

EXECUTIVE SUMMARY
ECONOMIC ANALYSIS OF THE
SMOKY HILL RIVER RENEWAL MASTER PLAN

Salina Downtown, Inc., on behalf of the Friends of the River, engaged ConsultEcon, Inc. to conduct an economic and impact analysis of the Smoky Hill River Renewal Master Plan. This report uses as a baseline the past, current and anticipated, socioeconomic conditions of Salina, Saline County and the region as a whole, and reflects the economic and social benefits that the investments in and improvements to the river can create.

MARKET AND ECONOMIC CONTEXT

Salina is a central city in Saline County in central Kansas with a large geographic market area. Overall, the market and economic assessment indicates a strong but slow growing local economy, with industrial diversification and significant locational advantages due to interstate traffic volume and regional connectivity. The Master Plan has the potential to impact positively the following three attributes of Salina's market and economic context:

- ◆ **Downtown and Neighborhood Revitalization** - Historical development patterns have moved away from the downtown and neighborhoods adjacent to the Smoky Hill River to south Salina near the highway interchanges. The downtown has seen some recent development activity and proposed developments support the continued renaissance of the downtown as an important destination in Salina. Investments in the river as proposed in the Master Plan have the potential to invigorate downtown and river neighborhood markets, as well as spur redevelopment and reinvestment in the city's historic core.
- ◆ **Next Generation Workforce** - Long-term population projections indicate Saline County's population will grow slowly if historical trends in migration continue to occur. In addition, based on current demographic trends, the population will proportionally contain more residents over 55 and fewer residents between 35 and 54. To reverse this trend a key demographic group that the community needs to retain and attract is families of working age adults with children. Attracting this demographic group is a workforce development strategy that helps to address reports that some business CEOs are worried about where they are going to find the next generation workforce. Creating a new recreational and community quality of life amenity such as the one envisioned in the Master Plan will enhance the community's appeal and overall marketability to the next generation workforce.
- ◆ **Visitor economy / Destination Development** – The visitor economy in Salina is currently heavily influenced by pass through traffic, as reflected by the concentration of new hotel developments by the highway interchanges. There are no hotel rooms in the downtown or river area. However, many key destination demand generators in events and entertainment are located in the downtown and river area. Additional hotel rooms, as well as shopping, dining and entertainment along the river would further enhance the area's destination marketability.

MASTER PLAN

The Smoky Hill River Renewal Master Plan is an ambitious plan that calls for public and private investment focused on re-establishing the Old Channel of the Smoky Hill River. In addition to extensive improvements to the river's infrastructure, the Master Plan encompasses related public infrastructure improvements to streets, bridges, utilities, and parkland, and extensive private development opportunities. Land uses identified in the Master Plan include residential, commercial, cultural and recreational uses. These uses represent an estimated 1.6 million square feet of new or renovated building area.

The following summarizes the economic impacts of full Master Plan implementation and build out, the economic impacts due to re-watering the river only, and the impact of maintaining the status quo.

ECONOMIC IMPACTS OF FULL MASTER PLAN

Construction Period Impacts

Construction of river infrastructure, trails, and other elements identified in the Smoky Hill River Renewal Master Plan will result in a positive impact on the Regional (State of Kansas) economy during its construction period. The economic impacts are based on the total estimated development project cost outlined in the Master Plan. The total economic impacts due to project construction are estimated at the state level and would occur over the entire development period. They include:

- ◆ Total economic impacts would include approximately \$165.6 million in expenditures (economic activity) in the State economy, of which approximately \$52.9 million would be wages and salaries.¹
- ◆ An estimated 1,306 total person-years of employment² (including the direct project-related employment and indirect and induced employment) are estimated to be supported due to project development. Much of this statewide direct impact would occur in the Salina area, which is the locus of the expenditure.
- ◆ In addition, the \$52.9 million of earnings would support approximately \$1.3 million in direct, indirect, and induced income taxes.

Real Estate Impacts

The proposed Smoky Hill River project has the potential to impact real estate in Salina in a variety of ways. These include increased values for properties adjacent and in proximity to the river, and – more importantly for the downtown Salina context – the potential for redevelopment. A major river amenity will encourage development in and around the downtown and older neighborhoods that have not received as much recent investment as other areas of Salina.

¹ All estimates presented in current dollar values. Total economic impacts include direct, indirect and induced expenditures, wages and income, and employment. Construction impacts are assumed to occur on a one time basis, in aggregate for analytic purposes. In reality economic impacts of construction would be realized over a multi-year period, according to the phase of project development and construction.

² Total jobs include full time and part time employment, assumed to be in ratio with the distribution of jobs between actual full time and part time for regional and local economies as a whole.

The development of the Smoky Hill River has the potential to increase property values by an estimated \$11.6 million for private properties within 1/4 mile of the river. This analysis takes into account the increase in property values due to proximity to the river only. If redevelopment of properties and improvement in properties should occur, then there would be additional increases in property values and associated property tax impacts above and beyond those evaluated.

