



Study of Housing in Perryville, Missouri



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The City of Perryville***

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ABSTRACT:

The City of Perryville has been successful in economic development efforts. The population has not been growing as much as expected to match business and industrial growth. This project addresses two aspects of this question. First, is there sufficient housing stock in appropriate price ranges to support growth? Second, what drives the “why Perryville” or “why not Perryville” decision? The following report addresses these questions.

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Preface

The City of Perryville has been successful with economic development efforts over the past decades. The most significant “win” was the location of TG USA, an automobile parts manufacturing operation, into the Perryville Industrial Park. In addition, the “home-grown” Gilster-Mary Lee Corporation is a food manufacturer with a national market. Robinson Construction, another local company, is a firm operating throughout the nation. The city boasts a Wal-Mart Supercenter, a full-service hospital and a wide range of services that make it the local center for the surrounding, generally rural, area.

The city has experienced steady growth for much of its history. Starting as a small village of 336 persons when the first census was taken in 1860, it grew to 8,225 by 2010. It has seen its role as the population center of Perry County increase as well. In 1860, the City of Perryville represented 4% of the County’s population. By 2010, that figure was 43%. The only time the city did not grow in both absolute numbers and as a percentage of the county was the decade of the 1980s during which it saw a reduction of 410 persons.

Leaders in the city question if the City is making the gains that it should be, given the success of the local economy. As part of addressing this question, the Southeast Missouri Regional Planning Commission (“the Commission”) was asked to undertake a study of housing in Perryville. The standard components of this study consist of – number of units available, cost of available units, land available for development, etc. In addition, the study was to address questions surrounding location decisions. This involves both the decision-makers thoughts – “Why Perryville” or, conversely, “Why not Perryville” – and a review of what the city could do to address any problems in attracting new people.

The following report presents the Commission’s approach, the findings of the research, and recommendations.



The question started as “Why Perryville?” or “Why not Perryville.” It quickly became “Why Perryville?” or “Why somewhere else?”

Introduction

On August 7, 1821, three days prior to the official admission of Missouri to the Union, the County was given 51 acres that became the original town. The community was incorporated as a village in 1831 but this incorporation was allowed to lapse. The town was reincorporated in 1856 and became a city of the fourth class in 1882 when it adopted an ordinance to that effect. The City retains its status as a fourth class City although it has been eligible for third class status for some years. Perryville is the County Seat of Perry County.

The city enjoyed sustained growth through the 19th century. A flat first decade of the 20th century led to the formation of the Chamber of Commerce and the initiation of one of the first economic development efforts in the nation. This effort led directly to International Shoe Company locating in Perryville. This large employer served as the centerpiece of the city's economy through the early 1960s when the shoe company succumbed to an economic downturn and foreign competition. It was closed down in 1964.



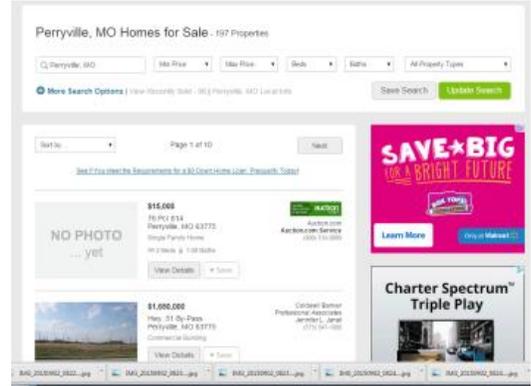
Following this, the city reinvigorated its economic development efforts with a deliberate emphasis on diversifying the economic base. The success of this effort is seen in a broad based economy today. TG USA, employing 1,600 persons in one facility and home grown Gilster-Mary Lee, another large employer with over 1,600 employees, are the exceptions rather than the rule. Most operations tend to be significantly smaller, typically well under 100 employees. Given the success of the economic development efforts, one of the questions to be addressed in this report is why more of those jobs are not being held by citizens of Perryville.

Why are more of the jobs created not being held by citizens of Perryville?

Methodology

The project involved three separate data collection/research approaches.

1. Published data. Several public resources were used to establish baseline information.
 - a. An internet search for “houses in Perryville, MO” yielded several sources. For purposes of this stage of research “homefinder.com” was used. The underlying theory was this would be a likely first step for anyone recently recruited to a job in Perryville.
 - b. The U.S. Census Bureau’s Longitudinal Employment and Housing Data (LEHD) system provided highly detailed information regarding where jobs and employees were and how employees and jobs interact in terms of commuting patterns.
 - c. The City-Data.com website provided school information.
 - d. The Missouri Department of Elementary and Secondary Education (DESE) provided additional school information.
 - e. The Missouri Economic Research and Information Center (MERIC) provided wage and other information.
 - f. The U.S. Census Bureau provided basic population data.
2. Interviews/focus groups.
 - a. A series of interviews was undertaken in small group settings. These included:
 - i. Professional planners.
 - ii. Bankers.
 - iii. Large industry employees.
 - iv. Engineering/Construction employees.
 - v. Real estate professionals.
 - vi. Home builders.
 - b. In addition, a survey was prepared and made available via an online form.
 - i. Press release coverage.
 - ii. Chamber of Commerce involvement.
 - iii. Perryville Economic Development Authority involvement.
 - iv. Direct contact with businesses that had participated in the interview process.
3. Mapping/field work.
 - a. Existing GIS was used to identify potential development sites.
 - b. Field visits to sites and to homes on the market gave a “real world” view.



Published data, interview/focus groups and mapping/fieldwork went into the project

Comparables

In preparing this report, two separate groups of comparable communities were used. The first represents the communities generally seen as the “local competition.” The second is a more general set of comparables based on size and a similar proximity to larger metropolitan areas.

The local competition consists of Farmington, Jackson and Ste. Genevieve. The City of Cape Girardeau was included in this group since it is the regional service center. All cities are located within the seven-county southeast Missouri region. The City of Festus was reviewed in some categories to demonstrate how a true “bedroom community” to the larger St. Louis Metropolitan area compares.

When determining population growth and community development, it is also helpful to examine other comparable cities across the state. For Perryville, cities located near a metropolitan area and of similar current population were sought. Three communities in Missouri were selected as comparable cities due to similar characteristics: Monett, Nevada, and Sullivan.



Population projections based on data from the US Census Bureau for 1990 to 2013 show Perryville is projected to grow at a faster pace than any of the three comparison cities. Monett saw an incredible amount of growth from 1990 to 2008, but has since experienced a sharp decrease in growth, slowing to approximately 1% growth between 2008 and 2013. Sullivan has seen growth rates very similar to Perryville’s from 1990 to 2010; however, recent data has shown a decrease in population from 2010 to 2013, though a small amount of growth is projected each decade. Meanwhile, Nevada has seen a declining population since its peak in 1970.

