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Salina, Kan.
1967

Analysis of the
**SALINA, KANSAS
HOUSING MARKET**

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410
NOV 30 1967

as of March 1, 1967

(A supplement to the October 1, 1965 analysis)

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

December 1967

ANALYSIS OF THE
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**Field Market Analysis Service
Federal Housing Administration
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Foreword

As a public service to assist local housing activities through clearer understanding of local housing market conditions, FHA initiated publication of its comprehensive housing market analyses early in 1965. While each report is designed specifically for FHA use in administering its mortgage insurance operations, it is expected that the factual information and the findings and conclusions of these reports will be generally useful also to builders, mortgagees, and others concerned with local housing problems and to others having an interest in local economic conditions and trends.

Since market analysis is not an exact science, the judgmental factor is important in the development of findings and conclusions. There will be differences of opinion, of course, in the interpretation of available factual information in determining the absorptive capacity of the market and the requirements for maintenance of a reasonable balance in demand-supply relationships.

The factual framework for each analysis is developed as thoroughly as possible on the basis of information available from both local and national sources. Unless specifically identified by source reference, all estimates and judgments in the analysis are those of the authoring analyst and the FHA Market Analysis and Research Section.

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ANALYSIS OF THE
SALINA, KANSAS, HOUSING MARKET
AS OF MARCH 1, 1967
(A supplement to the October 1, 1965 analysis)

Summary and Conclusions

The Salina HMA has passed the critical stage of the slump caused by the deactivation of Schilling AFB. The downward trends in employment and population have been halted, and the number of vacancies has declined during the past year. Since the closing of the base, the community has successfully attracted new industry, and the addition of several new plants has formed the basis of a more diversified manufacturing economy. The outlook is for continued gradual improvement during the next two years.

1. In January 1967, nonagricultural wage and salary employment totaled 13,450, or 100 jobs above the January 1966 level. The increase was comprised of a gain of 625 manufacturing jobs and a decline of 525 nonmanufacturing workers. The small gain in employment was significant only because it represented the first increase since the closing of the Air Force base in 1965. Average employment in 1966 was 1,225 workers below the 1964 average and 225 below the 1965 average. It is anticipated that expansion of new industries that have located in the area since 1965 will continue and that during the forecast period from March 1, 1967 to March 1, 1969, nonagricultural wage and salary employment will increase by about 300 jobs annually.
2. The estimated population of the Salina HMA as of March 1967 was 50,100 persons, up 3,000 from October 1, 1965. During 1966, dependents of military personnel assigned to duty in southeast Asia were offered housing at Schilling AFB and about 3,000 persons now occupy a portion of on-base housing units. These persons account for all of the population gain since October 1965. By 1969, the population of the HMA is expected to reach 51,500, an increase of 700 annually over the March 1967 total.
3. As of March 1967, there were an estimated 15,700 households in the HMA, a gain of about 950 since October 1965. Included in the total are about 735 households representing the 3,000 dependents of military personnel stationed in southeast Asia. The number of households is expected to increase by 200 annually over the next two years.
4. As of March 1967, there were approximately 18,800 housing units in the Salina HMA, an increase of only about 100 since October 1965. There were about 20 housing units under construction in the HMA in March 1967, of which 13 were single-family units and seven were apartment units.

5. There were an estimated 2,300 available vacant housing units for sale or rent in the Salina HMA as of March 1967. Of this total, 930 were available for sale and 1,370 units were available for rent, indicating homeowner and rental vacancy rates of 8.6 and 19.0 percent, respectively. These vacancy ratios are down from homeowner and rental vacancy rates of 11.0 percent and 27 percent, respectively, in October 1965. These percentages do not include vacant Capehart units (on-base) which are now fully occupied. Although vacancies have declined during the past year; both sales and rental vacancies remain far above those required for market balance.
6. As of March 1, 1967, the surplus of adequate vacant units available for sale and for rent was more than sufficient to satisfy the two-year quantitative demand for both single-family and multi-family units. Although it is anticipated that market conditions will improve during the forecast period, a complete correction of the market imbalance does not appear to be possible during the next two years, even if no new units are added. The available FHA-owned vacant rental units, among others, can serve to meet the needs which might be otherwise met through new construction with assistance in financing or in the acquisition, and cost of land. However, the disposal of the 735 Capehart units on-base(now occupied)will constitute a problem for the locality when they are no longer needed to house military families. The possible need for public low-rent housing and rent-supplement accommodations is not included in this appraisal of the market.

