# Overview

What is clear from the community visioning sessions and stakeholder meetings is that developers remain concerned about pursuing housing activities in Murphysboro. This is due, in part, to the issue of recouping their investment – the cost to build does not match the return on investment. A revolving loan fund would provide a vehicle for employers and public sector partners to have "skin in the game" to address local housing challenges and reduce the financial risk to developers. The fund would ideally become self-sustaining and eventually sunset as the private market gradually assumes the full cost burden for new housing.

**The goal of this fund is three-fold:**

- Incentivize developers to build in Murphysboro;
- Create/renovate housing that is desirable and attainable for a majority of residents; and
- Create a self-sustaining fund.

## What is a Revolving Loan Fund?

A Revolving Loan Fund (RLF) is a source of financing, which may not otherwise be available, within the community to support a particular need such as housing. Often, they are used to fill a "financing gap" when a business lacks the funds to meet the equity requirements of bank financing or needs a lower interest rate.

In the case of rural housing development, the return on investment is typically less than what can be realized in an urban market creating greater risk for a bank or private investor. Incentives such as fixed rate, low interest, and/or long-term financing are important factors to a business wanting to development in any community. Although the RLF is not the primary source of financing for a project, the combination of public and private financing lessens the risk for the primary lender by decreasing their exposure and yields an overall lower cost of money for the borrower.

## What can RLF be used for?

**Bridge the gap between the cost to build and the return on investment to sell or lease.** In order to achieve affordable rental and/or new home prices, the city needs to work with local businesses and other stakeholders to create a revolving loan housing program to address the issue head on.

**Upgrade Older Housing Stock.** Finding ways to renovate and retrofit many older homes so that they comply with existing housing codes is something that should be given serious consideration. It is a great way to expand the availability of quality homes and attract younger families who may be willing to purchase older homes that have undergone major renovations.

## Making the Case for RLF

In order to convince anyone to invest in an RLF program, they must understand their ROI or return on investment. For employers it's a pretty straightforward proposal that they will be able to fulfill or expand their employment needs if more people move into your community. However, local governments must look at the fiscal impact to their community, from property tax gains to increased funding for schools.

According to the Jackson County Assessor's data, the average vacant infill lot in Murphysboro is assessed at approximately $1,050 and currently provides $112 in annual property tax revenue. Building a moderately priced home in an infill lot could increase that parcel's assessed value to $18,662 with a total annual tax revenue of $2,000. Residential properties assessed in the top 20% of homes are assessed at a value of $25,964 or greater which would yield a minimum annual tax revenue of $2,783 per home. This factor is important to note because many development incentives provide a tax abatement for the new homeowner. However, the proposed RLF program is an incentive targeted at encouraging a builder/developer to develop new or renovate existing homes. This means these property owners would immediately pay property taxes which help recoup the initial investment of the local taxing entities supporting the program (i.e. city, county, school, etc.).

**Table 1: Property Tax Revenue Comparison - Vacant Lot vs New Housing**

| | | Tax Revenue by Levy | | | | |
|---|---|---|---|---|---|---|
| | Assessed Value | CITY | COUNTY | SCHOOL | OTHER | TOTAL |
| Vacant Lot | $1,050.00 | $19.22 | $18.56 | $49.01 | $25.77 | $112.55 |
| Infill Lot – Mid-level Home | $18,662.00 | $341.59 | $329.79 | $871.03 | $458.06 | $2,000.47 |
| Infill Lot- Higher End Home | $25,964.00 | $475.25 | $458.83 | $1,211.84 | $637.29 | $2,783.20 |

A return on investment of ten years would be an acceptable timeframe for repayment back to the RLF program. As a result, the subsidy for infill redevelopment would be $20,000 and $30,000 for a new housing product valued at $175,000 - $250,000. Should a lot be provided as part of the local incentive, the available RLF subsidy would be reduced to $10,000 for infill development and $20,000 for a new housing product.

**Table 2: Recommended Subsidy Per Unit - Single Family**

| | Subsidy Available | |
|---|---|---|
| | Provide Own Lot | Free Lot Provided |
| Infill Lot Redevelopment | $20,000 | $10,000 |
| Greenfield Site | $30,000 | $20,000 |

When comparing single family development to multi-family housing, there are greater property tax benefits to be realized on less amount of land. For example, consider a new 12-unit apartment complex with a proposed cost of construction at $1,000,000 (i.e. assessed value of $333,000 or $27,750 per unit). The developer requested $280,000 in incentives through tax abatement and infrastructure improvements which equates to a subsidy of $24,000 per unit (see Table 4 below). The total annual tax revenue from this complex would be $35,695.84 which would take nearly 8 years to recoup this subsidy investment.