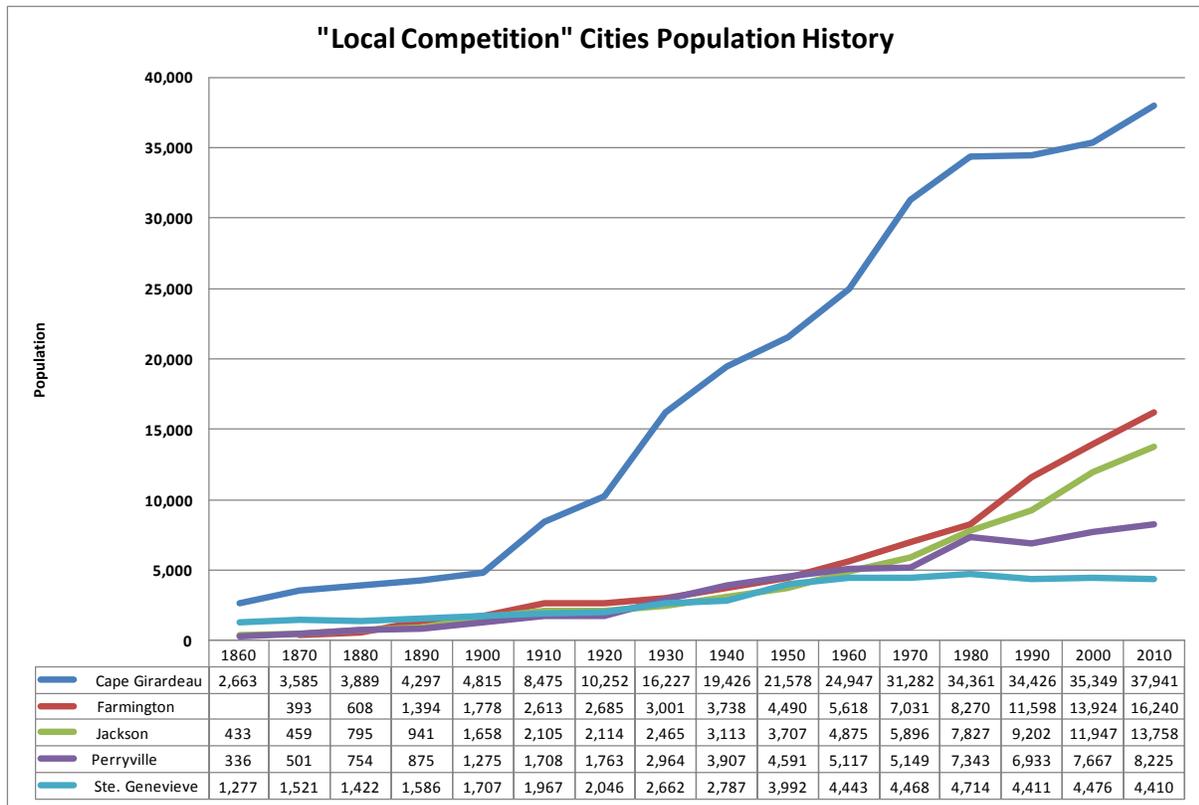
Given recent historical population data, all three comparison cities are projected to experience little to no growth, or even contraction, over the next 15 years while Perryville is projected to continue its steady growth. Appendix No. 1 shows a comparison of selected demographic characteristics of Perryville and the three comparison cities, including population, race, age, sex, housing, and income.

Population

In terms of population, the history of Perryville has been one of steady growth, with the exception of the anomalous decade of the 1980s. The figures from the 1980s are seen as a natural adjustment after the rapid growth of the 1970s resulting primarily from annexation. Overall the trend has been for a steady increase in population. Similarly, Perry County has become increasingly urbanized as the City of Perryville represents a growing percentage of the county's population.

When compared to the local competition, Perryville is exhibiting strong growth. The City of Cape Girardeau is clearly the regional service center as well as being the location of a regional University with almost 12,000 students. It is also the medical and service center for the region. The City of Jackson, almost a "twin city" shares common borders with Cape Girardeau at some points. It serves, in many ways, as a bedroom community for the larger City of Cape Girardeau. Farmington is experiencing a boom based on its fortuitous location near the St. Louis Metropolitan Area allowing a reasonable commute. This is facilitated by the upgrade of U.S. Highway 67 to four-lane status to its connection to Interstate 55 south of St. Louis.

Exhibit No. 1



Perryville, on the other hand, relies on home grown growth. It is neither a regional service nor commercial center as is Cape Girardeau nor a “bedroom community” to a larger metropolitan area. When seen in that light, and especially when compared to the City of Ste. Genevieve which has seen no growth since 1980, Perryville’s growth has been strong and the city is expected to exhibit continuous and predictable growth.

Perryville is neither a regional service and commercial center nor a bedroom community.

When the population within three miles of the city limits is considered, essentially two-thirds of the population of Perry County can be considered citizens of Perryville. This brings the population to 11,975 or 63% of all county residents. These are individuals that can be assumed to be close enough to use city services without bothering to worry about “planning the trip.”

In terms of the three more general “comparable” communities, Perryville shows strong and sustained growth. Perryville has already “caught” Nevada, is larger and growing faster than Sullivan, and is on pace to surpass Monett by mid-century.

