.
- To provide special flexibility for projects in infill development areas
- To be eligible for IRB assistance a project must meet the following criteria:
- Be operational within three years of the date of application approval.
- Return on investment reviewed and acceptable to the City.
- 20 unit minimum size for projects within the Neighborhood Revitalization Program (NRP) eligible area.
- 50 unit minimum for all other projects.

##### Use of Sales Tax Exemption Only:

If an applicant is seeking an IRB for the purpose of only using the sales tax exemption, eligibility requires meeting the Basic Criteria for Consideration. Desirable Project Criteria is not applicable.

#### 2. DESIRABLE PROJECT CRITERIA

(Note: IRBs do not include a median rent criterion for approval)

##### Objectives:

- To identify desirable project goals, features, and innovations
- To encourage projects to include these features in order to determine the length of the IRB's term.

The second stage of evaluation assesses whether proposed projects achieve certain desirable performance or design criteria, based on public policy goals. Different criteria are weighted based on their relative importance and points are awarded based on this weighting. The weighted value of each applicable criteria should be totaled. That total weighted number identifies the length and terms appropriate for that application.

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## PROJECT CRITERIA FOR IRB PROJECTS USING PROPERTY TAX EXEMPTION

IRB PROJECT CRITERIA			
Criterion	Weighting	Inclusion	Points Awarded
Location in an NRP Eligible Area	3		
Gross Density above 16 units/acre	1		
50% or more of units with rent below \$1.00/square foot	2		
20% or more units have 3 or more bedrooms	1		
Mixes densities and building types and footprints	2		
Immediately available water and sewer service	1		
Unusual design quality or innovation (applicant to document innovation)	1		
Presence of resident amenities including useful open space	2		
Provides desirable pioneer infrastructure or street improvement	1		
Includes walkable/bikeable design features (applicant to document)	1		
Proximity to parks and community services	2		
Includes possibility of transition to ownership	2		
Located on infill development site generally surrounded by existing development	2		
Completion of and availability for occupancy of at least 50% of all units within 18 months of final project approval.	2		
<b>Total Points</b>			
<b>ACCUMULATED POINTS FOR IRB DEVELOPMENT:</b>			
<ul style="list-style-type: none"><li>• 8 points or more: Full 10 year exemption at 100% of added tax liability</li><li>• 4-7 points: 10 year exemption at 100% for first five years of operation and 50% for second ten years</li><li>• 0-3 points: Choice of 50% exemption for full ten years or 100% exemption for first five years of operation</li></ul>			

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## REVIEW AND APPROVAL PROCESS FOR IRBS

### 1. PRELIMINARY SCREENING

A. Applicant completes a preliminary screening application that describes the project with appropriate exhibits and narratives and documents compliance with the eligibility criteria of step 1- Basic Criteria for Consideration.

Applicants must also indicate whether they are applying for use of both sales tax and property tax exemption or only a signal exemption type.

B. City staff will review the preliminary application for basic eligibility.

C. A pre-application meeting will be schedule with the City Mangers Office and the Director of Community and Development Services or their designees. If needed, the City's legal counsel, bond counsel, and/or Financial Advisors may be present.

D. Based on the information provided by the preliminary application and the associated meeting, staff will review the information submitted and respond to the applicant regarding apparent eligibility. The response by City Staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Commission to favorable consideration or approval of a formal request for an IRB.

## **2. FORMAL APPLICATION**

### **A. Funding Agreement**

Completion and execution of a funding agreement is required in order for the formal application to be deemed complete and administered in accordance with this policy. The applicant is responsible for payment of other professional services including, but not limited to bond counsel, financial advisors, cost benefit analysis, development agreements, and any fees of the City Attorney incurred in connection with the issuance of bonds.

### **B. Application Requirements**

If the project meets minimum qualifications, the Developer will submit a detailed application with the following information:

- Legal description and map of the proposed site.
- Names and addresses of the owners of record.
- Names, addresses, and interests of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, and narrative sufficient in detail to permit evaluation of the project according to the factors displayed in Evaluation Step Two. This will help determine the permitted duration and amount of the tax exemption.
- If the project requires a change in zoning, appropriate applications for a change of zoning classification.
- Existing assessed valuation of land and improvements on the site and estimated taxable value of the project after development.
- A financial analysis and feasibility study that includes development budget, sources of funding, and a project proforma.
- Any other information deemed necessary by the City.