ANALYSIS OF THE
SALINA, KANSAS, HOUSING MARKET AREA
AS OF MARCH 1, 1967

(A supplement to the October 1, 1965 analysis)

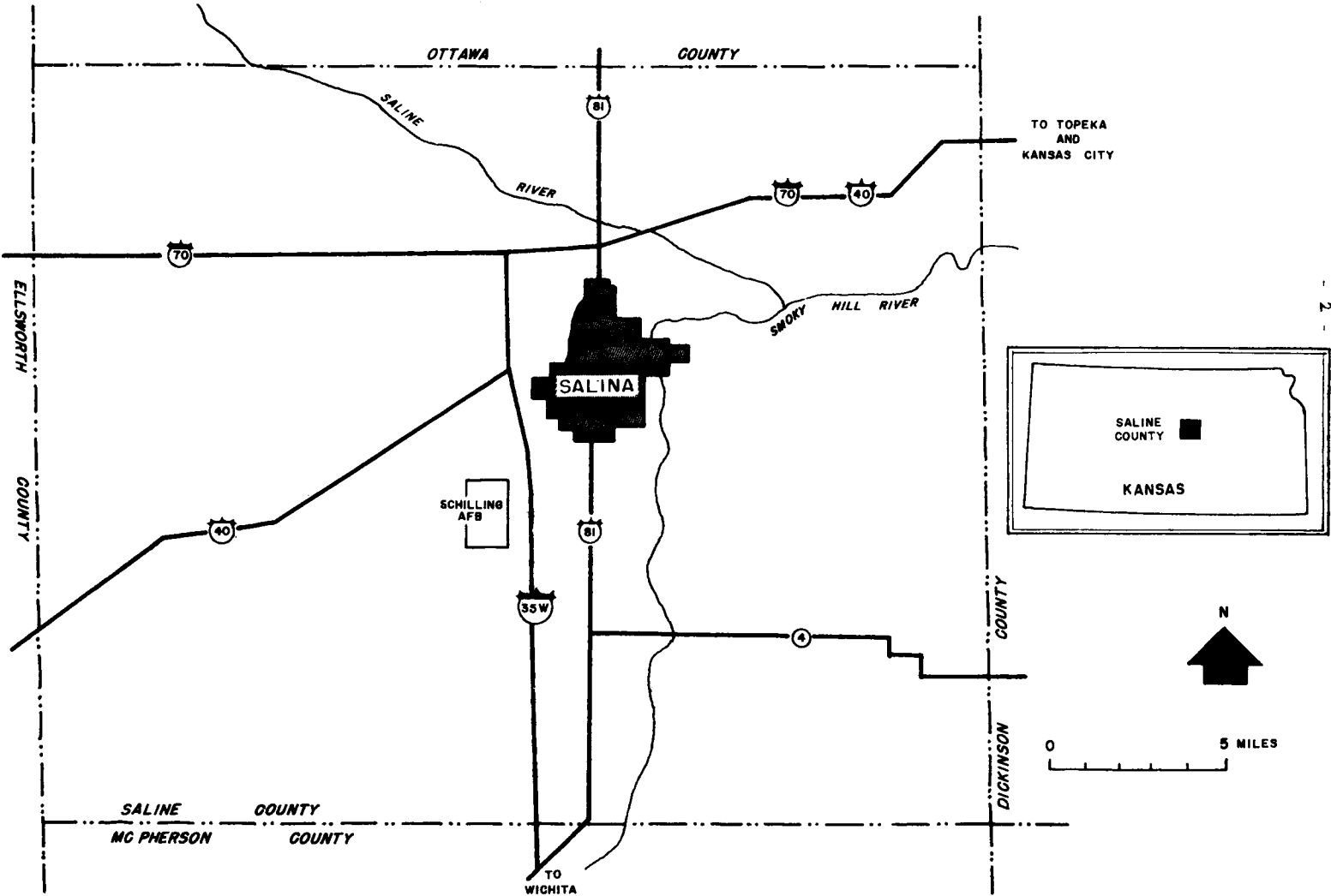
Housing Market Area

The Salina, Kansas, Housing Market Area (HMA) is coextensive with Saline County, Kansas. Saline County had a 1960 population of about 54,700^{1/}, approximately four-fifths of whom resided in the central city of Salina. Salina is a trade, service, and distribution center for the predominantly agricultural region of central and northwestern Kansas. The city is located 110 miles west of Topeka and 90 miles north of Wichita, near the geographic center of the contiguous 48 states.

Transportation service in the HMA is good. Interstate Highways 35 W and 70 and U.S. Highways 40 and 81 provide transcontinental highway accessibility. The completion of the Interstate Highway System will improve the position of Salina as a distribution center, and growth in the trucking industry currently is in evidence. Four railroads operate freight yards in Salina and one, the Union Pacific, provides daily passenger service. The Salina Municipal Airport has been relocated at the deactivated Schilling AFB, greatly expanding the potential for handling commercial air traffic. Central Airlines currently has nine daily scheduled flights connecting with major airlines in Kansas City, Denver, and Oklahoma.

^{1/} Inasmuch as the rural farm population of the Salina HMA constituted only five percent of the total population in 1960, all demographic and housing data used in the analysis refer to the total of rural farm and nonfarm data.

SALINA, KANSAS, HOUSING MARKET AREA



Economy of the Area

Character and Recent History. In November 1964, the Department of Defense announced that Schilling AFB would be deactivated by June of 1965. At the time of the base closing, military and military-connected personnel and their dependents comprised nearly one-fourth of the population of Saline County. The loss of a segment of the community which had been a mainstay of business activity was felt severely. Since the base closing, the community has sought new industry, with some success. The addition of a Beech Aircraft plant, a Westinghouse fluorescent light bulb plant and several smaller establishments has formed a more diversified manufacturing base.