Exhibit No. 2

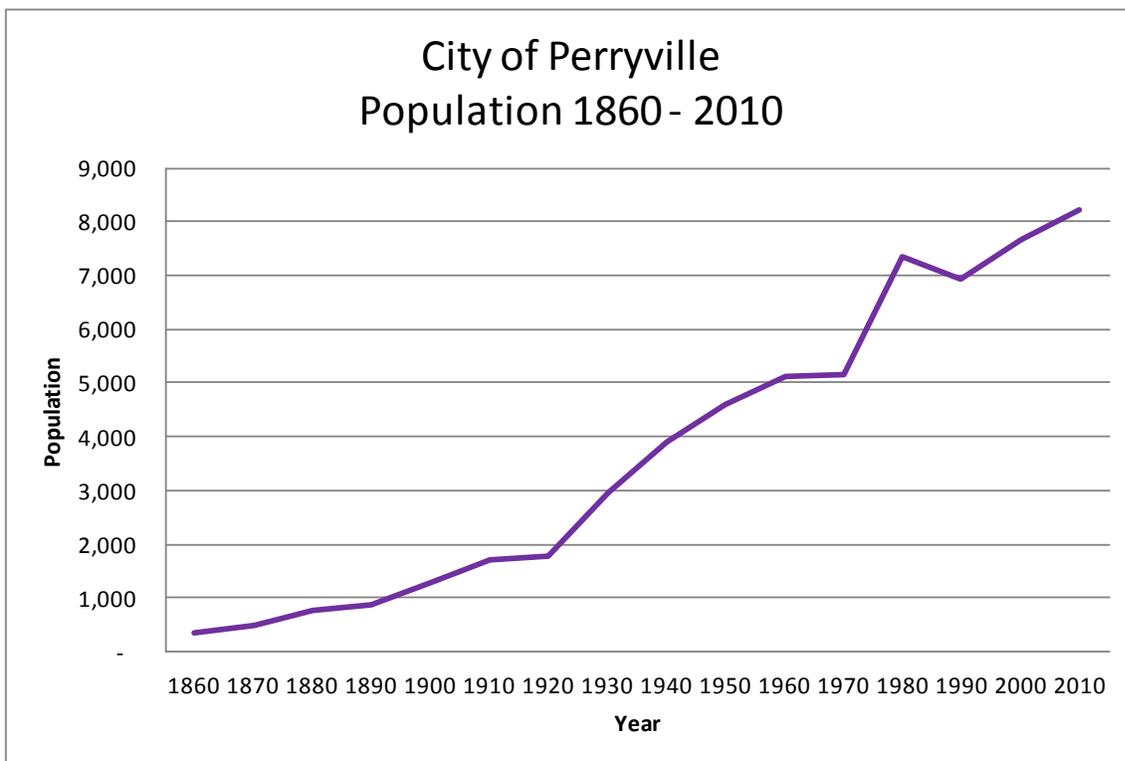


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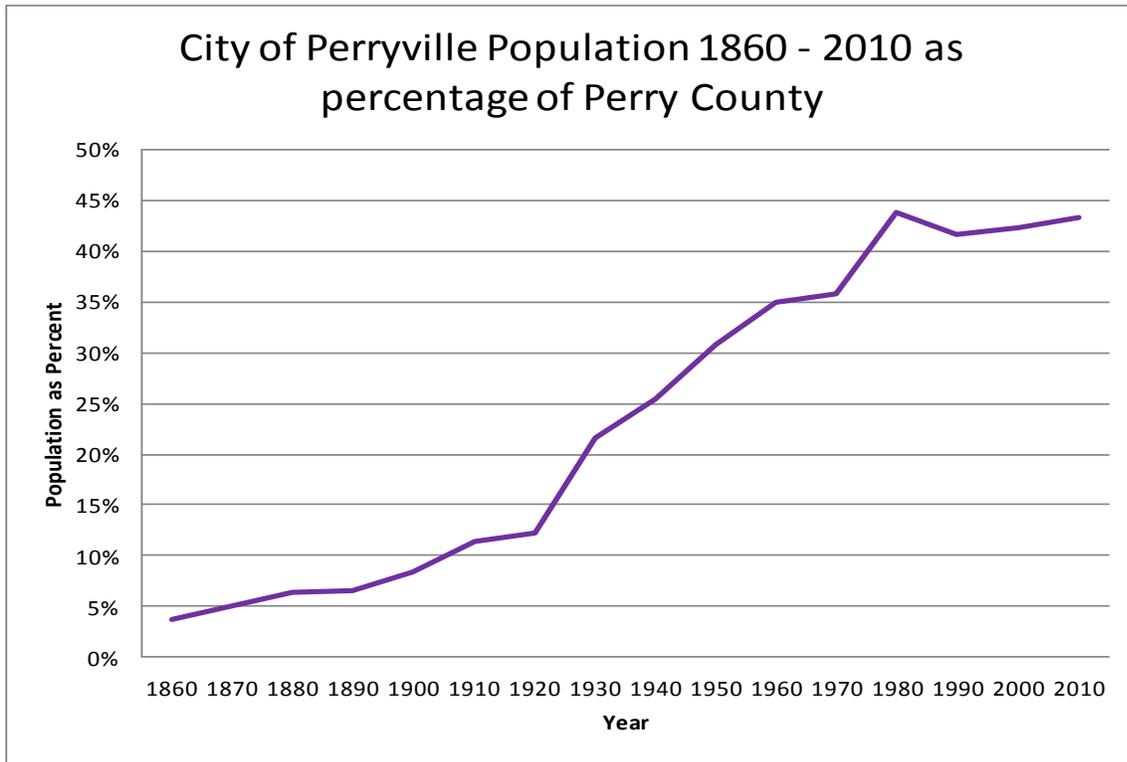
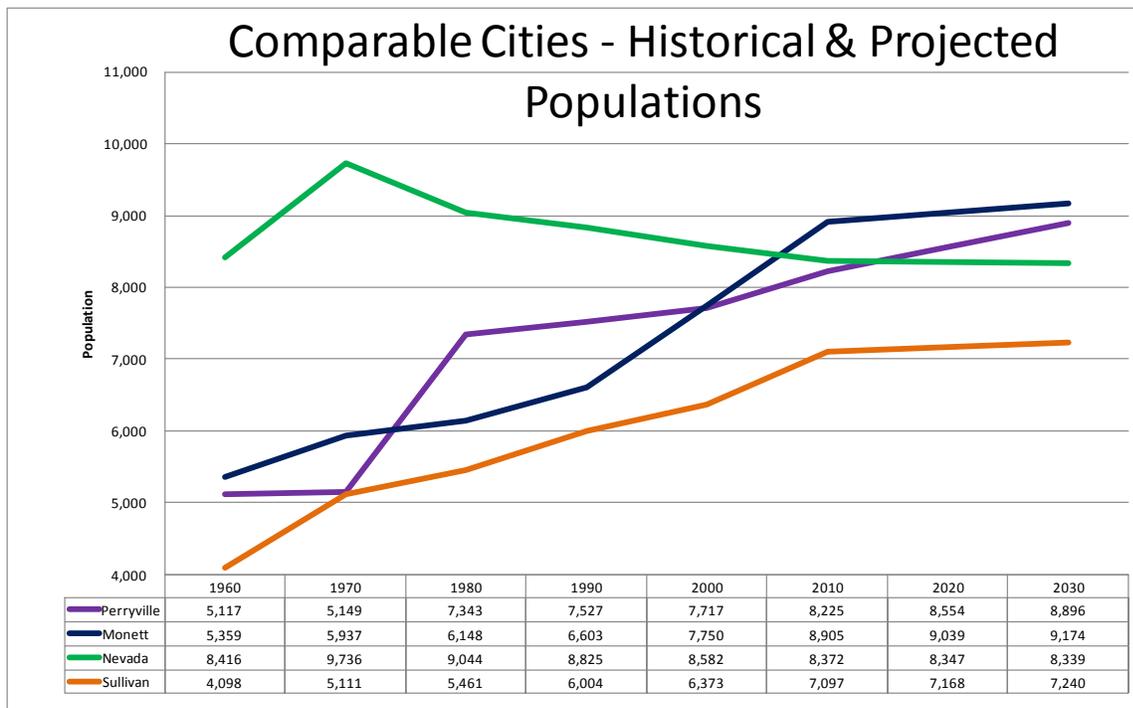


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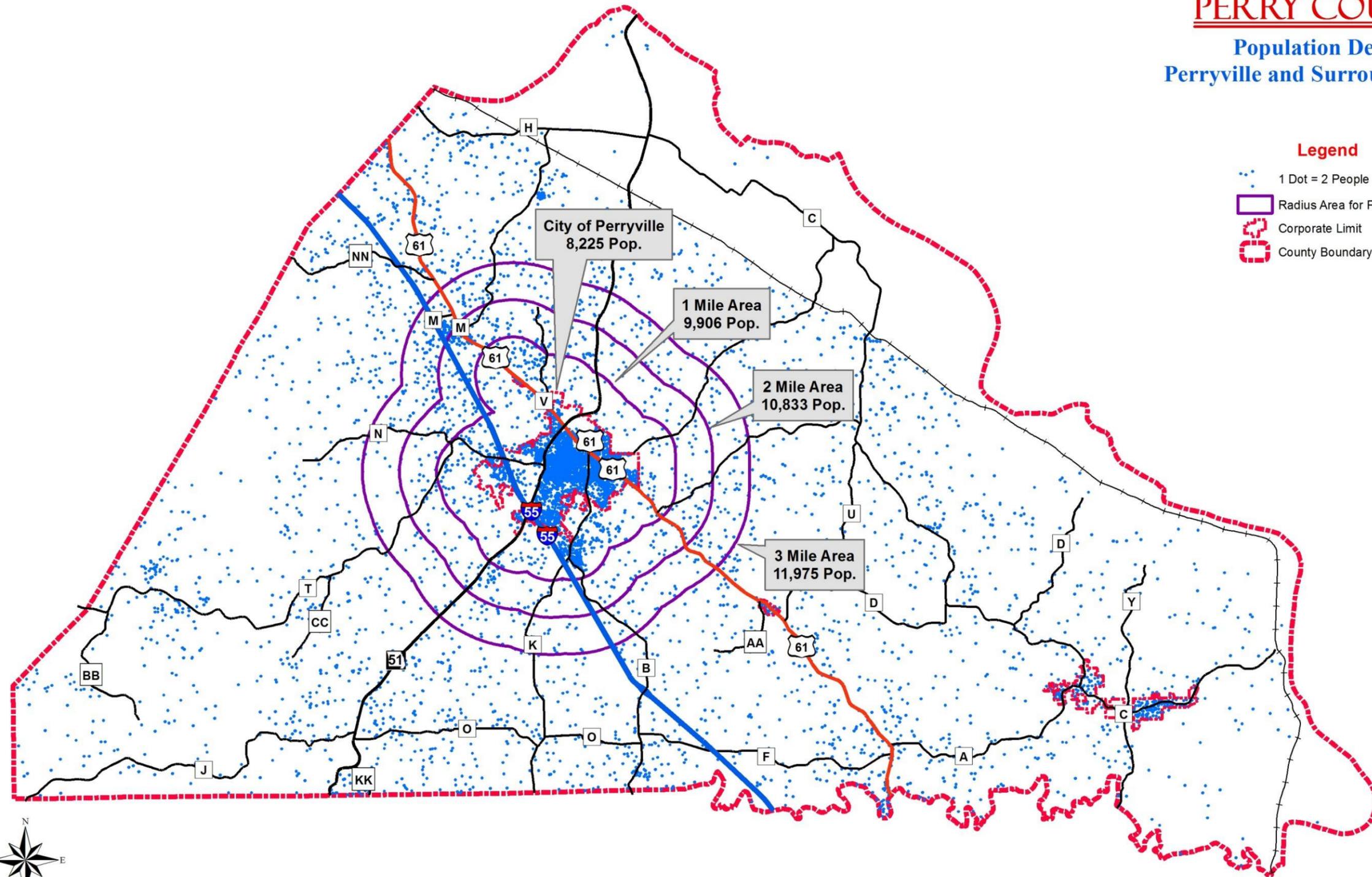
Source: Population 1990-2013: US Census Bureau
 Source: Population Projections 2020-2030: SEMO Regional Planning Commission