Impacts due to Private Developments

There is significant associated private development proposed in the Master Plan. Based on the construction cost method of appraisal, the private improvements in the two largest areas³ slated for development in the Master Plan, if build out as envisioned, would be valued in excess of \$50+/- million, over 5 times current appraised value of properties. The economic impacts associated with this private development are substantial and would encompass development and construction expenditures, new jobs for construction, new maintenance and operations expenditures by tenants and real estate managers, and new maintenance and operations jobs. Unless tenants and businesses were to be recruited from outside of Salina, the households, tenants and businesses would likely be recruited from within Salina and Saline County, and therefore, would not be counted as new economic impact due to the private development. Other private development may occur outside of these areas, and not necessarily proposed as part of the Master Plan.

Impacts due to Operations

As it attracts visitors from resident and visitor markets, the ongoing operations of the Smoky Hill River will form a stream of economic benefits to the Local (Saline County) and to the Regional (State) economies. Much of the spending due to Smoky Hill River operations will be net new to Salina as well as to the state as a whole. That is, it will include new economic activity for the economic units being evaluated. The total on-going annual economic impacts of the Smoky Hill River include:

- ◆ **Local Saline County Impacts** – As the multiplier effect works its way through the local economy, the net direct economic activity due to Smoky Hill River project will generate a total annual impact estimated at \$18.9 million in expenditures, of which \$5.5 million in wages will be generated, and 242 total jobs will be supported in the Saline County.
- ◆ **Regional Statewide Impacts** – As the multiplier effect works its way through the regional (State of Kansas) economy, the direct economic activity due to Smoky Hill River project will generate a total annual impact estimated at \$14.5 million in expenditures, of which \$4.2 million in wages will be generated, and 184 total jobs will be supported in the state. At the statewide level, these effects include the support of jobs and economic activity in Saline County and outside these areas. However, Saline County economic activity estimated above will not be fully a subset of the statewide economic activity, as there is assumed to be some substitution of spending from other areas of the

³ The Downtown Mixed Use Development area and the Kenwood Park South are two areas identified for major private development in the Master Plan. The current appraised value of private properties in these areas totals \$8.8 million.

state to the Saline County. However, in all, the project offers substantial benefits to other areas of the state as well as the local area.

Fiscal Revenue Impacts

The development of the Smoky Hill River will generate net new tax revenues for the City of Salina, Saline County and the State of Kansas. In total, this analysis of sales hotel and property tax has identified the potential to generate annually approximately \$114,000 to USD 305, \$279,000 to the City of Salina; \$160,000 to Saline County and \$556,000 to the State of Kansas.⁴

Other Community Benefits

Beyond its potential to create direct and multiplier effects on the local and state economies, the Smoky Hill River will contribute additional community benefits. These include:

- ◆ **Redevelopment of the Riverfront, Downtown and Adjacent Areas** - Salina's waterfront is a principal asset; but it is now hidden in many places, with limited public access. In some areas, it is blighted, with foul odors and garbage present. Revitalizing the river has the potential to remove unsightly blight and spur redevelopment in adjacent areas. The public investment in the river infrastructure will encourage additional private investment. Recent and proposed investments in downtown Salina indicate market support for revitalization of older neighborhoods in Salina. Re-watering the river has the potential to reinforce these investments, thereby strengthening the downtown real estate market overall.
- ◆ **Expanded Educational Opportunities** – The Smoky Hill River will expand formal and informal educational opportunities at schools, in parks, and elsewhere along the riverfront. These educational benefits will lead to greater stewardship of the riverine environment and advancement of knowledge of water quality issues. Partnerships with educational institutions will create new opportunities for lifelong learning and help to position Salina as a knowledge community.
- ◆ **Enhanced Recreational Opportunities and Enjoyment of Nature** – The Smoky Hill River project will expand the network of trails in the community and increase public access to the river. These investments will contribute to the health and wellness of Salina's citizens through additional activity outdoors help them better enjoy nature in an urban setting.
- ◆ **Expansion of the Visitor Economy and Infrastructure** - The Smoky Hill River project will contribute to the expanded profile of Salina as a visitor destination, thus benefiting the area overall. The new riverfront and associated developments provide an additional destination for inducing “pass-through” travelers and travelers to the Central Kansas to include Salina in their itinerary. It will also encourage extended stays by visitors to Salina. The Smoky Hill River project has the potential to be a stimulus to visitor economy revenues in Salina, making a significant contribution to the community's visitor economy goals and economy.

⁴ Fiscal revenue due to property taxes does not include those from major private developments, only increased value of properties due to their proximity to the river.

- ◆ **Quality of Life** - The quality of life benefits of the Smoky Hill River project may have the most profound and long-lasting impacts on the community. This project will improve community self-esteem and citizenship by becoming a source of community pride and identity. The Smoky Hill River project will enhance Salina as a place to live, work and play, thus improving all aspects of the local economy and community.