Work Force

During 1966, the civilian work force in the Salina HMA (Saline County) averaged 16,650 persons, reflecting a decline of 575 since 1965 and continuing the downward trend which resulted in a reduction in the work force of 2,600 persons since 1961.^{1/} Withdrawals from the work force from 1961 through 1964 occurred, principally, because of the out-migration of construction workers and technicians on completion of their work at the Atlas missile sites. The work force average for 1965 or 17,225 was 1,375 below that of 1964, indicating that the large decline occurred at the time of the closing of Schilling AFB.

Employment

Current Estimate. In January 1967, nonagricultural wage and salary employment totaled 13,450, or 100 jobs above the January 1966 level (see table I). The current level of wage and salary employment reflects a gain of 625 manufacturing jobs and a decline of 525 in non-manufacturing since January 1966. The increase in manufacturing employment resulted from new industries which have entered the HMA in the past year. The largest firm is the Salina Division of the Beech Aircraft Corporation; there also are several new firms employing fewer persons. Partially offsetting these gains, there was a decline of 50 workers in food and kindred products manufacturing. Most of the decline in nonmanufacturing employment from January 1966 to January 1967 was in contract construction. The decline in building activity is temporary; there are several commercial and public building projects scheduled to begin in the spring of 1967. Services declined 125 from January 1966 to January 1967.

^{1/} Work force and employment data are available on a comparable basis only since 1961.

Past Trend. Average nonagricultural wage and salary employment decreased from about 14,750 in 1964 to 13,525 in 1966, a reduction of 1,225 jobs during the period. Wage and salary employment losses of 1,000 jobs in 1965 and 225 in 1966 are attributed almost entirely to the deactivation of Schilling AFB.

Trend of Nonagricultural Wage and Salary Employment
Salina, Kansas, HMA
1964-1967

| <u>Year</u> | <u>Manu- facturing</u> | <u>Nonmanu- facturing</u> | <u>Total</u> | <u>Change from previous year</u> |
|--------------------|----------------------------|-------------------------------|--------------|--|
| 1964 | 1,800 | 12,950 | 14,750 | - |
| 1965 | 1,500 | 12,250 | 13,750 | -1,000 |
| 1966 ^{a/} | 1,600 | 11,925 | 13,525 | -225 |
| <u>January</u> | | | | |
| 1966 | 1,450 | 11,900 | 13,350 | |
| 1967 ^{a/} | 2,075 | 11,375 | 13,450 | 100 |

^{a/} Preliminary data.

Source: Kansas Employment Security Division.

Distribution by Major Industry. Of the January 1967 total of 13,450 non-agricultural wage and salary employees, 2,075 (15 percent) were employed in manufacturing industries (see table I). Although the proportion is low compared with the national average (30 percent in 1965), there has been a significant increase since January 1966, when 11 percent of all workers in the Salina HMA held manufacturing jobs. The increase in the relative importance of manufacturing activities reflects the success of recent attempts to establish a more diversified industrial economy in the Salina HMA.

The Kansas Employment Security Division divides manufacturing employment in the Salina area into only two industry categories--food and kindred products and "other" manufacturing. There has been a persistent decline in food processing since 1964; employment averaged 650 in 1966, 275 fewer jobs than in 1964. The decline has occurred principally in flour milling firms. Changing technology and the fact that wheat now is milled into flour nearer to areas of consumption has reduced employment in the local mills. Employment in "other" industries declined by 175 from 1964 to 1965, but this classification has accounted for the recent growth with a gain of 250 jobs from 1965 to a 1966 average of 950 and rising further to a level of 1,425 in January 1967.

The average of 11,925 nonmanufacturing workers in 1966 is the lowest in the past three years. Average nonmanufacturing employment has declined each year since 1964. Government employment averaged 2,200 in 1964 but declined by 425 in 1965 and by 275 in 1966. The major part of the decline represented federal employees working at the air base. Most were assigned to other areas and have left the Salina HMA. The loss of these workers in the past two years has not resulted in job losses in trade and services. The 1966 average of 4,150 jobs in trade is down only 75 from the 1964 total. Employment in services increased by 50 jobs to a 1966 average of 2,900. Jobs in contract construction declined from 1,575 in 1964 to 1,400; most of the decrease resulted from cutbacks in residential construction. The transportation, communications and utilities industries lost jobs between 1964 and 1966, while employment in the other nonmanufacturing categories has remained relatively stable since 1964. In January 1967, as compared with January 1966 and 1966 averages, modest changes were recorded upward for government employment and downward for both trade and services. A sharp reduction in construction employment may partly be a reflection of weather conditions but also reflects continued low levels of residential building.

Principal Employment Sources

The major share of the industrial growth in the past year has occurred at the air base. The Salina Airport Authority was formed to manage the base facilities and to lease industrial sites. The authority currently is utilizing the runways and hangars for a municipal airport. A number of buildings have been converted to educational uses and should be beneficial to future community development. Schilling Institute, with an enrollment of 90 students, is providing training on an advanced technical level. A high school level vocational school is training about 200 students. The base medical facilities are being used as a rehabilitation center to provide medical treatment and training to men and women injured in industrial accidents or otherwise physically handicapped.