PERRY COUNTY

Population Density Perryville and Surrounding Area

Legend

- 1 Dot = 2 People
- Radius Area for Perryville
- Corporate Limit
- County Boundary



Employment

In terms of employment and the unemployment rate, Perry County, the smallest unit for which data is available, is robust. As shown in Exhibit No. 6, throughout the 21st Century, the County has consistently had lower unemployment rates than the seven-county southeast Missouri region, the State of Missouri or the United States. The recession of 2008 is reflected in the data but even in that case Perry County consistently outperformed the region, state and nation. The extremely low rates seen in 2000 were unsustainable. Historically, approximately 4% unemployment has been considered full employment by economists. At this level it is considered frictional unemployment and there is a job for everyone and the small percentage of unemployment simply represents individuals who are between jobs.



The Region includes the extremely rural counties of Bollinger, Iron and

Madison. To confirm Perry County was, outperforming the local competition in this important indicator only Perry, Cape Girardeau (which includes the cities of Cape Girardeau and Jackson), Ste. Genevieve and St.



Francois Counties were extracted. The same pattern is evident, as shown in Exhibit No. 7, when only the local competition is used for comparison.

Perryville outperforms other areas whether urban or rural.

Exhibit No. 6

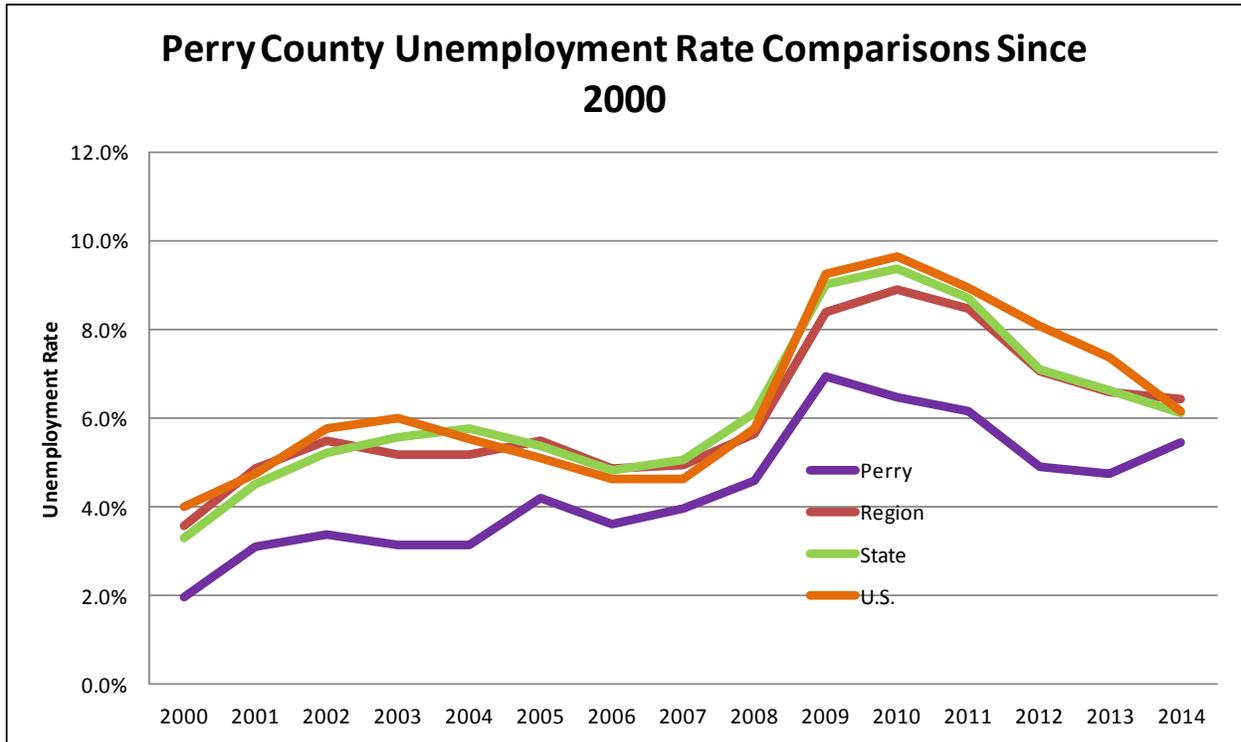
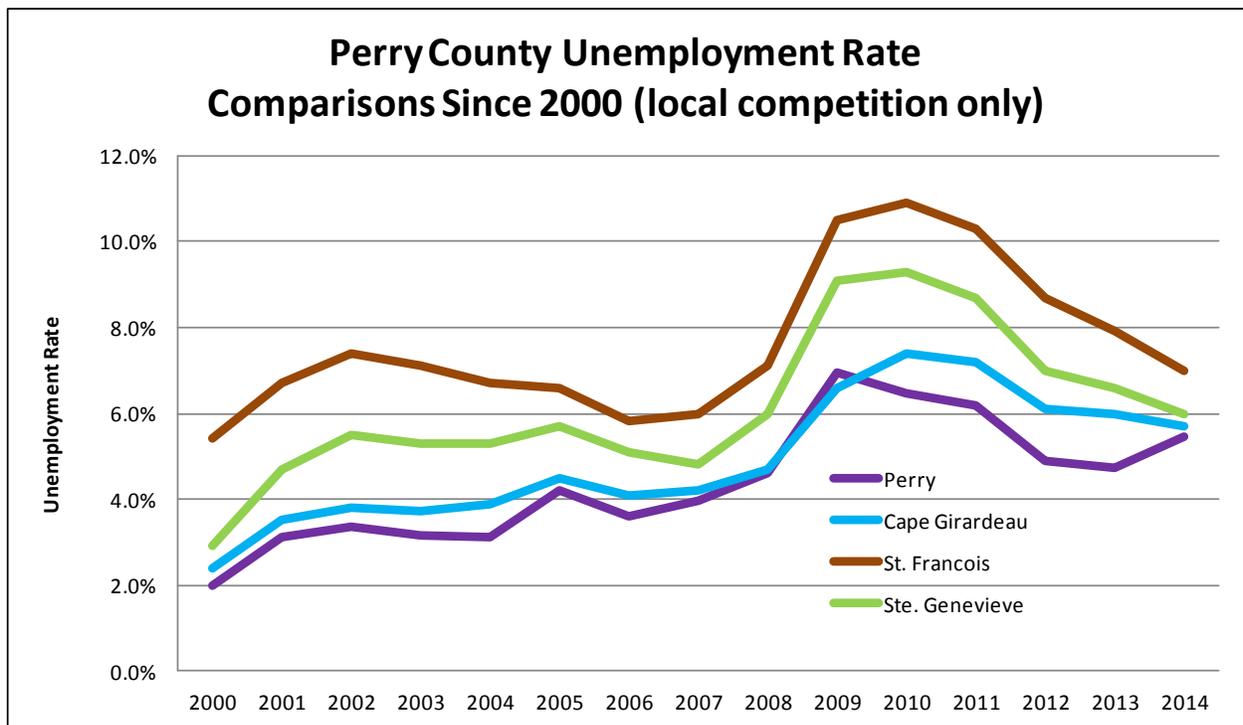