## **3. ACTION ON APPLICATION**

*The City, as part of any IRB project, must adhere to all statutory requirements and program regulations.*

A. Cost Benefit Analysis and Development Agreement. As per Kansas State Statute and in determination of whether tax abatements should be granted, the Governing Body shall examine the cost benefit to the City as per the criteria outlined in this policy and in the Live Salina Housing Plan.

A development agreement shall be drafted by the City's Bond Counsel.

B. Public hearing. The governing body must conduct a hearing on the proposed tax exemption as required by state law.

At the time of this policy's adoption, the notice of the required public hearing must be published at least once seven days before the public hearing in the official City/County newspaper and shall indicate time, place, and purpose of the hearing. In addition, the City Clerk must notify, in writing, the governing body of the city, county, and applicable unified school district.

C. Commission Action. The City Commission shall review the analysis of the cost and benefits and receive comments from the applicant, affected taxing districts, and the general public. At the conclusion of the hearing, the City Commission will take formal action on the application. Approval shall be in the form of a resolution.

#### **4. TERMS AND CONDITIONS**

In granting an IRB, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

#### **5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS**

Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.

## MODERATE INCOME HOUSING (MIH):

The State of Kansas' Moderate Income Housing (MIH) program serves the needs of moderate-income households that typically don't qualify for federal housing assistance. MIH grants are awarded to cities and counties for down payment assistance or to develop multi-family rental units, single-family for-purchase homes, and infrastructure in communities with populations fewer than 60,000 people. The shortages of safe, affordable housing have the greatest impact on our rural communities. In smaller communities across Kansas, the lack of housing is creating challenges in attracting and retaining residents. While employment opportunities are plentiful in many communities, housing options are not. The MIH program is designed to address these challenges. Salina meets the minimum requirements to apply for the MIH program and most certainly reflects the need for housing that the program is meant to address.

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## APPLICATION EVALUATION

### 1. BASIC CRITERIA FOR CONSIDERATION

#### Objectives:

- To serve the needs of moderate-income households that don't typically qualify for federal housing assistance.
- To develop multi-family rental units, single-family owner-occupied units, and any associated infrastructure
- Return on investment reviewed and acceptable to the City.

### 2. UNIT PRICE AND RENT ELIGIBILITY GUIDELINES

#### Objectives:

- To ensure that housing costs in projects are reasonably affordable to new households and the existing market
- To see identifiable and appreciable reduction of cost to the buyer / renter
- Owners or renters of the new units must have an income that falls within 60% to 150% of the AMI of Saline County

### 3. DESIRABLE PROJECT CRITERIA

If the proposed project creates a number of housing units that helps increase the number of affordable rental or owner-occupied housing units in the community that fall within the needed housing units identified in the Live Salina Plan and can demonstrate that the adoption of this incentive will reduce the cost of the product to the buyer or renter, the City Commission could approve the application for a MIH grant for the development project.

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## MIH REVIEW AND APPROVAL PROCESS

### 1. PRELIMINARY SCREENING

A. Applicant completes a preliminary screening application that describes the project with appropriate exhibits and narratives and documents compliance with the eligibility criteria of step 1- Basic Criteria for Consideration.

B. City staff will review the preliminary application for basic eligibility.

C. A pre-application meeting will be schedule with the City Mangers Office and the Director of Community and Development Services or their designees. If needed, the City’s legal counsel, bond counsel, and/or Financial Advisors may be present.

D. Based on the information provided by the preliminary application and the associated meeting, staff will review the information submitted and respond to the applicant regarding apparent eligibility. The response by City Staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Commission to favorable consideration or approval of a formal request for a permit fee waiver.

## **2. FORMAL APPLICATION**

### **Application Requirements**

If the project meets minimum qualifications, the Developer will submit a detailed application with the following information:

- Legal description and map of the proposed site.
- Names and addresses of the owners of record.
- Names, addresses, and interests of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, financial information, and narrative sufficient in detail to explain the project to the governing body.
- Any other information deemed necessary by the City.

## **3. CITY COMMISSION ACTION ON APPLICATION**

The City Commission shall review the proposal for the MIH application and receive comments from staff, the applicant, and the general public. At the conclusion of the meeting, the City Commission will take formal action on the authorization of the submission of the application.

## **4. AWARD ACCEPTANCE**

If authorized to apply and funding is awarded, the resolution adopted by the City Commission will also authorize the City Manager to accept the award and a grant agreement regarding administration of the grant and the relationship and obligations of the developer.