**Table 3: Property Tax Comparison - 12-Unit Apartment vs Per Unit**

| | | Tax Revenue by Levy | | | |
|---|---|---|---|---|---|
| | Assessed Value | CITY | COUNTY | SCHOOL | TOTAL |
| 12-Unit Apartment | $1,000,000 | $8,566.38 | $3,230.15 | $6,381.54 | $18,178.07 |
| Per Unit | $83,333 | $713.86 | $269.18 | $531.80 | $1,514.84 |

**Table 4: Recommended Subsidy Per Unit - Multifamily Family**

| | Subsidy Available | |
|---|---|---|
| | Total | Per Unit |
| 12-Unit Apartment | $280,000 | $24,000 |

## Housing Demand Matrix: How Much Funding is Needed?

The housing demand matrix is a tool utilized to determine the level of subsidy required to meet the perceived demands of the community. There are a variety of combinations to consider, however, analysis was conducted on three variations of the previously presented scenarios:

- Scenario 1: Convert Commuters to Residents
- Scenario 2: Housing for New/Expanding Businesses
- Scenario 3: Renovate/Replace Dilapidated Housing

The investment or subsidy funds needed to invest into the RLF will be split equally between the city of Murphysboro, Jackson County, Private Businesses, and the State of Illinois. It should be noted the city, county and private businesses must be invested first before the state will support this type of initiative.

### *Option 1: Conservative*

This option considers the most conservative option only developing a total 41 single family units and 30 multifamily units over the next 10 years. The total subsidy required for this option is $1.62 million over a 10-year period or nearly $162,000 annually. Each funding partner would be required to invest nearly $40,000 into the fund on an annual basis.

**Table 5: Option 1 – Conservative**

| | SCENARIO OPTIONS | NUMBER OF UNITS | | TOTAL |
|---|---|---|---|---|
| | | Single Family | Multi-Family | |
| 1) Commuters | A1 | 13 | 6 | **19** |
| 2) New Employees | B1 | 7 | 3 | **10** |
| 3) Dilapidated Housing | C1 | 21 | 21 | **42** |
| **TOTAL UNITS** | | **41** | **30** | **71** |
| | | | | |
| Added Population | | 245 | 229 | **474** |
| | | | | |
| Infill/Redevelopment[1] | 1x$20,000 | $575,652 | - | |
| New Development[2] | 1X$30,000 | $370,062 | - | |
| Multi-Family | 1 x $24,000 | $- | $24,000 | |
| Donated Lot Discount[3] | $10,000/each | $41,118 | - | |
| Subsidy Total | | $904,596 | $710,928 | $1,615,524 |
| ANNUAL CONTRIBUTION (FOR 10 YEARS) ** | | | | |
| City | 25% | 25% | $22,614.90 | $17,773.20 |
| County | 25% | 25% | $22,614.90 | $17,773.20 |
| Business | 25% | 25% | $22,614.90 | $17,773.20 |
| State of Illinois | 25% | $50,519.70 | $35,619.60 | $86,139 |

*ASSUMPTIONS: (1) 70% of funds would be prioritized for infill/redevelopment; (2) 30% of funds would be prioritized to new development; (3)10% of new housing units are built on land donated for single-family housing*

### *Option 2: Moderate*

This option considers a more moderate approach developing a total of 92 single family units and 59 multifamily units over the next 10 years. The total subsidy required for this option is $3.45 million over a 10-year period or nearly $345,000 annually. Each funding partner would be required to invest nearly $86,000 into the fund on an annual basis.

**Table 6: Option 2 – Moderate**

| | SCENARIO OPTIONS | NUMBER OF UNITS | | TOTAL |
|---|---|---|---|---|
| | | Single Family | Multi-Family | |
| 1) Commuters | A2 | 39 | 17 | **56** |
| 2) New Employees | B2 | 18 | 8 | **25** |
| 3) Dilapidated Housing | C2 | 35 | 35 | **70** |
| **TOTAL UNITS** | | **92** | **59** | **151** |
| | | | | |
| Added Population | | 216 | 132 | **348** |
| | | | | |
| Infill/Redevelopment[1] | 1 x $20,000 | $1,285,956 | - | |
| New Development[2] | 1 X $30,000 | $826,686 | - | |
| Multi-Family | 1 x $24,000 | - | $24,000 | |
| Donated Lot Discount[3] | $10,000/each | $91,854 | - | |
| Subsidy Total | | $2,020,788 | $1,424,784 | $3,445,572 |
| ANNUAL CONTRIBUTION (FOR 10 YEARS) ** | | | | |
| City | 25% | $50,519.70 | $35,619.60 | $86,139 |
| County | 25% | $50,519.70 | $35,619.60 | $86,139 |
| Business | 25% | $50,519.70 | $35,619.60 | $86,139 |
| State of Illinois | 25% | $50,519.70 | $35,619.60 | $86,139 |