Exhibit No. 7



Job Capture

For purposes of this report the Local Employment and Housing Dynamics (LEHD) system was used to determine where jobs were, where employees were and the relationship between them. The job capture rate is the percentage of available local jobs held by citizens of the city.

The LEHD system lags a few years but provides very detailed location information. As of 2012, this system identified 7,004 primary jobs in Perryville with “primary jobs” defined as “Public or Private sector jobs, one job per worker. Primary jobs are the highest paying job a worker holds.” As shown in Exhibit No. 8, of these, the basic “inflow/outflow” data shows 1,783 Perryville citizens holding Perryville jobs. When the survey area is expanded to Perry County, the local capture rate for jobs is 3,800

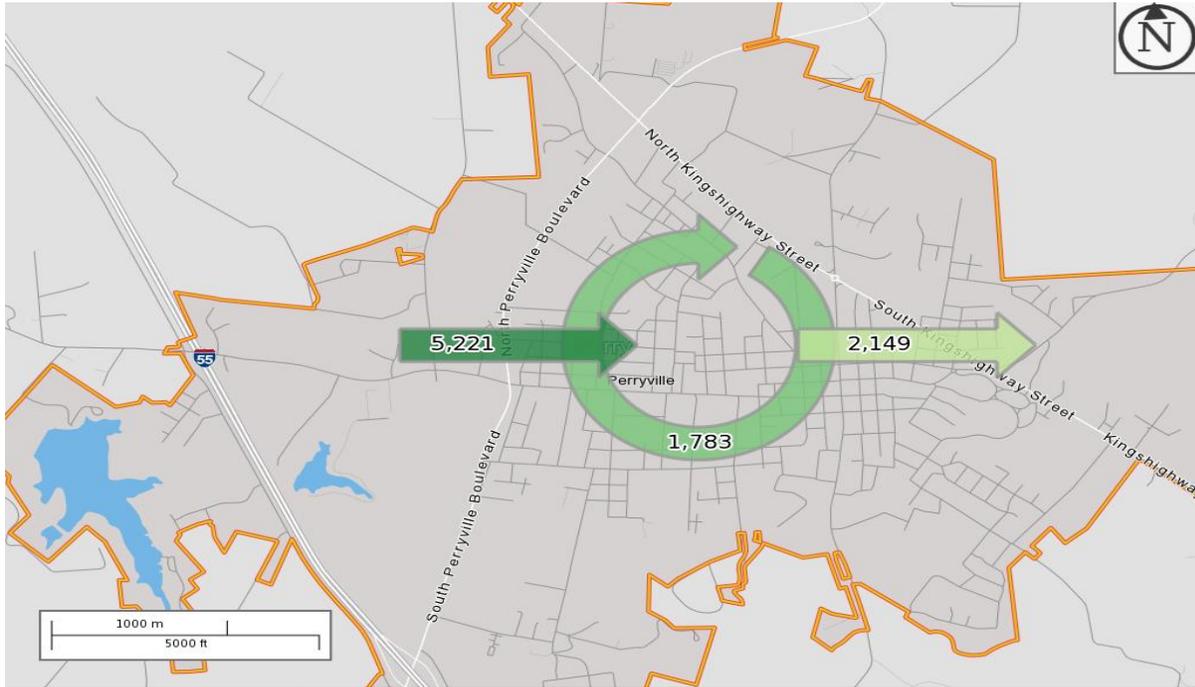
representing 54.3% of those jobs being held by Perry County citizens. The adjoining Missouri counties of Bollinger, Cape Girardeau, Madison, St. Francois and Ste. Genevieve, along with the Illinois County of Randolph account for another 1,633 of those jobs. A total of 5,433 of the available 7,004 primary jobs, or 78% are held by those within a commute of under an hour.

The 22%, or 1,571 persons making longer commutes represent the employees working in Perryville who comprise a “market” of potential citizens. Some component of this market has a strong reason for their choice. Reasons vary but commonly include, existing family ties or children in school and the parents decision not to disrupt their lives. These reasons were confirmed in both small group interviews and the survey results. Even if fully half of this population falls into that category, those who remain represent approximately 750 or so potential new residents of the City. This would represent an increase in almost 10% of the City’s population.



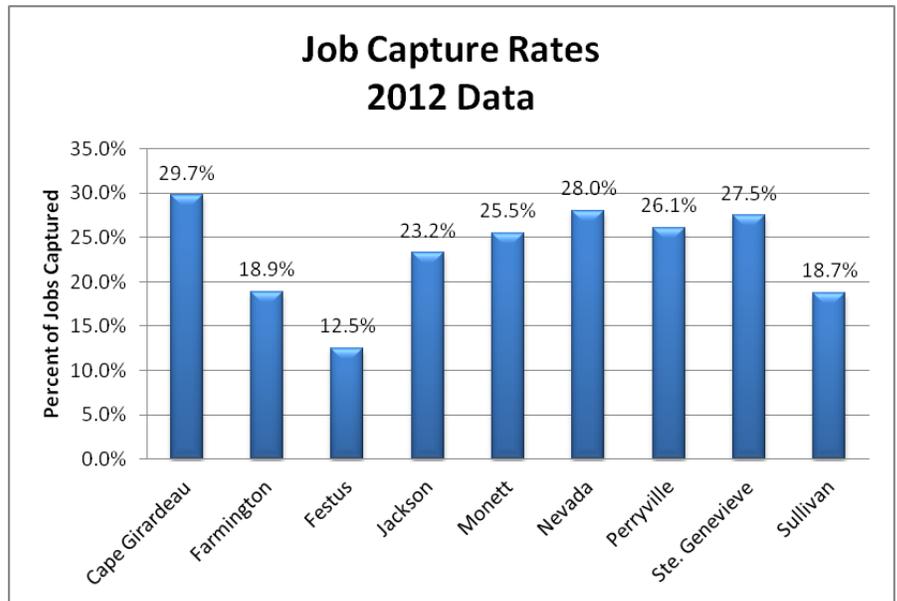
If the City of Perryville could persuade 750 of the employees who are commuting over an hour at present to move to the city, that would represent almost a 10% increase in the city's population.