If awarded, the City will be involved in the grant administration by working alongside the developers to monitor reporting, compliance with regulations, and act as the gatekeeper for eligible activities and requests to disburse grant funds. A grant agreement between the Kansas Housing Resources Corporation (KHRC) and the City of Salina would need to be signed by the City Manager. The grant agreement defines the roles and responsibilities associated with the acceptance and management of the grant. This includes necessary documentation, timelines and dates, reporting requirements, and financial assurances and procedures.

## **4. TERMS AND CONDITIONS**

In authorizing the submittal of an MIH application, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

## **5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS**



Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.

## NEIGHBORHOOD REVITALIZATION PROGRAM:

The details of the Neighborhood Revitalization Program were adopted as part of the City's Neighborhood Revitalization Plan. The details have been included in the Housing Policy to bring all adopted housing incentives into one policy for developers and staff but the adopted resolutions are the governing code for this program. Please see Resolution Numbers 04-6028, 04-6029, and 04-6030 for more information.

## EVALUATION

Under the Neighborhood Revitalization Program (NRP), property owners have the opportunity to receive a property tax rebate on additional taxes levied as a result of eligible property improvements within the designated areas. The purpose of the tax rebate is to encourage both new construction and rehabilitation of existing buildings in identified redevelopment areas. The rebate is based on a formula applied to the added taxes paid resulting from the increased assessed value of the property after completion of improvements. The rebate ranges from 50% to 100% for the first five years and 25% to 50% for the next five years, depending upon the improvement and the increase in valuation.

### 1. BASIC CRITERIA FOR CONSIDERATION

**Residential:** Provided that they are located within approved geographic areas and in conformance with the City's adopted plan, all types of residential property are eligible except accessory structures such as detached garages and storage buildings. Improvements must cost \$10,000 or more and increase the assessed property value by at least 10% for residential property.

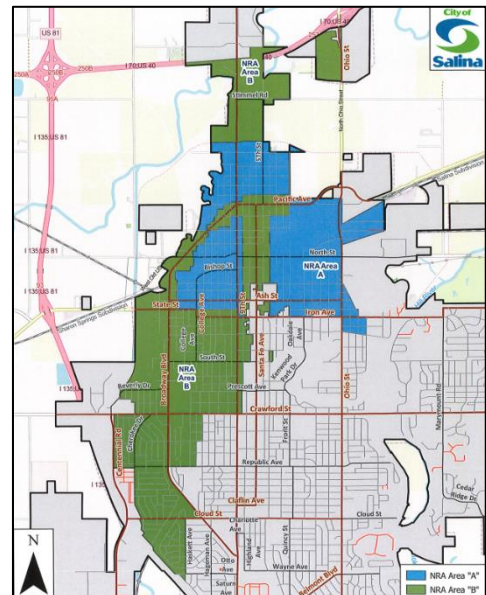
**Commercial:** Provided that they are located within approved geographic areas and in conformance with City's adopted plan, all types of commercial and industrial property are eligible except public utilities and railroads. Improvements must cost \$20,000 or more and increase the assessed property value by at least 20% for commercial and industrial property.

### 2. QUALIFIED IMPROVEMENTS

- New construction, rehabilitation, alterations, and additions

All of the above require a building permit. Improvements must comply with City codes and regulations [Resolution No. 04-6028, 6029, 6030]. *Applications must be filed within 60 days of building permit issuance.*

### 3. PROJECTS OF EXCEPTIONAL COMMUNITY SIGNIFICANCE



Applications for designation as a Project of Exceptional Community Significance shall be subject to City Commission review and approval utilizing the applicable plan criteria which are in effect at the time of review of an application:

- a) Provision of a minimum of 50 housing units or 40,000 square feet of commercial space;
- b) Demonstration of a significant blighting influence of the existing building and respective property on the surrounding neighborhood;
- c) Significant mitigation of blight demonstrated by minimum project investment of \$10 Million;
- d) Preservation and redevelopment of a National, State or Locally Designated Historic Landmark; and/or
- e) Demonstrated vacancy for a minimum of 5 years or underutilization for a minimum of 5 years demonstrated by significantly low levels of: residential and/or retail/commercial occupancy (primary and accessory storage uses excluded); levels of employment per square foot; employee wage rates relative to the Saline County average wage rate (non-retail); and/or retail / commercial sales activity per square foot.

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#### ELIGIBILITY FOR NRP

The following formulas shall be used for determining the rebate amount and number of years of rebate eligibility under the Neighborhood Revitalization Program.

NRP — ELIGIBLE RESIDENTIAL PROJECTS		
	YEARS 1-5	YEARS 6-10
A. Rehabilitation, alteration, or addition*	50% **	25%
B. New Structure	100%	50%

\* If the structure is at least 50 years old or has been vacant for at least five consecutive years, the rebate shall be 100% for years 1-5 and 50% for years 6-10.