*ASSUMPTIONS: (1) 70% of funds would be prioritized for infill/redevelopment; (2) 30% of funds would be prioritized to new development; (3)10% of new housing units are built on land donated for single-family housing*

### Option 3: Aggressive

The third and final alternative analyzed is the is the most aggressive option building out more than 171 single family units and 113 multifamily units over the next 10 years. The total subsidy required for this option is $6.47 million over a 10-year period or nearly $647,000 annually. Each funding partner would be required to invest nearly $162,000 into the fund on an annual basis.

**Table 7: Option 3 - Aggressive**

| | SCENARIO OPTIONS | NUMBER OF UNITS | | TOTAL |
|---|---|---|---|---|
| | | Single Family | Multi-Family | |
| 1) Commuters | A3 | 66 | 28 | **94** |
| 2) New Employees | B3 | 35 | 15 | **50** |
| 3) Dilapidated Housing | C3 | 70 | 70 | **140** |
| **TOTAL UNITS** | | **171** | **113** | **284** |
| | | | | |
| Added Population | | 216 | 132 | **348** |
| | | | | |
| Infill/Redevelopment[1] | 1 x $20,000 | $2,388,260 | - | |
| New Development[2] | 1 X $30,000 | $1,535,310 | - | |
| Multi-Family | 1 x $24,000 | $- | $24,000 | |
| Donated Lot Discount[3] | $10,000/each | $170,590 | - | |
| Subsidy Total | | $3,752,980 | $2,714,640 | $6,467,620 |
| ANNUAL CONTRIBUTION (FOR 10 YEARS) ** | | | | |
| City | 25% | $93,824.50 | $67,866.00 | $161,691 |
| County | 25% | $93,824.50 | $67,866.00 | $161,691 |
| Business | 25% | $93,824.50 | $67,866.00 | $161,691 |
| State of Illinois | 25% | $93,824.50 | $67,866.00 | $161,691 |

*ASSUMPTIONS: (1) 70% of funds would be prioritized for infill/redevelopment; (2) 30% of funds would be prioritized to new development; (3)10% of new housing units are built on land donated for single-family housing*

# WHERE TO INVEST

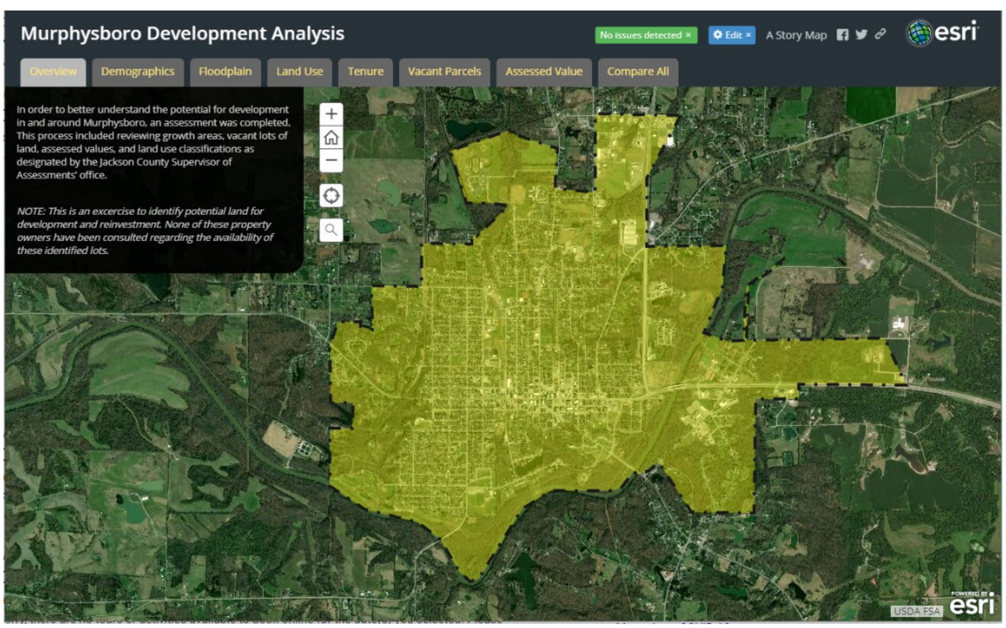
## INFILL LOT ANALYSIS

Mapping the availability of lots within the borders of a city could be one option to further build on properties that would be ideal for homeowner or rental properties. Some of these lots could be created by removing abandoned or dilapidated housing.