Exhibit No. 8
City of Perryville Labor Inflow/Outflow



Using the comparables to evaluate this indicator it is once again clear that Perryville is outperforming its peers and competitors. Exhibit No. 9 shows the city of Cape Girardeau, a regional economic center for a large service area including southeast Missouri from the southern St. Louis metropolitan area to the Arkansas border, has the highest capture rate. The only other community outperforming Perryville in this area is Ste. Genevieve which, with its smaller population, has a slightly higher capture rate. Data for the City of Festus was gathered to indicate the job capture rate of a community functioning more as a “bedroom community” to the St. Louis metropolitan area. Data for the cities of Monett, Nevada and Sullivan show Perryville doing better than all except Nevada.

Exhibit No. 9



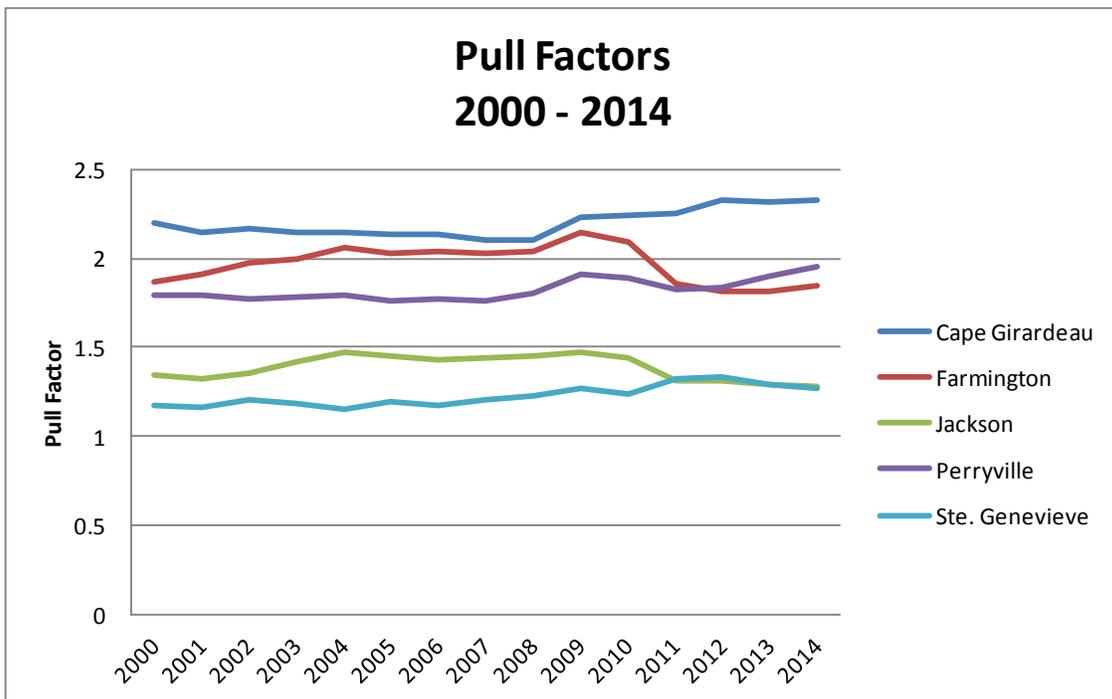
Pull Factor

Pull Factor is, in its simplest terms, a general measure of how much of the available commercial activity any community is capturing. At a pull factor of 1.00 then, a community is effectively capturing all of the commercial activity generated by its residents. Pull factors below 1.00 indicate commercial leakage with potential economic activity being lost to other places. Conversely, pull factors above 1.00 indicate that a community is pulling activity from surrounding areas.



This is another area in which Perryville is outperforming the competition. As shown in Exhibit No. 10, the city enjoys a pull factor approaching 2. Clearly, it is the dominant economic center in Perry County and the surrounding areas. For the past two years, it has ranked second in this important factor behind only the City of Cape Girardeau among the city’s “competitors.” Since Cape Girardeau is much larger and serves as a regional center for commerce that ranges from the southern St. Louis Metropolitan Area to the Arkansas border and extends into southern Illinois, this is to be expected.

Exhibit No. 10



Home Buying Decision Factors

One of the keys to addressing the “Why Perryville?” or “Why somewhere else?” question is to understand the drivers of the decision tree. For this project, individuals from a variety of industries and occupations were interviewed. In addition, a survey was prepared and published. Based on those interviews and survey responses, a few clear commonalities can be determined.

Why Perryville?

Why somewhere else?

1. **Schools.** For a family with school age children, schools are the overriding factor.
2. **Other activities.** Families with children at home want as many activities as possible.
3. **Spouse amenities.** Typically, according to real estate professionals, the sale is made to the “wife” (although stay-at-home spouse is probably more accurate in the era of two-income families), as they are typically the primary decision maker. Schools and kid activities being equal, the decision will be what amenities the spouse wants.
4. **Family Ties.** In many cases, existing family ties are the overriding factor.
5. **Proximity to Work.** All other things being equal, a location near employment is preferred.
6. **Medical services/insurance.** In cases where a specific medical issue is present, the availability of relevant services and service providers who accept the insurance available can be a central decision criteria.

Addressing these factors is reasonably straightforward.

Regarding **schools**, Perryville is at a distinct disadvantage. For this study, four school ranking services were reviewed. “SchoolDigger,” “Local School Directory,” and “GreatSchools” all rank Missouri schools based on published test results, although each applies its own proprietary “adjustments.” “Niche,” ranks the schools based on a combination of test scores and surveys. In all cases, as seen in Exhibit No. 11, Perryville does not rank well.

Another indicator of the success of a school in preparing students for future academic pursuits is the American College Testing (ACT) scores. Virtually all students take these tests in their junior or senior year of high school. Clearly, as seen in Exhibit No. 12, Perry County schools are lagging in this key indicator.

Exhibit No. 11

School Rankings				
	School Digger 2014	Niche 2015	Local School Directory Rank 2010	Great Schools 2015 (scale of 1 to 10)
Cape Girardeau	342	62	230	5
Farmington	101	26	8	7
Jackson	107	45	75	7
Perryville	337	260	266	5
Ste. Genevieve	90	37	29	7
Note: School Digger, Niche and Local School Directory rank all 529 Missouri school districts with 1 scoring highest.				

Exhibit No. 12

District ACT					
City	2006 Composite ACT Score	2008 Composite ACT Score	2010 Composite ACT Score	2012 Composite ACT Score	2014 Composite ACT Score
Cape Girardeau	23.5	22.5	22.3	22	21.6
Farmington	22.6	21.5	22.3	22.4	22.6
Jackson	22.3	22.6	22.5	22.2	22.1
Monett	21.5	21.3	21.1	20.9	20.9
Nevada	21.9	20.8	21.3	21	20.5
Perry County	20.5	20.1	20.1	20.2	20.1
Ste. Genevieve	21.4	21.3	21.5	21	22.5
Sullivan	22	21.7	21.1	21.2	20.6

Source: Missouri Department of Education.

Given the ease of commuting, this presents a serious problem for Perryville. The better performing schools in Cape Girardeau, Jackson and Ste. Genevieve are only a half hour commute away. Even Farmington is only a slightly longer commute. This means that school focused employees will be hard to persuade to come to Perryville.

School ranking is an important decision factor. There is little to be done in the short term; however this is a problem that must be addressed.

In the short term, there is little that can be done to improve this issue. The school, in conjunction with the economic development organizations, could put together a presentation highlighting the excellent special programs available. The higher education center would reasonably be included in this. Additionally, focus on a well respected parochial school system would be a part of such a presentation. Long term, significant improvement will require commitment and effort on the part of the school board and the Perry County School District 32 administration.