NRP — ELIGIBLE COMMERCIAL/INDUSTRIAL PROJECTS		
	YEARS 1-5	YEARS 6-10
A. Rehabilitation, alteration, or addition*	75%	50%
B. New Structure	50%	25%

\*If the structure is at least 50 years old or has been vacant for at least five consecutive years, the rebate shall be 100% for years 1-5 and 50% for years 6-10.

#### ELIGIBLE PROJECTS OF EXCEPTIONAL COMMUNITY SIGNIFICANCE:

Projects designated by the City Commission as a Project of Exceptional Community Significance shall be eligible for a 95% rebate for 15 years.

**Note:** For each eligible project categories identified above, if an existing building on the site has been demolished with all required authorizations and permits, the property may be eligible under the program. If the demolition has occurred within the twelve months prior to application, the value of the demolished building shall be included when determining the value of the property tax increment created by the project. This shall be accomplished by use of the structure's prior value in determining the existing/base value, or alternatively by deducting the value of the demolished building from the final value of the new building.

\*\*The tax rebate formulas above shall be used to calculate an initial rebate amount for Years 1-5 and Years 6-10 which shall remain fixed during the 10 year rebate eligibility period.

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## ADMINISTRATIVE PROCEDURES FOR NRP

### 1. PRELIMINARY SCREENING

The City Manager or his designee shall have the administrative authority and discretion to approve or reject applications based on the standards and criteria in the Plan. In addition, if an applicant disagrees with the Finance Director's calculation of the rebate amount the Finance Director's determination may be appealed to the City Manager. The City Manager or his designee shall have the authority to make reasonable administrative guidelines and interpretations necessary in carrying out the Plan, consistent with its purpose. If an applicant is dissatisfied with the City Manager's decision, a written appeal may be submitted to the City Commission for final determination.

## RURAL HOUSING INCENTIVE DISTRICT (RHID):

The RHID is a tax increment instrument that allocates the added property tax revenues created by the project to retire the cost of eligible project-related costs. These include site acquisition, preparation, public improvements, and infrastructure. RHID proceeds cannot be used for actual construction of the project and may be allocated for a term up to a maximum of 25 years. RHIDs apply to both ownership and rental development or combinations thereof, and a variety of housing forms. RHIDs are most effective for projects with substantial front-end costs for land and site development.

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## APPLICATION EVALUATION

### 1. BASIC CRITERIA FOR CONSIDERATION

#### Objectives:

- To ensure that projects are of sufficient size and completed in time to address immediate housing needs.
- To provide special flexibility for projects in infill development areas
- To be eligible for RHID/IRB assistance a project must meet the following criteria:
- Be operational within three years of the date of application approval.
- Front end financing should be provided by the applicant through private placement or another financing arrangement. In unusual circumstances, other financing tools such as publicly issued revenue bonds, may be used at the sole discretion of the City.
- Return on investment reviewed and acceptable to the City.
- 20 unit minimum size for projects within the Neighborhood Revitalization Program (NRP) eligible area
- 50 unit minimum for all other projects

### 2. UNIT PRICE AND RENT ELIGIBILITY GUIDELINES

#### Objectives:

- To ensure that housing costs in projects are reasonably affordable to new households and the existing market
- To provide special flexibility for projects in infill development areas
- Ownership Units
  - Outside of NRP Eligible Area: Median price of units of \$250,000 or less for RHID eligibility; or 30% of all units priced below \$225,000.
  - Within the NRP Eligible Area: No maximum
- Rental Units
  - Outside of NRP Eligible Area: Median monthly contract rent at or below \$1.25/square foot for RHID eligibility; no maximum for IRB eligibility
  - Within the NRP Eligible Area: No maximum

### 3. DESIRABLE PROJECT CRITERIA

#### Objectives:

- To identify desirable project goals, features, and innovations
- To encourage projects to include these features by using length of tax allocation as an incentive

The third stage of evaluation assesses whether proposed projects achieve certain desirable performance or design criteria, based on public policy goals. Different criteria are weighted based on their relative importance and points are awarded based on this weighting. The weighted value of each applicable criteria should be totaled. That total weighted number identifies the length and terms appropriate for that application.