ECONOMIC IMPACTS OF RE-WATERING THE RIVER

The economic impact evaluation above is focused on the economic impact of the fully implemented Smoky Hill River Renewal project. However, many of the benefits of the project would be realized subsequent to the re-watering of the river, which is a critical first step in project implementation that is the basis for the entire project. The following is a discussion of the potential economic impacts of re-watering the river, based on the economic impact evaluation of the full project.

- ◆ **Impacts due to Construction** – The economic impacts and fiscal revenues due to construction are proportional to the total amount expended for project development (not including the allowance for water rights and land acquisition). Therefore, for example, if the total expenditures due to project development were 10% of the total project cost in the Master Plan, each of the categories of impacts (i.e. direct, indirect and induced and total expenditures, earnings and employment, and state income taxes) would be 10% of those estimated.
- ◆ **Real Estate Impacts** – There are two primary categories of real estate impacts due the Smoky Hill River Renewal project: increased value of properties due to their proximity to the river and increased value due to improvement of properties through redevelopment and new development. Because re-watering the river is central to creating public access and removing river related blight that exists currently, which is likely a detriment to property values, all of the property value increases within 1/4 mile of the river would be realized through the re-watering. Access to and enjoyment of the river is the most important factor in enhancing property values and the ongoing and planned development of the trails along the old channel would reinforce the community's investment in re-watering.
- ◆ **Economic Impacts of Ongoing Operations** – The full development of the project creates a multi-use destination with ample opportunities for spending related to a visit to the River. The economic impacts due to net new visitor spending in the community would be very limited, or negligible, with a re-watering of the river. However, it is likely to assume that re-watering the river would support the expansion of the local economy in the following ways:
 - Enhanced river trail development and increased trail utilization by local residents
 - Park concession opportunity to rent canoes and kayaks
 - Lakewood middle school learning laboratories
 - Potential increase in operations for utilities, parks and recreation and school district

- ◆ **Fiscal Revenue Impacts** – Because they are directly linked to net new visitor spending, sales and hotel taxes would not be generated. Property taxes, however, would apply, generating annually \$3,000 to the State of Kansas, \$68,000 to Saline County, \$51,000 to the City of Salina, and \$114,000 to USD 305.
- ◆ **Other Community Benefits** – As with the full build out, there would be other benefits but they may not initially be as significant with just the re-watering of the river.

ECONOMIC IMPACTS OF STATUS QUO

The Old Channel of the Smoky Hill River represents significant past investment in infrastructure and future investment potential. There is a cost to maintaining the status quo, or managing the Old Channel as it has been managed and operated in the past. When evaluating alternatives as part of an environmental impact assessment, the status quo alternative is called the no build or no action alternative. In reality, however, the current river infrastructure and other public infrastructure such as streets, bridges and roads identified as a part of the Master Plan require ongoing action, including maintenance and operations and regular capital improvements. Capital, operations and maintenance budgets established in existing city plans and city departmental budgets may be partially if not wholly allocated to river maintenance. The Old Channel is an important and underutilized water, sewer, storm water and flood control resource that if not maintained properly has the potential to become even more blighted than it is currently. Aligning and integrating existing city operating and capital resources towards the comprehensive plan for improvements and ongoing operations in the Smoky Hill River is a proactive strategy to public infrastructure management. The opposite approach of piecemeal implementation often reacts to emergencies that may be more costly than managing the resource to its fullest potential with integrated planning and incremental development.

IMPLEMENTATION

The City of Salina is the best suited entity to implement the Master Plan, especially in the near term. For a community the size of Salina, the implementation of the Master Plan is a large undertaking and would represent expenditure of public and private funds over many years. Yet, it also represents a significant economic impact that may have a transformative effect on the community. While the total project cost would appear to be large, the cost of individual and discrete plan elements is more affordable, allowing for funds to be mobilized as they become available and enabling plan implementation in stages. An analysis of the project costs indicates that the types of infrastructure improvements related to the Master Plan are the same types of public infrastructure that the City of Salina invests in on a regular basis through its capital improvement program. Therefore, discrete projects as proposed in the Master Plan may have the potential to be undertaken as a part of ongoing capital improvements.

The city needs to take the lead now as it relates to re-watering the river and aligning the planned river improvement projects with the current capital improvement program. Over time as the project is implemented the need may arise to create a river or water or utilities authority, board or commission to focus city, county, and community volunteer energy and effort on implementation planning and construction projects related to the Master Plan. At the time, the city and its river partners will need to complete a review of alternative governance models to manage and maintain

river improvements in subsequent phases of the project development. This quasi-public entity would have the potential to take a broad approach to water management and riverfront development in order to proactively manage water resources efficiently and cost effectively in times of water scarcity and plenty.

The underlying rationale for the Smoky Hill River Renewal Master Plan is the notion of bringing the water flow back, or re-watering the river. Without this re-watering context, other Master Plan projects would not be appropriate. Therefore, regardless of the additional projects in the first phase of Master Plan implementation, re-watering the river is a critical first step. While not achieving the full economic impacts of full project implementation, re-watering the river will lead to significant economic and community benefits, support the river's trail development and increase usage of the river, remove river-related blight, and spur re-investment in adjacent areas.