For “**other activities,**” Perryville has a good menu. The Bank of Missouri soccer park boasts 10 fields and has the capacity to host large



tournaments. The city also maintains 10 baseball fields. The City Park and Perry Park Center offer a variety of programs year round and the schools offer the full range of intramural and varsity sports. City sponsored

leagues in various sports are also available. There is a 1.33 mile hiking and biking loop at City Park and another .75 mile loop at the Soccer Park. The Parks and Recreation Department recently installed new playground equipment and added a disc golf course to the City Park.

The area of “**spouse amenities**” is, as a rule, completely beyond the control, or even the ability to affect, of the city and economic development groups. Chain restaurants, such as Olive Garden or Outback Steakhouse, make their location decisions based on an internal analysis algorithm; when the numbers work, they will build in town. Until then, there is little to be



done. The same comments apply to virtually all other amenities. A movie theater requires a certain population base to be profitable, as does any other business. The recent location of a Beef O’Brady’s family sports

restaurant is a good sign in this regard. Perryville is approaching the level of population and activity that is “getting on the radar” for these types of businesses.

Family tie issues are, of course, completely beyond the control of the city. This is a “good news/bad news” situation. For those returning to Perryville because of family ties, it is a clear gain for the city. There is little that could be done to lure these individuals away. Conversely, for those with family ties elsewhere there is essentially nothing the city can do to change a mind.

The **proximity to work** decision factor is something to be addressed. When all other things are equal employees tend to locate near employment. An expanded stock of housing in an affordable price range would help bring these individuals into the city.

Medical Services/Insurance is a specialized factor but it becomes more and more important as potential residents age. It is, of course, an



absolutely crucial factor if a family has a special medical need. Perry County Memorial Hospital is a full-service hospital and accepts the major insurance carriers as a part of their provider network. This includes United Health Care, Health Link, Blue Cross/Blue Shield, Coventry, and Medicare/Medicaid. The hospital has also been designated as a HealthStrong Hospital by iVantage Health Analytics. If potential residents have other insurance though, the costs associated with being accepted as a “provider” are probably prohibitive for the hospital.

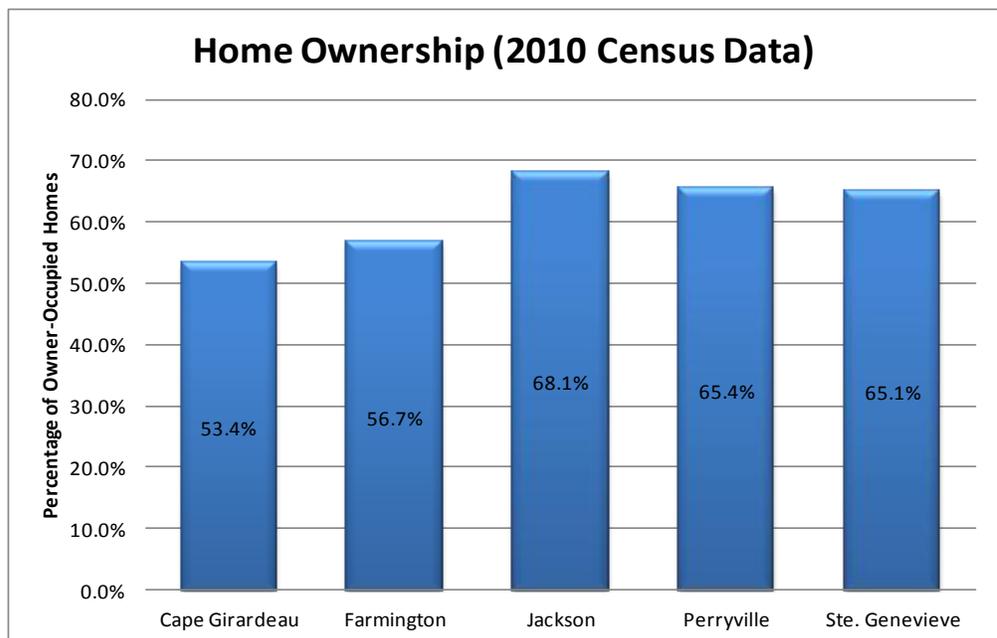
Real Estate Market

One of the most significant characteristics of the Perryville real estate market is the city has a high level of home ownership rather than renting. Continuing with Cape Girardeau, Farmington, Jackson and Ste. Genevieve as the primary comparison cities, Perryville is high in this factor. As shown in Exhibit No. 13, only Jackson has a higher level of home ownership, which would be expected from a “bedroom community” for the larger city of Cape Girardeau. Cape Girardeau, in turn, is skewed by the large student population living in “institutional” quarters. This population also makes rental housing and the conversion of larger older homes into apartments an attractive investment.

Perryville has a very high level of home ownership as opposed to home renting.

The two characteristics of the real estate market considered in this study were the availability of housing for sale or rent and the ease of obtaining financing. With regards to availability, the market is further segmented into rental and purchase. In Perryville, at present (Summer, 2015),

Exhibit No. 13



the rental market for single family homes is scarce with waiting lists. Similarly, single family houses for sale in the \$100,000 to \$150,000 range are very limited, so demand is regularly larger than supply. It is, simply put, a “seller’s market.”

The housing market is very dynamic, with a certain level of turnover at any time. Something as simple as the availability of attractive housing for senior citizens (defined as those 60 and older) could quickly free up larger homes as empty nesters trade in the size and maintenance requirements of

the “family home” for a smaller retirement home. This, in turn, would open up houses for those ready to “step up.” A local group of senior citizens indicated interest in making this move and has had preliminary discussions with a developer specializing in developments specifically targeted to the “retirement” community.

Financing can be difficult to obtain and this is completely outside of the ability of the city to affect.

Financing availability is an issue outside of the ability of the city to affect. Following the housing market collapse of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act added requirements and

restrictions to banks making residential mortgage loans. Some of these requirements, including detailed requirements for comparables when appraisals are done, make financing difficult even for those with good credit and a down payment. The USDA Rural Development loan program helps but also has its own set of requirement and restrictions. Financing is clearly an issue.



Housing Progression

For purposes of this analysis, a very generalized housing progression was assumed. In this approach:

\$0 - \$75,000 – Small “starter” homes. At this price, the house can be expected to be older and likely need work. These are the classic “fixer uppers” or “handyman specials.” The market would be young adults starting out. At this price point, the house is probably two bedrooms.

\$75,001 – \$150,000 – “Step-up” homes. The family has another child and is more financially secure. They have equity to leverage into a down payment. With another child, and the older one approaching school age, they are moving to the three bedroom, two bathroom house. Other considerations might be a basement and a bigger yard.

\$150,001 – \$225,000 – “Mature family.” The children are in school and elbow room is at a premium. As the family matures and promotions have been achieved, the family has reached the point where upgraded amenities seems in order. This would be a bigger house with at least three, preferably four, bedrooms and two or three baths. A two car garage and a big yard are high on the wish list. This could, in many cases, be the “terminal” house until the children are graduated and off to college or ready to move out on their own. It could be a new house in an “upscale” subdivision or an older house in an established neighborhood, depending on individual tastes.