<b>OWNER-OCCUPIED PROPERTIES: PROJECT CRITERIA</b>			
<b>Criterion</b>	<b>Weighting</b>	<b>Inclusion</b>	<b>Points Awarded</b>
Location in Locally Designated Neighborhood Revitalization Program (NRP) Area <sup>1</sup>	3		
Gross Density above 4 units/acre	2		
New to Market Product such as small lot single-family, attached housing, owner-occupied duplex, townhome, rowhouse, or condominium	1		
Immediately available water and sewer service	1		
Unusual design quality or innovation (applicant to document innovation)	1		
30% or more units priced below \$225,000	2		
Provides desirable pioneer infrastructure or street improvement	1		
Includes walkable/bikeable design features (applicant to document)	1		
Includes rehabilitation or reuse of existing structures	2		
Proximity to parks and community services	1		
Mixes densities and housing types including rentals	2		
For subdivisions, having at least 50% of all proposed lots with full public improvements available for construction within 18 months of final project approval; for building projects, completing at least 50% of all units within 18 months of final project approval.	2		
<b>Total Points</b>			
Note 1- An area designated by the City of Salina eligible for tax abatements under the Neighborhood Revitalization Program. The boundaries of these areas may change from time to time. A current map of NRP designated areas is maintained by the Department of Community and Development Services.			
<b>ACCUMULATED POINTS FOR OWNER-OCCUPIED DEVELOPMENT:</b>			
<ul style="list-style-type: none"> <li>• 8 points or more: Up to 25 year tax allocation</li> <li>• 6-7 points: 20 year maximum tax allocation period</li> <li>• 4-5 points: 15 year maximum tax allocation period</li> <li>• 0-3 points: 10 year maximum tax allocation period</li> </ul>			

<b>RENTAL PROPERTIES: PROJECT CRITERIA</b>			
<b>Criterion</b>	<b>Weighting</b>	<b>Inclusion</b>	<b>Points Awarded</b>
Location in an NRP Eligible Area <sup>1</sup>	3		
Gross Density above 16 units/acre	1		
50% or more of units with rent below \$1.00/square foot	2		
20% or units have 3 or more bedrooms	1		
Mixes densities and building types and footprints	2		
Immediately available water and sewer service	1		
Unusual design quality or innovation (applicant to document innovation)	1		
Presence of resident amenities including useful open space	2		
Provides desirable pioneer infrastructure or street improvement	1		
Includes walkable/bikeable design features (applicant to document)	1		
Proximity to parks and community services	2		
Includes possibility of transition to ownership	2		
Located on infill development site generally surrounded by existing development	2		
Completion of and availability for occupancy of at least 50% of all units within 18 months of final project approval.	2		
<b>Total Points</b>			
Note 1- An area designated by the City of Salina eligible for tax abatements under the Neighborhood Revitalization Program. The boundaries of these areas may change from time to time. A current map of NRP designated areas is maintained by the Department of Community and Development Services.			
<b>ACCUMULATED POINTS FOR RENTAL DEVELOPMENT:</b> <ul style="list-style-type: none"> <li>• 8 points or more: Up to 25 year tax allocation</li> <li>• 6-7 points: 20 year maximum tax allocation period</li> <li>• 4-5 points: 15 year maximum tax allocation period</li> <li>• 0-3 points: 10 year maximum tax allocation period</li> </ul>			

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## RHID REVIEW AND APPROVAL PROCESS

### 1. DEFINING THE DISTRICT

A. Applicant completes a preliminary screening application that establishes the boundaries of the proposed district and documents compliance with the eligibility criteria of the evaluative steps 1 and 2 above.

B. City staff will review the preliminary application for compliance and will refer for review to the Incentive Review Committee. The Incentive Review Committee's membership will include the City Manager or his/her designee; the Director of the Department of Community and Development Services; the Saline County Administrator or his/her designee; and the Superintendent of USD 305 or his/her designee. The Committee will review and evaluate any housing incentive application that will require consideration by its Governing Body because of its impact on property taxes. The Committee has the ability to request additional information and conduct preliminary discussions with the project applicant or advocate and engage the outside professional consultants if necessary to assist it in its work. Committee records, including proposal submissions, may be maintained without public disclosure if allowed under

the Kansas Open Records Act. If there is no objection, staff will prepare a resolution finding the area eligible for designation as an RHID.

C. After publication in the official newspaper of the City of Salina, the Commission approves the resolution and supporting material and submits it to the State Department of Commerce for approval.

D. The Secretary of Commerce reviews and acts on the resolution.

## **2. DEVELOPMENT PLAN**

A. Following approval by the Secretary of Commerce, the City and the Developer/Applicant will prepare a Development Plan and Development Agreement package.

