

OVERVIEW

The challenge faced by Murphysboro are similar to most rural communities: there is still a notable gap between the cost to develop housing and the purchase prices and rental rates developers can expect to receive for new or redeveloped units. Lack of quality entry-level and mid-priced housing is an impediment to attracting and retaining a local workforce, thus affecting their growth potential for business and the community as a whole.

To determine development solutions to support new and renovated housing development, Alchemy Community Transformations reviewed and leveraged existing reports and conducted new research to create assumptions for total number of units. Analysis assessing blighted properties helped identify potential sites for redevelopment in existing neighborhoods and new development surrounding the community. The resulting housing action plan will include recommendations for how best to use existing development tools and create new options to achieve Murphysboro's goals.

PAST STUDIES

As with many communities experiencing unmet housing demand, the City of Murphysboro has produced reports that either included housing as a component or were focused exclusively on this topic. The Alchemy Team reviewed the recently adopted comprehensive plan to help frame our analysis and inform estimates of current housing trends and demand.

Comprehensive Plan (2018)

The purpose of a comprehensive plan is to be a guide that establishes a community vision with a set of goals that will shape policies and initiatives over a 10 to 20-year time period. As part of this process, nearly 800 people or 10% of the population participated in a community survey that included questions on town character, quality of life, planning for tomorrow, community involvement, recreation, public safety, and quality of services. One of the "perceived strengths" highlighted the benefit of "small, single-family homes [which] are desirable for the future", however, lack of code enforcement and blighted properties/abandonment were noted as "perceived challenge" facing Murphysboro.

As part of the plan, a vision was created along with value statements. The statement most focused on housing is:

*As a community we value a clean, well maintained community; a charming and vibrant downtown; and **stable neighborhoods**.*

Population Trends

- Population of Murphysboro has been decreasing since its peak in 1970 (see table below)
- 2018 population estimates expect a 6.2% decline
- According to the plan, population is projected to decrease to 7,423 in 2020 and to 6,918 by 2031

Table 1: Population Trends 1970 - 2018

YEAR	POPULATION	GROWTH / DECLINE
1970	10,013	-
1980	9,866	-1.5%
1990	9,176	-7.0%
2000	13,295	44.9%
2010	7,970	-40.1%
Est. 2018	7,477	-6.2%

Source: US. Census Bureau

Housing

- 29% of the housing units in Murphysboro were built in 1939 or earlier
- 83% of the housing units were built before 1980
- Only 29 housing units were built since 2010
- 58% of housing is owner-occupied versus 42% renter-occupied
 - o Jackson County – 52% owner / 48% renter
 - o United States – 64% owner / 36% renter
 - o US Department of Housing and Urban Development considers a ratio of 65% owner-occupied to 35% renter occupied as a balanced housing market
- 13% of housing units are vacant in Murphysboro compared to 17.5% for Jackson County and 10% at the state level
- Households with children decreased from 29% in 2000 to 22% in 2010
- Households with individuals 65 and older increased from 28% in 2010 to 31% in 2016
- Seniors living alone increased from 15% in 2010 to 17% in 2016

Goals and Strategies

Below are the goals and strategies from the comprehensive plan that emphasize housing and development and are most relevant to this process:

Goal LU 1: Promote growth primarily in existing, underdeveloped residential, commercial, and industrial areas within the city limits, where adequate public facilities are already available.

LU 1.1 Reduce the pressure for development in outlying areas by promoting and incentivizing a variety of housing options on currently vacant sites within the city limits.

Goal N 2: Invest in established neighborhoods.

N 2.1 Promote infill development.

N 2.3 Work with Jackson County and other entities in the region to offer Property Maintenance and Reinvestment Programs in Murphysboro.

Goal N 3: Maintain high standards of maintenance of existing housing.

N 3.1 Continue proactive enforcement of building and zoning codes and use of an occupancy permit system and building codes.

N 3.2 Promote high-quality rental properties.