In order to better understand the potential for development in and around Murphysboro, a housing development assessment was completed. This process included reviewing parcel data for vacant lots and undervalued properties as designated by the Jackson County Assessor. The findings of this analysis can be used to help direct development throughout the community from infill lots to new subdivision on the fringes of the city's jurisdiction.

Infill development can bring several benefits:

- Municipalities can save money by promoting development in areas that already have infrastructure connected to public services, as opposed to financing new infrastructure for greenfield development.
- Infill development can raise taxable value of an undeveloped property and increase market values in the surrounding neighborhood.
- It can bring residences and destinations closer together, making it easier for people to walk, bike, use transit, or drive shorter distances, which reduces pollution from vehicles.
- For distressed communities especially, infill development can help stabilize a community by attracting a greater diversity of household income levels, bringing new resources to a neighborhood and reducing concentrated poverty

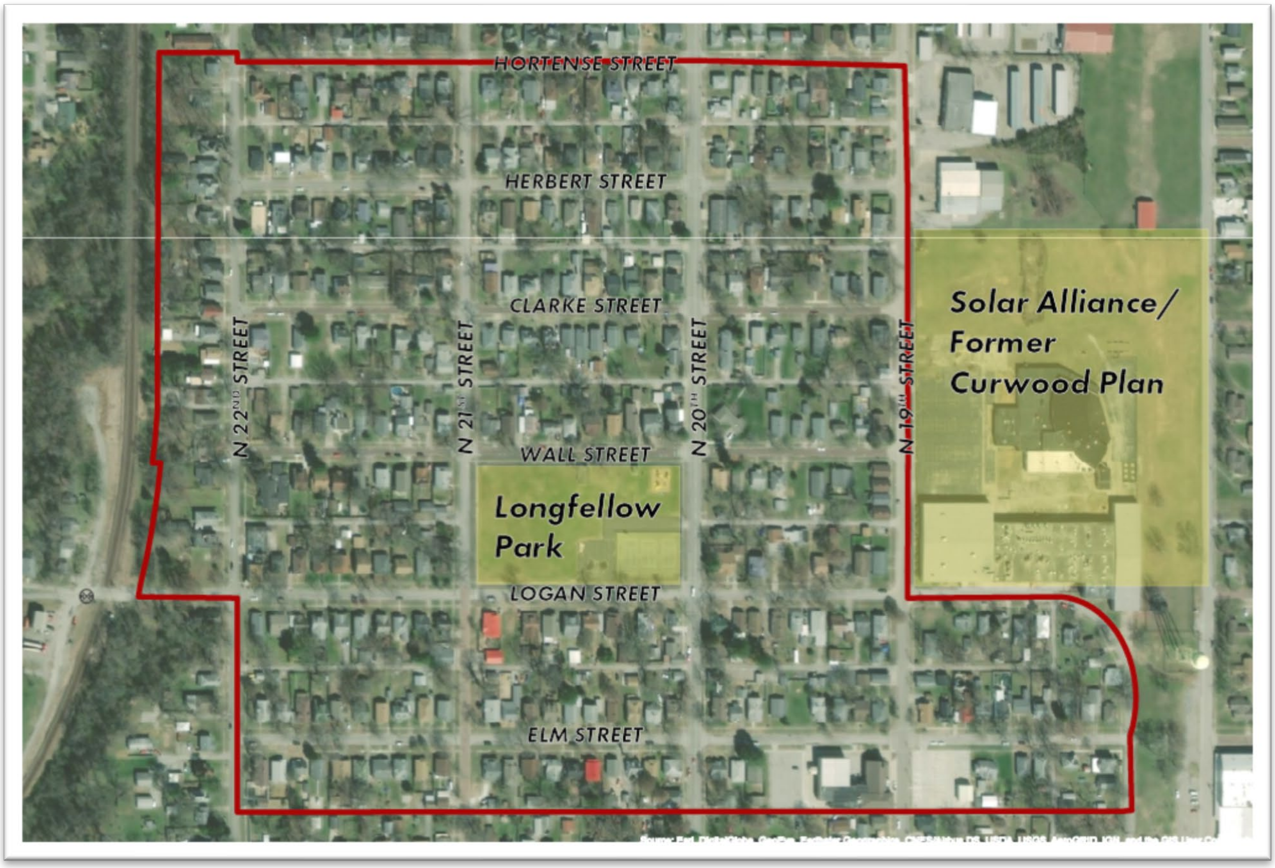



*To access the interactive map, go to [revitalize62966.org](revitalize62966.org) and select the Housing section.*

## PILOT PROJECT AREA: HISTORIC BUNGALOW DISTRICT

Murphysboro is known for its historic bungalow houses spread throughout the community. There is one neighborhood in particular that has been identified by the Murphysboro Historic Preservation Committee. The neighborhood bound by Elm Street to the south and Hortense Street to the North, west to N 22nd Street and east to N 19th Street/N 18th Street bordered by the former Curwood plant property (future site of Solar Alliance solar energy installation).