B. The Developer will submit the following information for the Development Plan:

- Legal description and map of the proposed district.
- Names and addresses of the owners of record.
- Names, addresses, and specific real estate interests in the district of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, and narrative sufficient in detail to permit evaluation of the project according to the factors displayed in Evaluation Step Three. This will help determine the permitted duration of allocation of incremental taxes.
- If the project requires a subdivision, preliminary plat drawings; if rezoning is required, appropriate applications.
- Existing assessed valuation of land and improvements within the RHID and estimated taxable value of the project after development.
- A financial analysis and feasibility study that includes development budget, sources of funding, and a project proforma. The financial analysis must show that value and resultant rebates are sufficient to fund the estimated RHID-eligible costs of the project and demonstrate that the project is not financially feasible without that level of RHID assistance.

### **C. Funding Agreement**

Completion and execution of a funding agreement is required in order for the formal application to be deemed complete and administered in accordance with this policy. The applicant is responsible for payment of other professional services including, but not limited to bond counsel, financial advisors, cost benefit analysis, development agreements, and any fees of the City Attorney incurred in connection with the issuance of bonds.

D. The City will review and assemble the Development Plan. During this stage, the City will prepare a draft development agreement establishing the mutual responsibilities of the parties. The Development Plan and Agreement will be referred it to the Incentive Review Committee for approval.

E. Following positive review by the Committee, the City Commission will act on a resolution setting a public hearing date for the Ordinance approving the RHID Development Plan and Agreement for not less than 30 days nor more than 70 days. The resolution and documents will be sent to all property tax funded entities for notification and review.

## **3. ADOPTION OF THE DEVELOPMENT PLAN**

A. On the appointed date, the Commission will hold a public hearing and subsequently act on the Development Plan and Agreement.

B. After approval, the County and the Unified School District have a 30 day period during which they can protest the creation of the RHID. Approval of a protest by the governing body of either entity will prevent the RHID from allocating added taxes to project related expenses. Such a protest does not prevent the development from moving forward without RHID assistance, any subdivision or rezoning approval, or the use of other potential incentives by the City of Salina.

#### **4. TERMS AND CONDITIONS**

In granting an RHID, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

#### **5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS**

Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.



## PERMIT FEE WAIVERS

### EVALUATION

Fees associated with building permits are adopted by the City Commission in the Comprehensive Fee Schedule and are reviewed annually through the budgeting process. Permit fee waivers have typically included the building permit, plan review, land disturbance permit, and water meter fees. As there is no way to predict the revenue that will be gained year to year by building permit fees, this incentive has low fiscal impact as the revenue generated is not allocated to a specific expense. This incentive is solely a local decision that allows the governing body to incentivize projects that will have a desirable outcome on the community.

#### 1. BASIC CRITERIA FOR CONSIDERATION

##### Objectives:

- To provide an additional incentive to make a project more viable for development
- To provide special flexibility for projects in both greenfield and infill development areas
- Return on investment reviewed and acceptable to the City.

#### 2. DESIRABLE PROJECT CRITERIA

The second stage of evaluation assesses whether proposed projects achieve certain desirable outcomes based on public policy goals. If the development project is expected to achieve any of the desirable outcomes below, the City Commission can decide whether to waive all normal building permit fees associated with the project, including the plan review and water meter fees.

FEE WAIVER DESIRABLE OUTCOMES
Construct new, quality owner or renter-occupied housing within the City that is deemed affordable to low and moderate income households
Construction or renovation of rental units that will have affordable rents targeted to individuals and families with low to moderate incomes
Other desirables outcomes that the Commission deems appropriate
<b>City Commission Action</b>
The City Commission may decide whether to waive all or some of the normal building permit fees associated with the project, including the plan review and water meter fees, depending on the desirable outcome(s) that are expected to achieve.

### REVIEW AND APPROVAL PROCESS FOR PERMIT FEE WAIVERS

#### 1. PRELIMINARY SCREENING

A. Applicant completes a preliminary screening application that describes the project with appropriate exhibits and narratives and documents compliance with the eligibility criteria of step 1- Basic Criteria for Consideration.

B. City staff will review the preliminary application for basic eligibility.

C. A pre-application meeting will be scheduled with the City Mangers Office and the Director of Community and Development Services or their designees. If needed, the City’s legal counsel, bond counsel, and/or Financial Advisors may be present.

D. Based on the information provided by the preliminary application and the associated meeting, staff will review the information submitted and respond to the applicant regarding apparent eligibility. The response by City Staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Commission to favorable consideration or approval of a formal request for a permit fee waiver.