During the first year of operation the Salina Airport Authority has experienced notable success in attracting new industry. The largest firm in the Salina area is the Salina Division of the Beech Aircraft Corporation. In February 1966, Beech Aircraft leased the five largest available buildings on the air base. The transfer to the Salina Division of the fabrication facilities for wing assemblies of 13 Beechcraft models was accomplished from June to October 1966. The Salina Division is now the second largest plant in the Beech industrial complex. Management sources expect growth during the forecast period.

While the acquisition of Beech Aircraft was the outstanding achievement of the first year of operation of the authority, a number of smaller firms also have leased buildings in the airport industrial area. Mid American Steel initiated a foundry operation. Craddock Uniforms moved in and, currently, is engaged in the production of band uniforms. Custom Metals rented a building and began the manufacture of mobile home components. In addition, there are several local engineering and construction firms.

The Westinghouse Electric Corporations Fluorescent Lamp Plant, the newest addition to the Salina industrial base, is scheduled to begin production in April 1967. Initially, the plant will manufacture bulbs from glass tubing made elsewhere; once the assembly process has been tested, however, glass furnaces at this plant will begin producing tubing. The management reports that the firm cannot operate with fewer than 100 employees. It is expected that about 60 to 70 percent of the employees at Westinghouse will be women.

Unemployment

During 1966, unemployment averaged 350 persons, 2.1 percent of the work force, reflecting a decline of 150 unemployed persons since 1965. The low levels of unemployment recorded during the last three years, a period of declining employment, indicate (1) that workers left the area when their jobs were terminated and (2) that many people voluntarily removed themselves from the work force by not registering for work. These factors are reflected in the declining work force. Many of the jobs eliminated were held by transferred military personnel as second jobs and by their dependents. The industrial expansion of recent months has absorbed many of the trainable workers in the area, and there now is evidence of a labor shortage in certain occupations.

Employment Prospects

It is anticipated that the improvement in the Salina economy which began in 1966 will continue during the two-year period from March 1967 to March 1969. It is likely that, for the first time during the post-1960 period, there will be gains in both manufacturing and nonmanufacturing employment. The major share of the increase in manufacturing employment will result from the initial hiring of personnel at the new Westinghouse plant and from planned expansion at Beech Aircraft. There are several firms in the area which plan small additions to their work forces.

The decline in nonmanufacturing employment resulting from the closing of the air base has slowed, and there are indications that there will be some increase over the next two years. Contract construction employment will be stimulated by local civic and commercial building programs. However, the increase in the number of construction workers cannot be considered permanent because most workers will be transients who will leave the area when the projects are completed. Increases in nonmanufacturing employment are expected in the trade and the service categories as the result of improved business conditions in the Salina HMA.

On the basis of the considerations discussed, nonagricultural wage and salary employment is expected to increase by about 300 jobs annually over the next two years. The current level of reported unemployment (at 300) indicates that the present supply of labor will not be adequate to meet the demand of local employers, particularly since many of the unemployed persons lack required skills. It is expected that there will be additions to the work force from present population, especially reflecting an increase in the number of women employed, and that there will be some in-migration of workers from rural areas of Kansas.

Demographic Factors

Population

HMA Total. The deactivation of the air base in 1965 resulted in the out-migration of the military and much of the military-connected population; an estimated 21 percent of the total population left the HMA at the time, resulting in a decline in local population from the January 1965 estimated population of 60,000 to only 47,100 in October 1965. During 1966, the in-migration of approximately 3,000 military dependents of personnel assigned to duty in southeast Asia, who moved into the vacant on-base housing quarters, reversed the downward trend in military-connected population. This in-migration accounted for an over-all increase of 3,000 since October 1965 to a March 1, 1967 estimated total of 50,100. Improved local economic conditions have resulted in stability for the civilian population total during 1966, with some net shift in civilian population from outside the city to inside.

Salina and the Remainder of the HMA. The population of Salina as of March 1967 was estimated at 39,700, up from about 38,650 in October 1965. The trend of population change in Salina has paralleled that of the HMA as a whole. There was a decline at the time of the base closing, but population has increased during the past year.

The population in the remaining areas of the HMA now is estimated at 10,400, a net gain of about 2,000 since October 1965. Population in the area declined from about 11,500 in April 1960 to an estimated 8,450 in October 1965. The net increase since 1965 occurred during 1966 and was the result of the 3,000 military dependents who moved into the vacated housing at Schilling AFB.

The following table presents trends in the total population of the HMA since April 1960.

Trend of Population Change Salina, Kansas, HMA April 1, 1960-March 1, 1969

| <u>Date</u> | <u>Population</u> | <u>Change from preceding date</u> |
|-----------------|-------------------|---------------------------------------|
| April 1, 1960 | 54,715 | - |
| October 1, 1965 | 47,100 | -7,600 |
| March 1, 1967 | 50,100 | +3,000 |
| March 1, 1969 | 51,500 | +1,400 |

Sources: 1960 Census of Population.