Implementation Table/Action Agenda

Below are the action steps from the comprehensive plan that emphasize housing and development and are most relevant to this process:

Minor Home Repair Small Grants. Partner with the other organizations, such as Habitat for Humanity, to provide a small grant program for minor home repairs (e.g., appliance repair, gutter cleaning, plumbing or carpentry repair, brush clearing, lot maintenance, and paint touch ups).

Block Challenge Grant. To stimulate homeowner reinvestment, owners in selected areas who are willing to invest their own money in exterior upgrades can receive matching grant assistance. To make this program effective, several homes on the same block need to participate—a minimum of five—and the project should be a 1:1 or 1:2 match. This program could be funded with the Community Development Block Grant (CDBG), a long-running Department of Housing and Urban Development program, or funding from local foundations and corporations.

Code Enforcement. Hire a code enforcement officer.

HOUSING CHALLENGES

The list of challenges below was developed through a thorough review of past studies and extensive interviews with key stakeholders in Murphysboro. While not exhaustive, these are the top issues that can be addressed through intervention by the city and other local partners.

1) Blighted and abandoned homes

Blighted housing was identified multiple times as a top issue by participants from the community visioning. Blight can be defined as properties that are vacant, abandoned, boarded up, dilapidated, or poorly maintained. Besides being an eyesore for neighbors, blighted properties directly impact a community's sense of pride, lower a visitor's impression of the community, potentially contribute to increased crime rates, and decrease surrounding property values. Even though they contribute little to no property taxes, blighted properties still require equivalent city maintenance costs as other structures, including waste cleanup, pest control, police, and fire.

The report, "[Understanding the True Costs of Abandoned Properties: How Maintenance Can Make a Difference](#)," estimates that each property costs roughly \$155,000 in its first year.¹

2) Barriers to Developers/Investors

The problem lies in the cost gap; in other words, the cost to build new housing does not equal the return on investment to sell or rent this product. For this reason, a majority of new development is being built in communities much larger than Murphysboro such as neighboring Carbondale.

Another barrier that may impact a developer's ability or desire to build in a community is the local permitting process. A community that seeks growth need to make the process of investing in the local housing market as transparent, predictable, and competitive as possible. The alternative is these developers will follow the path of least resistance to unincorporated Jackson County or nearby cities that may be more challenging to get permitted but result in a higher return on investment.

3) Buyers' purchasing challenges

Stakeholder feedback and statistical analysis have identified challenges Murphysboro buyers face in affording for-purchase housing. Whether it is insufficient resources to afford a down payment, difficulty qualifying for traditional housing loans, or becoming cost-burdened by mortgage payments requiring more than 30% of their monthly income, these issues cause weaknesses in Murphysboro's ability to transition residents from rental units to owner-occupied housing.

The National Association of Homebuilders conducted a study in 2017 to determine the average construction cost for a single-family home across the country. Their study looked at 4,267 homes builders. The study found that the average home size was 2,776 square feet with an average lot size of 11,186 square feet. The study found that **the average cost of a new construction home is estimated to be \$237,760 or a cost of \$88 per square foot of finished construction.** If a buyer chooses to make a 5% down payment (typically the minimum amount allowable), a home at this price would require an upfront investment of \$11,888. The remaining mortgage balance would be \$225,872. A mortgage with the dynamics listed below would cost the Murphysboro buyer \$1,963 per month.

Table 2: Estimated Monthly Payment (PITI)* - New Construction

Principal & Interest	\$983
Property Taxes <i>Calculated for Murphysboro, Jackson County property taxes</i>	\$653
Homeowners Insurance	\$233
PMI insurance <i>Required for down payment less than 20%</i>	\$94
Total Monthly Payment	\$1,963
<i>*30-year fixed loan at 3.25% w/ 5% down payment</i>	

Source: Nerdwallet mortgage calculator and Navy Federal Mortgage Loan Calculator

The \$1,963 monthly housing payment estimate helps to understand the cost of a new home, but who can afford a house at this price point? Housing costs that account for more than 30% of a household’s overall income, it is considered cost burdened. To avoid this issue, household incomes should be at least \$78,520 to afford a new home priced at \$237,760 with the current dynamics (i.e. down payment, interest rates).