**Figure 1: Longfellow Bungalow District**




The Longfellow Bungalow District would be a great area to pilot the revolving loan fund program. There are 324 properties classified as "residential" with an estimated 179 or 55% owner-occupied and 145 or 45% renter-occupied housing. There are an additional 16 vacant lots within this designated area. The RLF program could help finance the development of infill housing units on vacant lots as well provide resources to renovate existing historic bungalow homes. The RLF program could also be used to provide renters the ability to purchase their rental property and access these funds to renovate their home.

The program could adhere to the following guidelines:

- Homeowners could apply for up to $20,000 in repayable financing at a low-interest rate.
- 50% or up to $10,000 of the loan would be forgivable over a five-year with 20% forgiven each year of owner-occupancy. You must occupy the home for five years to receive the full forgiveness.
- Home must be a primary residence to qualify.
- Suggest restricting or eliminating use of home as a short-term rental (i.e. Airbnb).

The Historic Preservation Committee should establish design guidelines for renovations to maintain the historic character of the bungalow homes. Some common restrictions focus on the material type and color choices of the exterior structure. Similar programs also provide a list of eligible home repairs intended to make the home habitable and increase its overall marketability. The following is a list of common home repairs that RLF financing could be utilized for:

- Update on aged or unsafe heating, air conditioning, electrical and plumbing systems
- Roof repair or replacement
- Foundation repair
- Exterior siding repair or replacement and paint
- Window and door repair or replacement (if in poor condition repair or for energy efficiency)
- New garage, garage repair or replacement (maximum 2 car garage, 24' X 24')
- Energy efficiency (insulation, windows, mechanical upgrades)
- Access/architectural barrier removal and wheelchair or mobility assistive device
- Sidewalk and driveway repair or replacement
- Interior repairs and updates
- Functional landscaping (grading and retaining walls for water and erosion control, significant tree removal or trimming)

## Property Tax Assessment Freeze

The Illinois Historic Preservation Division has a program that support the rehabilitation of historic homes through a property tax assessment freeze. The program freezes the assessed value of historic owner-occupied, principal residences for eight years, followed by a four-year period during which the property's assessed value steps up until the 12th year, when it will be at its then-current level. This program is administered free of charge to Illinois homeowners who sensitively rehabilitate their historic homes.

To qualify for the program, the residence must first be owner-occupied and the owner's principal residence. The following housing types can qualify:

- Single-family house
- Residential building with up to six units as long as the building owner resides in one of the units
- Condominium building
- Cooperative

Second, the building must be registered as historic either individually or as part of a historic district, such as the Longfellow Bungalow District. The designation could be through the National Register of Historic Places, a designated local landmark or contributing property to historic district identified through a local preservation ordinance. Third, the residence must be rehabilitated in accordance with the Secretary of the Interior's Standards for Rehabilitation (linked HERE). Lastly, the rehabilitation must have eligible expenses equal to or exceeding 25% of the property's fair cash value, as determined by the local assessor, for the year the rehabilitation started.

While this program would be beneficial to residents in the proposed Longfellow Bungalow District, there are still several barriers to apply for these funds. First, the district would need to be designated as historic, either locally or through the National Register of Historic Places. Once approved, these homeowners would then need to either have enough savings or be able to apply for financing to make these improvements. This tool could be paired with the RLF program for greater savings to the homeowner, although, this would extend the payback period for the forgivable loan portion of the RLF program. It might be a good option to allow participants in this program to repay the full amount of the RLF loan, including the forgivable portion, and then participate in the 12-year Property Tax Assessment Freeze Program.

### *Federal Historic Tax Credit*

The Historic Tax Credit (HTC) program encourages investment in the rehabilitation and re-use of historic buildings. The federal tax credit allows program participants to claim 20 percent of eligible improvement expenses against their federal tax liability. The federal tax credit program follows much of the same eligibility requirements as the Illinois Property Tax Assessment Freeze program in addition to the requirement properties must be income-producing such as an apartment building, upper-story housing on main street or some other commercial use. This criteria limits Murphysboro’s ability to renovate residential units, especially in the Longfellow Bungalow District which is primarily made up of single-family homes.