Future Population Growth. It is anticipated that the population of the Salina HMA will increase by an average of 700 annually to a total of 51,500 by March 1969. The increase in population is projected on the basis of the expected employment increase and on the assumption that the employment participation rate will rise as a result mainly of the increased hiring of females. It is likely that the military-connected population will not change during the next two years unless the practice of housing dependents at Schilling AFB is discontinued. There may be some increase in the number of students living in barrack accommodations at the Schilling Institute.

Households

HMA Total. As of March 1, 1967, there were an estimated 15,700 households in the Salina HMA. From April 1960, when the census enumerated 16,200 households in the area, total households increased to about 17,500 in January 1965 and subsequently declined to an estimated 14,750 in October 1965. Since October 1965, households have increased by about 950. As mentioned in the section on population the largest part of the increase in households (735) consisted of the military dependents who have entered the area.

Salina and the Remainder of the HMA. In March 1967, there were 12,800 households in the city of Salina and an estimated 2,900 in the remainder of the HMA. The number of households in Salina declined from 13,500 in 1960 to an estimated 12,450 in October 1965. The closing of the air base resulted in a decline from 2,725 households in 1960 to about 2,300 in October 1965 in the remaining areas of Saline County. The increase since 1965 has resulted from the in-migration of military dependents and some increase in the number of households in areas adjacent to Salina.

The following table presents trends in households in the HMA since 1960 and a projection to March 1969.

Trend of Household Change
Salina, Kansas, HMA
April 1, 1960-March 1, 1969

| <u>Date</u> | <u>Households</u> | <u>Change from preceding date</u> |
|-----------------|-------------------|---------------------------------------|
| April 1, 1960 | 16,201 | - |
| October 1, 1965 | 14,750 | -1,450 |
| March 1, 1967 | 15,700 | +950 |
| March 1, 1969 | 16,100 | -400 |

Sources: 1960 Census of Housing.
1965, 1967, and 1969 estimated by Housing Market
Analyst.

Household Size Trends. The departure of the military population in 1965 significantly reduced the average size of households, estimated at 3.11 persons in March 1967, down from 3.21 in 1960. It is not likely that there will be an appreciable change in the average size of households during the next two years. Average household size is larger in areas outside Salina. This reflects the influence of the large families residing in on-base housing units at Schilling AFB, and the fact that a higher proportion of large families typically live in rural areas. In March 1967, the average number of persons per household was estimated at 3.01 in Salina and at 3.55 persons in the remainder of the HMA.

Future Household Growth. Based on the expected employment and population growth, a stable household size, and on the assumption that military-connected population will remain constant, the number of households in the HMA is expected to reach 16,100 by March 1969, an average gain of 200 annually over the forecast period. Nearly all of the household growth is expected to occur in Salina.

Housing Market Factors

Housing Supply

As of March 1, 1967 there were approximately 18,800 housing units in the Salina HMA. The current estimate is only slightly above that of October 1, 1965, when there were an estimated 18,700 housing units in the HMA. The increase since 1965 is attributed to the construction of about 100 units. Inventory losses resulting from demolitions, conversions-out and other causes have been offset by an increase in mobile homes. Between April 1, 1960 and October 1, 1965, the number of housing units in the Salina HMA increased from about 17,300 to 18,700, a gain of 1,400 (8 percent).

Residential Building Activity. Reflecting the deactivation of Schilling AFB, construction volume as measured by building permits totaled 35 units in 1965. At that time construction was limited to a few houses built on contract for owner-occupants. Improved economic conditions resulted in an increase to 70 units in 1966; the majority were custom-built homes priced above \$20,000. The housing units authorized by building permits since 1964 are summarized by type of structure in the following table.

Units Authorized by Building Permits by Type of Structure
Salina, Kansas, HMA
1964-1967

| <u>Year</u> | <u>One unit</u> | <u>Two units</u> | <u>Three or more units</u> | <u>Total units</u> |
|----------------------|---------------------|----------------------|--------------------------------|------------------------|
| 1964 | 114 | 6 | 10 | 130 |
| 1965 | 34 | - | - | 34 |
| 1966 | 62 | 2 | 7 | 71 |
| <u>Jan. to March</u> | | | | |
| 1966 | 5 | - | - | 5 |
| 1967 | 4 | - | - | 4 |

Sources: U. S. Bureau of the Census, C-40 construction reports.
Local building inspectors.

Units Under Construction. Based on the results of the postal vacancy survey, which enumerated residences and apartments under construction, and on building permit data, it is judged that there were about 20 units under construction in February 1967. The total includes about 13 single-family units and a seven-unit multifamily project. Nearly all of the residential units under construction were located in the south and east fringe areas of Salina.

Demolitions. There have been approximately 150 residential units lost from the inventory since October 1965 as a result of demolition, conversions-out and other causes. On the basis of planned urban renewal activity and the initiation of a building code enforcement program, it is estimated that about 150 units will be demolished during the two-year forecast period ending March 1, 1969. The total may be larger if the Northeast Industrial Park urban renewal project reaches the execution stage within the next two years.