Table 3: Gross Income Required to Afford - New Construction

Home Price	\$237,760
Monthly Payment (PITI)	\$1,963
Monthly (30% of income)	\$6,543
Annual Household Income Required	\$78,520

As seen in the following table, the annual cost of a new construction home is beyond the reach of the average Murphysboro household. In fact, **83.5% of Murphysboro households earn less than \$75,000 per year and would be cost burdened if they attempted to finance a newly constructed home.**

Table 4: Median Household Income (2017)

	Murphysboro	Jackson County	State of Illinois
Median household income:	\$36,086	\$36,008	\$61,229
Mean household income:	\$48,859	\$56,162	\$85,262

Source: American Community Survey via US Census

Let’s compare the scenario for new construction homes to the purchase of existing homes in Murphysboro sold in the same ten-year period. The estimated average sale price was \$65,000. A home at this price in the City of Murphysboro would require a minimum 5% cash down payment which is an investment of \$3,250. The remaining mortgage balance would be \$61,750. A mortgage with the dynamics listed below would cost the Murphysboro buyer \$668 in total monthly outlays.

Table 5: Estimated Monthly Payment (PITI)* - Existing Home

Principal & Interest	\$269
Property Taxes <i>Calculated for Murphysboro, Jackson County property taxes</i>	\$140
Homeowners Insurance	\$233
PMI insurance <i>Required for down payment less than 20%</i>	\$26
Total Monthly Payment	\$668
<i>*30-year fixed loan at 3.25% w/ 5% down payment</i>	

Source: Nerdwallet mortgage calculator and Navy Federal Mortgage Loan Calculator

Based on both mean and median household incomes, the average Murphysboro household would be able to afford an existing house, but the challenge stakeholders reported is that many existing homes major require renovation work or else do not have the features and amenities that appeal to a modern buyer. Additional financing may be necessary to make the necessary improvements.

Table 6: Gross Income Required to Afford - Existing Home

Home Price	\$65,000
Monthly Payment (PITI)	\$668
Monthly (30% of income)	\$2,227
Annual Household Income Required	\$26,720

Housing Demand: Development Scenarios

Development scenarios aid in the process of determining the level of financial support needed to address the housing challenges in Murphysboro. Scenarios were created to estimate the number of houses that could be constructed or redeveloped to meet demand resulting from one or more of the following factors: 1) the expectation that workers currently commuting into Murphysboro would choose to live in the city if quality housing was available; 2) new demand created from businesses hiring additional workers who prefer to live close to their place of employment; and 3) raze or redevelop dilapidated housing units.