## **2. FORMAL APPLICATION**

### **Application Requirements**

If the project meets minimum qualifications, the Developer will submit a detailed application with the following information:

- Legal description and map of the proposed site.
- Names and addresses of the owners of record.
- Names, addresses, and interests of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, and narrative sufficient in detail to explain the project to the governing body.
- Any other information deemed necessary by the City.

## **3. CITY COMMISSION ACTION ON APPLICATION**

The City Commission shall review the proposal for the project and fee waiver and receive comments from staff, the applicant, and the general public. At the conclusion of the hearing, the City Commission will take formal action on the application. Approval shall be in the form of a resolution.

## **4. TERMS AND CONDITIONS**

In granting a permit fee waiver, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

## **5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS**

Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.

## STATE PROGRAMS THAT REQUIRE GOVERNING BODY SUPPORT

The State of Kansas has incentive programs to help with different types of development projects including but not limited to adding rental units in downtown districts, renovating historic properties, or adding new units in either greenfield or infill developments. Oftentimes, the program used for incentives at the state level require some type of governing body support at the local level. The state has firm and pre-determined deadlines that must be met for applications and all applicants must communicate as early as possible with City staff to ensure that there is ample time for their request to be placed on the City Commission's agenda. The following policies and process below focus on how applicants can request governing body support for their incentive applications at the state level.

### KANSAS HOUSING INVESTOR TAX CREDITS (KHITC)

#### PROGRAM OVERVIEW

Kansas Housing Resources Corporation (KHRC) is a public corporation that administers federal and state housing programs on behalf of the State of Kansas. KHRC manages applications for the Kansas H.B. 2237 Tax Credit. This economic incentive is designed to reduce the income tax liability for housing investors proportional to the awarded credits. H.B. 2237 (Section 3 & Section 4) has \$13,000,000 available in tax credits for qualified housing projects located in counties of less than 75,000 residents. From the statute, depending on the population of the county, up to \$35,000 per unit in credit can be earned. KHRC will allocate credits to the investor – either the builder/developer or a qualified investor – once it has been made to the project. It is anticipated that credits will be sold for equity in the project, which will help pay for the project. Awards are for no more than a \$1,200,000 credit against the state income tax liability per project per year (Up to \$30,000 per residential unit and up to 40 units per project per year based on the population of Salina as of 2024). Qualified projects are evaluated and determined by KHRC in accordance with Section 42 of the federal internal revenue code.

Tax credits are provided through the Kansas Housing Investor Tax Credits (KHITC) program. The housing tax credit is independent of other programs and offers three application rounds throughout a year. Investors of housing projects can apply for tax credits even if the associated project has not applied for or been awarded MIH or other funds. Additionally, KHITC applications do not require the local governing authority to be the applicant. Applications are submitted directly by the developer(s)/builder(s) requesting tax credits. Applications require a resolution of support from the local governing authority to be included as part of their application to make the application valid.

#### 1. BASIC CRITERIA FOR CONSIDERATION

##### Objectives:

- To increase housing in the community
- To encourage new developments and infill housing opportunities
- To encourage investors to create new housing developments by providing support in the way of a Resolution of Support for a KHITC application
- Return on investment reviewed and acceptable to the City.

#### 2. DESIRABLE PROJECT CRITERIA

If the proposed project creates a housing product that helps decrease the shortage of quality housing and therefore potentially increases the future economic well-being of the City at a reasonable rate of return to the developer, a

KHITC Resolution of Support has been determined to be a tool to provide an additional financial incentive to encourage the private sector to construct or renovate housing in the City.

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## REVIEW AND APPROVAL PROCESS FOR KHITC

### 1. PRELIMINARY SCREENING

A. Applicant completes a preliminary screening application that describes the project with appropriate exhibits and narratives and documents compliance with the eligibility criteria of step 1- Basic Criteria for Consideration.

B. City staff will review the preliminary application for basic eligibility.

C. A pre-application meeting will be schedule with the City Mangers Office and the Director of Community and Development Services or their designees. If needed, the City’s legal counsel, bond counsel, and/or Financial Advisors may be present.

D. Based on the information provided by the preliminary application and the associated meeting, staff will review the information submitted and respond to the applicant regarding apparent eligibility. The response by City Staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Commission to favorable consideration or approval of a formal request for a permit fee waiver.

### 2. FORMAL APPLICATION

#### Application Requirements

If the project meets minimum qualifications, the Developer will submit a detailed application with the following information:

- Legal description and map of the proposed site.
- Names and addresses of the owners of record.
- Names, addresses, and interests of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, and narrative sufficient in detail to explain the project to the governing body.
- Any other information deemed necessary by the City.