Tenure of Occupancy

As of March 1, 1967, about 63 percent (9,850) of the occupied housing units in the HMA were owner-occupied and 37 percent (5,850) were renter-occupied (see table II). The increase in home ownership from 59 percent in 1960 to 66 percent in 1965 reflected the out-migration of military families. The decline since 1965 has resulted from the in-migration of the military dependents who constitute renter households. There has been a continued trend toward homeownership by nonmilitary-connected households, and it is likely that the proportion of owner-occupied units will increase slightly over the next two years.

Vacancy

Postal Vacancy Surveys. A postal vacancy survey was conducted in February 1967 by the Salina Post Office. The survey enumerated about 15,550 possible deliveries, equal to about 83 percent of the current housing inventory (see table III). At the time of the survey, about 2,265 units were vacant (14.5 percent of the units surveyed); 1,675 were vacant residences, 12.3 percent of all residences surveyed, and 590 were vacant apartments, 28.7 percent of all apartments surveyed. Also included in the survey were 560 trailers, of which 15 (2.7 percent) were vacant.

The results of similar postal vacancy surveys conducted in September 1965 and November 1964 are shown in the following table. Although it is evident that the major share of the increase in vacancies occurred during 1965, the out-migration of military families had begun in 1963 and by November 1964, prior to the deactivation of the air base, vacancy levels were markedly above those reported in the 1960 census.

Post Office Vacancy Survey Summaries
Salina, Kansas

| | Vacant units | | |
|------------|-------------------------|--------------------------|-------------------------|
| | November <u>1964</u> | September <u>1965</u> | February <u>1967</u> |
| Residences | 720 | 2,575 ^{a/} | 1,675 |
| Apartments | <u>390</u> | <u>740</u> | <u>590</u> |
| Total | 1,110 | 3,315 | 2,265 |

a/ Includes 550 vacant Capehart units which were held off the market; these are included in the total of 735 on-base units. These units were occupied by military dependents in February 1967.

Source: Postal vacancy surveys conducted by the Salina postmaster.

It is important to note that the postal vacancy survey data are not entirely comparable with the data published by the Bureau of the Census because of differences in definition, area delineations, and methods of enumeration. The census reports units and vacancies by tenure, whereas the postal vacancy survey reports units and vacancies by type of structure. The Post Office Department defines a "residence" as a unit representing one stop for one delivery of mail (one mailbox). These are principally single-family homes, but include row houses, and some duplexes and structures with additional units created by conversion. An "apartment" is a unit on a stop where more than one delivery of mail is possible. Although the postal vacancy survey has obvious limitations, when used in conjunction with other vacancy indicators the survey serves a valuable function in the derivation of estimates of local market conditions.

Current Estimate. Based on the results of the postal vacancy survey, (adjusted for incomplete coverage and converted to census concepts) and on information obtained in the Salina HMA, it is judged that as of March 1, 1967 there were 2,300 available vacancies in the HMA, an over-all vacancy rate of about 13 percent. Total available vacancies included about 930 units available for sale and about 1,375 units available for rent, indicating an 8.6 percent homeowner vacancy rate and a 19.0 percent renter vacancy rate. It is estimated that about seven percent of the available sales vacancies and about 22 percent of the available rental vacancies lack one or more plumbing facilities. The current estimate of available vacancies reflects the large reduction that has occurred since the postal vacancy survey conducted in September 1965. The 735 Capehart units now occupied by military dependents have accounted

for much of the decline. The March 1967 estimate reflects an adjustment downward to delete vacant units in urban renewal areas which are not available for occupancy. Vacancies have declined in the south and east sections of Salina where the most desirable housing is located. Although the surplus of housing units has been reduced during the past year, the sales and rental vacancy levels indicate that the market remains saturated with excess housing, particularly in the lower price and rent ranges. The outlook is for continued improvement during the next two years; however, it is not likely that market balance will be restored during that period.

Sales Market

General Market Conditions. As indicated by the current sales vacancy ratio (8.6 percent) and the low volume of single-family residential construction, the market for sales housing in the Salina HMA is very weak. There has been improvement in the past year as evidenced by the reduction in the number of sales vacancies, the increased activity in sales of existing houses, and the small increase in the number of new homes built during 1966. In addition, the number of foreclosures has declined substantially in recent months. All of those factors indicate that the most critical stage of the slump is over, and local brokers and realtors are confident that the market will continue to improve gradually during the forecast period.