Baseline Data and Assumptions

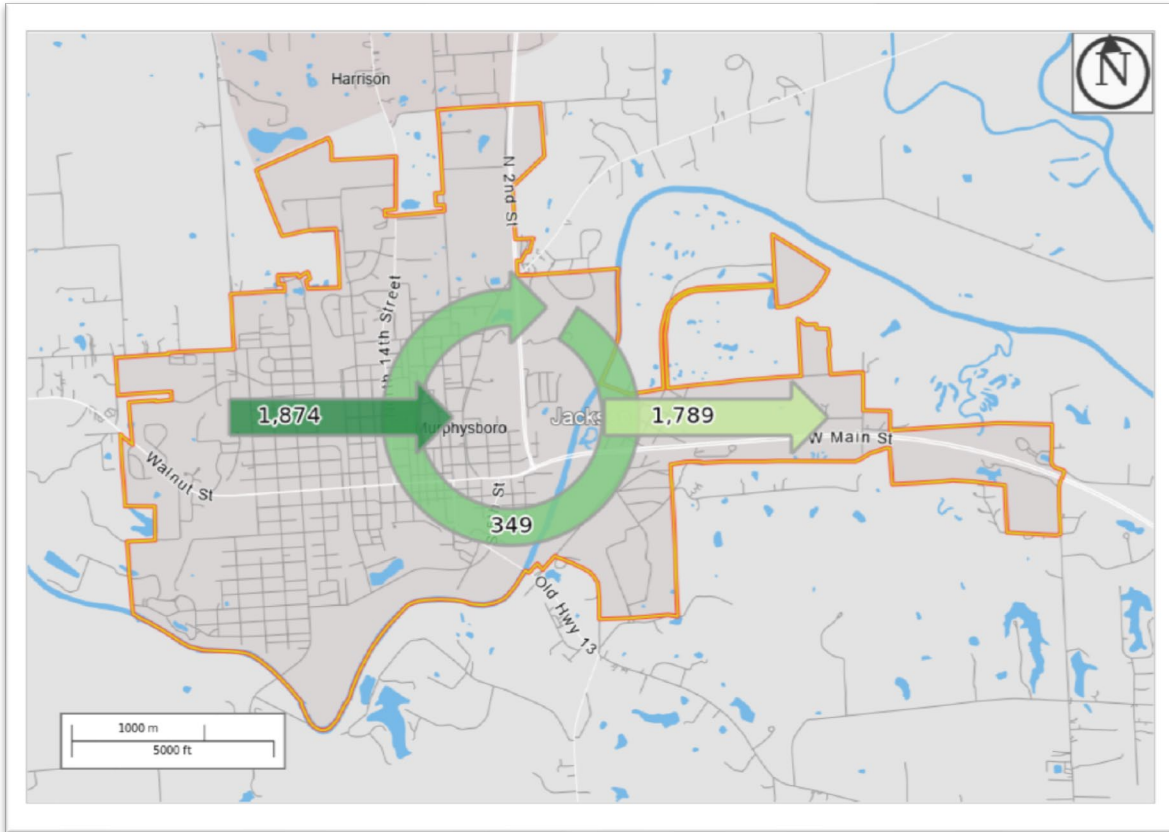
Murphysboro's current housing ratio is 58% owner-occupied versus 42% renter-occupied housing. The US Department of Housing and Urban Development considers a ratio of 65% owner-occupied to 35% renter occupied as a balanced housing market. Since 2010, nearly 400 housing units or 46.5% of all new housing in Jackson County was built outside any incorporated area (i.e. city or village). With that only 62 new housing units or 7.3% of all new housing units in Jackson County since 2010 was located in Murphysboro. As a result of these two factors, it would be recommended that the construction of new and redevelopment of existing owner-occupied housing be a focus of these scenarios.

In the following section, we will establish ten-year housing demand scenarios (2019-2029) by assessing the three principal demand components previously referenced.

(1) Conversion of Commuters to Residents

According to the US Census's on the Map employment data, there are a total of 2,223 primary jobs in Murphysboro (2017). Of that total the largest share of workers, only 349 or 15.7%, reside in Murphysboro with 1,874 workers commuting into the community. Furthermore, only 1,081 or 48.6% of Murphysboro's workforce reside in Jackson County. Converting a fraction of these commuters to city residents would yield a positive impact on the community.

Figure 1: Inflow & Outflow for Primary Jobs in Murphysboro (2017)



Source: On the Map via US Census Bureau (2017)

SCENARIO 1: Converting either 1% / 3% / 5% of commuters to residents over the next ten years.

The table below outlines the conversion rate of commuters by percentage of the current inflow of employees. Units are then broken down by owner-occupied units versus renter occupied units to create a more balanced ratio over time – target ratios 70% owner-occupied and 30% renter-occupied.

Population projections are then calculated by using the persons per household by occupancy – owner-occupied units have 2.35 person per household while renter-occupied units have 2.22 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and population increases based on the availability of these new units.