### 3. CITY COMMISSION ACTION ON APPLICATION

The City Commission shall review the proposal for the project and receive comments from staff, the applicant, and the general public. At the conclusion of the hearing, the City Commission will take formal action on the application. Approval shall be in the form of a resolution of a support for the KHITC application.

### 4. TERMS AND CONDITIONS

In granting a resolution of support, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

### 5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS

Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.

## LOW INCOME HOUSING TAX CREDITS (LIHTC)

### PROGRAM OVERVIEW

The Tax Reform Act of 1986 established a tax credit to replace previous federal tax incentives for investment in low-income rental housing. The credit offers a reduction in tax liability to an investor in an eligible low-income residential housing development.

The Kansas Housing Resources Corporation (KHRC) is responsible for administration and allocation of the Tax Credit program for the State of Kansas. The State's LIHTC (Low Income Housing Tax Credit) program goals include leveraging the construction of more affordable rental housing in communities throughout the state of Kansas. These Tax Credits are designed to attract and secure private equity capital for the project by selling the tax credits to investors who wish to reduce and enhance the developers' debt financing.

The application requirements, selection criteria, overall process and required forms are described in greater detail in the KHRC document entitled Qualified Allocation Plan for 2018 Housing Tax Credit Program. One of the required elements of an application is a Resolution of Support from the local governing body. Applications will be considered without a Resolution of Support but applications that have a Resolution of Support may gain additional points in the project evaluation by KHRC.

### 1. BASIC CRITERIA FOR CONSIDERATION

#### Objectives:

- To increase the number of affordable rental housing units in the community
- To encourage the addition of those units by providing support in the way of a Resolution of Support for a LIHTC application
- Return on investment reviewed and acceptable to the City.

### 2. DESIRABLE PROJECT CRITERIA

If the proposed project creates a housing product that helps increase the number of affordable rental housing units in the community, a LIHTC Resolution of Support has been determined to be a tool to provide an additional financial incentive to encourage the private sector to construct or renovate housing in the City.

## REVIEW AND APPROVAL PROCESS FOR LIHTC

### 1. PRELIMINARY SCREENING

A. Applicant completes a preliminary screening application that describes the project with appropriate exhibits and narratives and documents compliance with the eligibility criteria of step 1- Basic Criteria for Consideration.

B. City staff will review the preliminary application for basic eligibility.

C. A pre-application meeting will be scheduled with the City Manager's Office and the Director of Community and Development Services or their designees. If needed, the City's legal counsel, bond counsel, and/or Financial Advisors may be present.

D. Based on the information provided by the preliminary application and the associated meeting, staff will review the information submitted and respond to the applicant regarding apparent eligibility. The response by City Staff shall in no way represent definitive findings or be seen as an expression of intent or obligation of the City Commission to favorable consideration or approval of a formal request for a permit fee waiver.

## **2. FORMAL APPLICATION**

### **Application Requirements**

If the project meets minimum qualifications, the Developer will submit a detailed application with the following information:

- Legal description and map of the proposed site.
- Names and addresses of the owners of record.
- Names, addresses, and interests of the Developers.
- Detailed description of the proposed project, including preliminary plans, a development program, and narrative sufficient in detail to explain the project to the governing body.
- Any other information deemed necessary by the City.

## **3. CITY COMMISSION ACTION ON APPLICATION**

The City Commission shall review the proposal for the project and receive comments from staff, the applicant, and the general public. At the conclusion of the hearing, the City Commission will take formal action on the application. Approval shall be in the form of a resolution of a support for the LIHTC application.

## **4. TERMS AND CONDITIONS**

In granting a resolution of support, the City Commission may impose any terms or conditions as deemed necessary to fulfill the purpose and intent of this policy and the Live Salina Housing Plan.

## **5. INACCURACIES OR MISSTATEMENTS BY APPLICANTS DURING THE PROCESS**

Any inaccuracy, misstatement of, or error in fact by the applicant or advocate during any part of the application, review, or approval process may render a project proposal null and void and may cause a repeal of any development assistance provided through any housing incentive granted by the City in reliance of such information.

<b>Policy Amendment and Adoption Record</b>		
<b>Date</b>	<b>Reso. #</b>	<b>Notes</b>
<b>10/28/2024</b>	24-8252	Update to include NRP, Permit Fee Waivers, MIH, KHITC, and LIHTC
<b>7/19/2021</b>	21-7971	Initial Adoption