The imbalance in the local sales market evolved after a period of rapid growth in the late fifties when military and the related economic activities were at a peak and residential construction volume was large. Although there was a moderate surplus of housing at the time of the 1960 census, building activity remained strong through 1962. Beginning at that time, the condition of the sales market began to deteriorate, culminating with the deactivation of the air base in 1965. The closing of Schilling AFB had the effect of adding nearly 1,000 vacant single-family houses to an inventory that was then somewhat overbuilt. At that time, vacancies increased in all areas of Salina, but the excess of houses was largest in the south and southwest sections of the city; those two areas contained most of the military families. Few military or military-connected families resided in east Salina. That section was affected least by the closing of the base and has been the first to recover. The decline in sales vacancies during 1966 was largest in the south and central sections of the city. The southern area contains many of the newer homes. Houses in the central section are relatively old, but generally are in good condition. The availability of a substantial number of good quality vacant houses in these two areas has stimulated upgrading of housing by residents moving from other sections of the city. A large proportion of the vacancies

in north and northwest Salina are in poor condition and the majority are not competitive with sales vacancies in other areas of the community.

Unsold Inventory Surveys. The weakness of the sales market which developed in the early 1960's was illustrated by the FHA unsold inventory survey of January 1964. The survey covered nine subdivisions with five or more completions and revealed that 43 percent of the 150 houses built speculatively in 1963 remained unsold as of January 1964. Of the 65 unsold houses, 40 had been on the market for more than six months. The most serious problem was in the lower price ranges; all but six of the unsold houses were priced below \$20,000. Reflecting the reduced construction volume in 1964, the unsold inventory survey of January 1965 counted 73 completions in nine subdivisions with five or more completions in 1964. All were speculatively built and 26 percent had not been sold at the time of the survey. As is indicated by the surveys of January 1966 and 1967, the effect of the deactivation of the air base has been to limit construction to a few houses in the high price ranges, most of which were presold.

FHA Foreclosures. As of January 31, 1967, the Topeka Insuring Office had 680 acquired properties in the Salina HMA. During the month of January seven properties were acquired and 21 were sold, resulting in a net reduction of 14 properties. During 1966, the inventory of acquired properties declined by 104 properties from 798 to 694. The areas of greatest improvement were east of the U.S. Highway 81 bypass, where the total number of units on hand declined from 160 at the start of the year to 75 as of December 31, 1966. The sales prices of the acquired inventory range from \$2,500 to \$9,000 for units located in west and northwest Salina and from \$13,000 to \$19,000 for houses in the south section of the city. Sale prices of houses in other areas of the community vary within these two limits. The majority of the units are in good condition.

Foreclosures were a problem as early as 1961; however, virtually all of the properties now on hand have been acquired since 1964. That the most critical period is over is evident from the fact that total foreclosures declined from about 500 in 1965 to 200 in 1966. Also, the disposition of houses exceeded acquisitions during 1966 and the trend toward reducing the inventory has continued into 1967. FHA and local sources are confident that, with the exception of one area formerly occupied by military households, improvement will continue to be reflected in the reduced rate of foreclosures and the increased disposition of properties during the next two years.

Other Foreclosure Data. As of March 1, 1967, the Veterans Administration had about 940 guaranteed loans in the Salina HMA. Approximately 170 of these houses have been turned back to the Veterans Administration.

Rental Market

General Market Conditions. The out-migration of the military population created an excess supply of rental units which has left the rental market in the Salina HMA extremely soft. The number of rental vacancies declined during the past year, but the supply of available units remains sufficiently large to preclude complete absorption during the forecast period. Salina has not developed as an apartment project area, and multifamily unit construction has been limited, consisting, for the most part, of small structures of two to five units each located in suburban neighborhoods. A large proportion of the rental housing inventory is comprised of old single-family structures or large structures that were converted from single-family to multifamily occupancy. Rents are low and, in many instances, a three-room apartment rents for less than \$60 a month. Vacant units of this type were occupied by lower grade airmen who since have been reassigned to other areas. It is likely that the poor condition and general obsolescence will result in many of these units being gradually filtered out of the available inventory. In addition, numerous converted basement and garage-type accommodations previously occupied by airmen have ceased to be offered for rent.

About 740 houses were built under the provisions of special legislation in the early 1950's; these were occupied predominately by renter families. The FHA now owns 450 of these units and is considering methods for disposition of the properties. The houses generally are in good condition and are available for immediate occupancy. Most contain two-bedrooms and shelter rents range from about \$60 to \$70 a month. Another group of about 100 units which are newer and have three bedrooms also are available for rent, but the FHA ultimately intends to sell them individually. Houses in this latter group are the most desirable and will be absorbed more readily than the two-bedroom units. Unless the condition of the rental market improves beyond expectations, the smaller two-bedroom units will continue to be a problem. As of March 1967, the 735 on-base housing units were occupied and, as mentioned previously, the future utilization of these houses will depend on the continuation of the Department of Defense policy to house dependents of military personnel in them.

Urban Renewal

The city of Salina has two urban renewal projects. The Civic Center project is in execution and the Northeast Industrial Park project is in the planning stage.

The Civic Center(Kansas R-26) project, a two-block area in the north central section of Salina, is bounded by Elm Street on the north, Seventh Street on the east, Ash Street on the south, and Ninth Street on the west. The demolition of 35 structures involving the relocation of about 60 families began in March 1967, and clearance will be completed by June 1967. The proposed re-use of the site is for a city-county office building, a public library, off-street parking, and open space for parks and recreation.