Table 7: Scenario 1- Convert Commuters to Residents

Percent	Number of Jobs	OWNERS		RENTER		TOTAL	
		Units	Pop.	Units	Pop.	Units	Pop.
1%	19	13	31	6	12	19	43
3%	56	39	92	17	37	56	130
5%	94	66	154	28	62	94	217

(2) Housing for New Employees of Expanding Businesses

The announcement of Solar Alliance’s solar array project and NuYen Blockchain Inc. purchase and renovation plans for the former Curwood plant means new opportunities for short-term and long-term employment opportunities for nearly 200 jobs. But an inability to accommodate housing demand generated by business this project poses great risks for Murphysboro’s economy. How can Murphysboro be prepared to meet such a demand? We have created the following scenario to conservatively estimate potential new housing demand created by local corporate expansion or relocation such as the Solar Alliance/NuYen project.

SCENARIO 2: Potential housing demand from 10 / 25 / 40 / 100 new employees at expanding / relocating businesses in Murphysboro.

The table below outlines the addition of new units to accommodate the growth of existing businesses and/or new businesses – “Number of New Jobs”. Units are then broken down by owner-occupied units versus renter occupied units to create a more balanced ratio over time – target ratios 70% owner-occupied and 30% renter-occupied.

Population projections are then calculated by using the persons per household by occupancy – owner-occupied units have 2.35 person per household while renter-occupied units have 2.22 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and population increases based on the availability of these new units.

Table 8: Scenario 2- Housing for Expanding Businesses

Number of New Jobs	OWNERS		RENTER		TOTAL	
	Units	Pop.	Units	Pop.	Units	Pop.
10	7	16	3	7	10	23
25	18	41	8	17	25	58
50	35	82	15	33	50	116
100	70	165	30	67	100	231

(3) New Units Created to Replace Dilapidated Housing

Addressing blighted properties was one of the top responses provided in the community visioning sessions and stakeholder interviews. There are two options to address this issue: renovate these housing units to make them more habitable or demolish the structure. Offering incentives to renovate the current structure or develop new housing on these sites would further support these efforts and generate greater property tax revenue for the community, the school district, and Jackson County.

SCENARIO 3: Replace or renovate 30 / 50 / 100 housing units identified as blighted.

The table below outlines the number of dilapidated units to be replaced or renovated in Murphysboro over the next 10 years. It is expected that dilapidated housing would be addressed more slowly through annual targets. For that reason, the annual average number of housing units is calculated per scenario below (i.e. 30 units over a 10-year period equals 3 units per year).

Units are broken down by owner-occupied units versus renter occupied units to create a more balanced ratio over time – target ratios 70% owner-occupied and 30% renter-occupied. Population projections are then calculated by using the persons per household by occupancy – owner-occupied units have 2.35 person per household while renter-occupied units have 2.22 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and population increases based on the availability of these new units.

Table 9: Scenario 3- Housing to Replace/Renovate Dilapidated Housing

Housing Units	OWNERS		RENTER		TOTAL	
	Units	Pop.	Units	Pop.	Units	Pop.
30 / 3 per year	21	49	21	47	42	96
50 / 5 per year	35	82	35	78	70	160
100 / 10 per year	70	165	70	155	140	320

DEVELOPMENT NEED PROJECTIONS

Murphysboro is encouraged to use the three scenarios to paint a picture for developers of potential housing demand in the city. By combining scenario assumptions in different combinations – i.e., 1% captured commuters, 25 new employees, 50 dilapidated units replaces, etc. – and extrapolating the resulting demand for owner-occupied and rental units, city officials can present a range of development opportunities to potential investors.

In the recommendations section Alchemy will leverage these scenarios to create different investment tiers for capitalizing a housing revolving loan fund to help bridge the developer profitability gap currently limiting new housing investment in Murphysboro. We will also discuss opportunities to better formalize and optimize development-support processes in the city and fully utilize available and potential housing incentive to stimulate residential development in Murphysboro.