The Northeast Industrial Park (Kansas R-29) project is located on the northern fringe of Salina and is bounded by the Union Pacific Railroad on the north, Ohio Street on the east, Elm Street and the Smoky Hill River on the south, and Fourth Street on the west. The project area contains approximately 220 residential units which are, for the most part, substandard or in a deteriorating condition and have been scheduled for demolition. The area will be used to promote industrial development.

Public Housing

There are no low-rent public housing projects in the Salina HMA. There are 735 units of rental housing owned by the Department of Defense on Schilling AFB, presently occupied by families of airmen assigned to duty in Viet Nam. Disposal of these units will constitute a problem for the locality whenever there may be major changes in Viet Nam and other over-seas conditions affecting the location of airmen families.

Demand for Housing

Quantitative Demand

Demand for additional housing in the Salina, Kansas, HMA is primarily a function of the projected level of household growth, estimated at 200 annually during the forecast period from March 1, 1967 to March 1, 1969. Adjustments are made to reflect demand occasioned by the demolitions planned in the area as a part of urban renewal activity and housing lost from the inventory by fire and other causes. Available to meet the need for housing are approximately 750 adequate vacant sales units and 800 competitive vacant rental units that are in excess of the number which would represent a satisfactory demand-supply relationship in the market. This excess of vacant units is more than sufficient to satisfy the estimated two-year quantitative demand for both sales housing and multifamily units, excluding the need for public low-rent housing and rent-supplement accommodations.

A complete correction of the market imbalance is not anticipated during the forecast period, even if no new housing is built. There will be a limited demand, however, for a few new houses by families who wish to upgrade their housing standards. That demand should be met by construction for predetermined owner-occupants in the price range above \$18,000. Speculative building should be avoided completely. By deferring the construction of houses in the lower price ranges, the disposition of acquired properties will be facilitated and the vacant houses that are of good quality will be absorbed more readily.

Based on the rate at which new renter households will be formed in the HMA during the forecast period, and on the large number of available rental vacancies, no additional multifamily units are required. Turnover in the existing rental inventory resulting from efforts on the part of renter families to upgrade their housing will not be as significant as in the sales market because a large proportion of the rental housing vacated at the time the base was closed was of poor quality. Many of the better quality rental units that were vacated were occupied by nonmilitary families who remained in the area. Also, a large number of the renter families living in substandard units lack sufficient income to upgrade their living standards. The available FHA owned vacant rental units, among others, can serve to meet the needs which might otherwise be met through new construction with assistance in financing or in the acquisition and cost of land.

Table I

Total Work Force Components and Employment by Type of Industry
Salina, Kansas, HMA, 1964-1967
 (annual averages)

| | <u>1964</u> | <u>1965</u> | <u>1966^{a/}</u> | <u>January</u> | |
|---------------------------|---------------|---------------|--------------------------|--------------------------|--------------------------|
| | | | | <u>1966^{a/}</u> | <u>1967^{a/}</u> |
| Civilian work force | <u>18,600</u> | <u>17,225</u> | <u>16,650</u> | <u>16,525</u> | <u>16,450</u> |
| Unemployed | 525 | 500 | 350 | 550 | 450 |
| Percent of work force | 2.8 | 2.9 | 2.1 | 3.3 | 2.7 |
| Employed | <u>18,075</u> | <u>16,725</u> | <u>16,300</u> | <u>15,975</u> | <u>16,000</u> |
| Agricultural | 950 | 875 | 850 | 675 | 725 |
| Nonagricultural | <u>17,125</u> | <u>15,850</u> | <u>15,450</u> | <u>15,300</u> | <u>15,275</u> |
| Wage and salary | <u>14,750</u> | <u>13,750</u> | <u>13,525</u> | <u>13,350</u> | <u>13,450</u> |
| Manufacturing | <u>1,800</u> | <u>1,500</u> | <u>1,600</u> | <u>1,450</u> | <u>2,075</u> |
| Food and kindred products | 925 | 800 | 650 | 700 | 650 |
| Other manufacturing | 875 | 700 | 950 | 750 | 1,425 |
| Nonmanufacturing | <u>12,950</u> | <u>12,250</u> | <u>11,925</u> | <u>11,900</u> | <u>11,375</u> |
| Contract construction | 1,575 | 1,450 | 1,400 | 1,375 | 1,000 |
| Trans., comm., & utils. | 1,425 | 1,350 | 1,300 | 1,300 | 1,300 |
| Wholesale & retail trade | 4,225 | 4,100 | 4,150 | 4,100 | 4,050 |
| Fin., ins., & real estate | 625 | 625 | 625 | 600 | 625 |
| Services | 2,850 | 2,900 | 2,900 | 2,900 | 2,775 |
| Government | 2,200 | 1,775 | 1,500 | 1,550 | 1,575 |
| Mining | 50 | 50 | 50 | 75 | 50 |
| All other ^{b/} | <u>2,375</u> | <u>2,100</u> | <u>1,925</u> | <u>1,950</u> | <u>1,825</u> |

^{a/} Preliminary data.

^{b/} Includes self-employed, domestic workers in private households, and unpaid family workers.

Source: Kansas Employment Security Division.