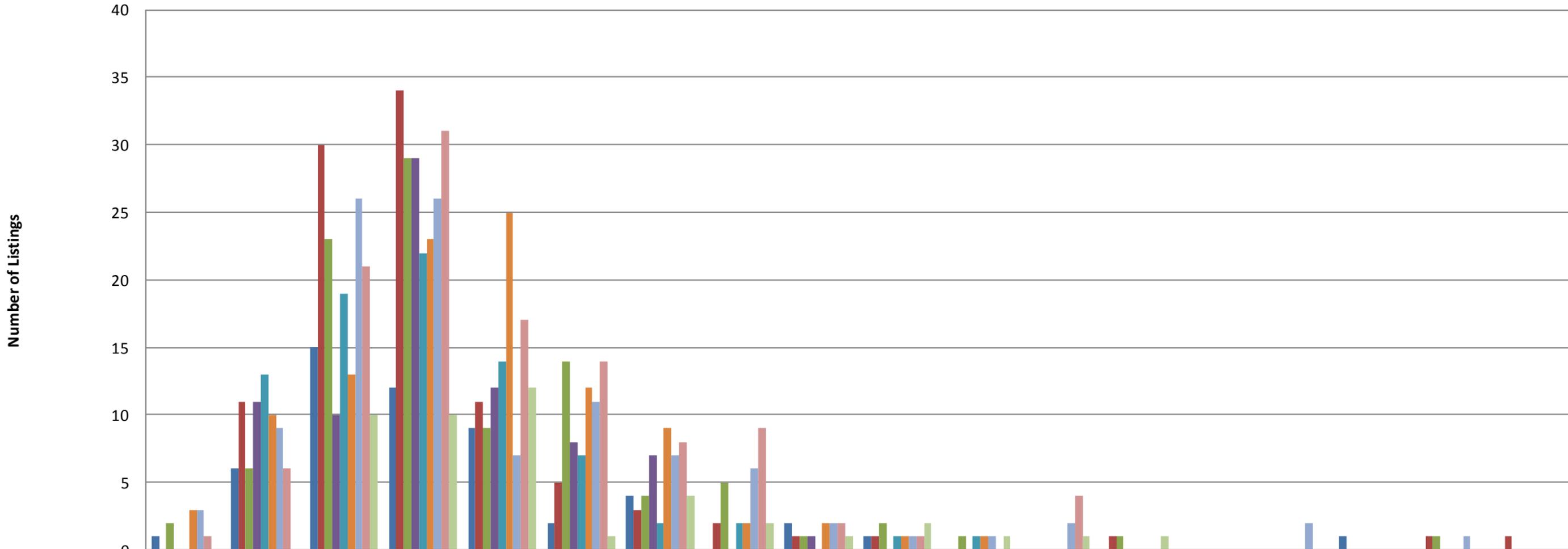
Progress from starter home to step-up home to mature family home.

\$225,001 and above – “Specialty” houses. These are virtually always custom built and include the amenities specified by the owner. These houses are large, often 4+ bedrooms with 4 full baths, a full basement, family room, game room, home entertainment room, etc. Swimming pools would be common. Given the rural nature of Perryville, a lot of significant acreage could be part of the package. This could mean a move outside of the city for the size of lot desired.

Both inside the city limits and in Perry County there is a concentration of existing homes on the market at the lower end of the range. Exhibits No. 14 and 15, showing houses on the market by price, are taken directly from the multi-list system of local realtors and are current as of July, 2015. There have historically been a reasonably wide selection in the “starter home” and the “step up home” ranges. At this writing, there is only one home listed in that \$125,000 - \$150,000 range, that is not typical. While not extensive, there is normally a selection in all ranges up to \$225,000.

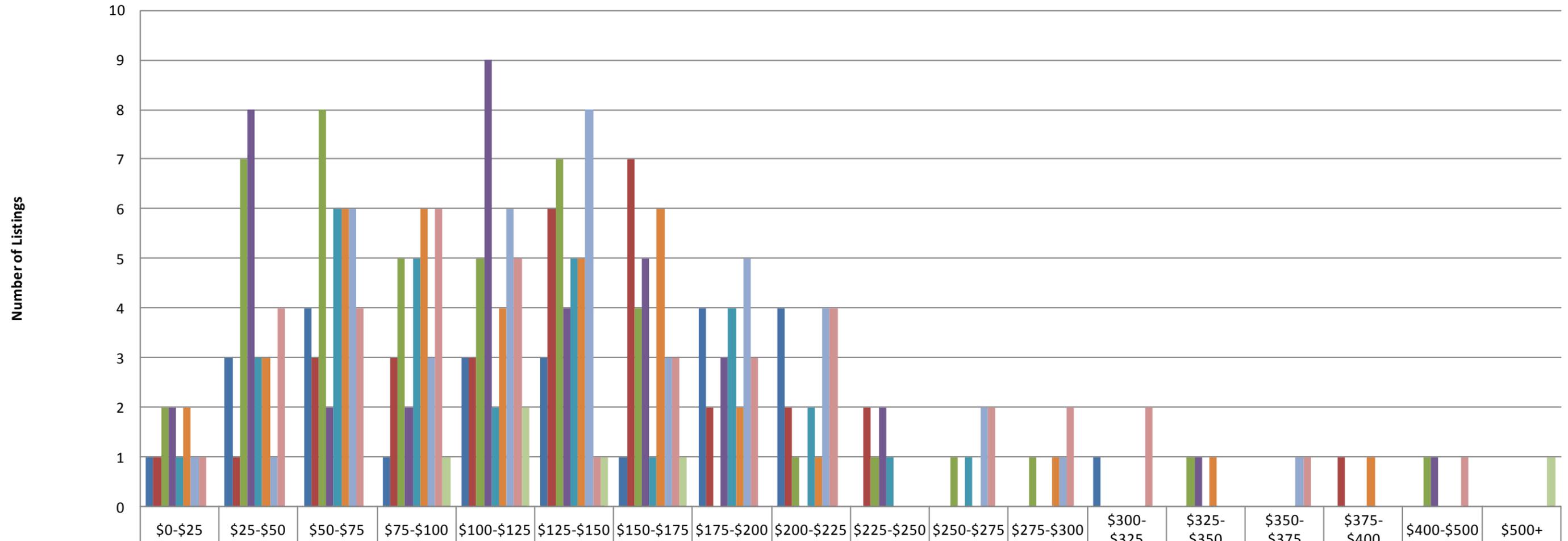
Above that price range, there are very few “listings” at any given time. Offsetting that, at least somewhat, is a “hidden market.” Real estate professionals have a contact list of owners of higher priced houses who would be willing to show their house but do not want to have a “for sale” sign in the yard for extended periods.

Housing Market Inside City Limits



	\$0-\$24,999	\$25,000-\$49,999	\$50,000-\$74,999	\$75,000-\$99,999	\$100,000-\$124,999	\$125,000-\$149,999	\$150,000-\$174,999	\$175,000-\$199,999	\$200,000-\$224,999	\$225,000-\$249,999	\$250,000-\$274,999	\$275,000-\$299,999	\$300,000-\$324,999	\$325,000-\$349,999	\$350,000-\$374,999	\$375,000-\$399,999	\$400,000-\$499,999	\$500,000+
2007	1	6	15	12	9	2	4		2	1						1		
2008		11	30	34	11	5	3	2	1	1			1				1	1
2009	2	6	23	29	9	14	4	5	1	2	1		1				1	
2010		11	10	29	12	8	7		1									
2011		13	19	22	14	7	2	2		1	1							
2012	3	10	13	23	25	12	9	2	2	1	1							
2013	3	9	26	26	7	11	7	6	2	1	1	2			2		1	
2014	1	6	21	31	17	14	8	9	2	1		4						
2015 (YTD May)			10	10	12	1	4	2	1	2	1	1	1					

Housing Market Perry County Outside Perryville City Limits



	\$0-\$25	\$25-\$50	\$50-\$75	\$75-\$100	\$100-\$125	\$125-\$150	\$150-\$175	\$175-\$200	\$200-\$225	\$225-\$250	\$250-\$275	\$275-\$300	\$300-\$325	\$325-\$350	\$350-\$375	\$375-\$400	\$400-\$500	\$500+
2007	1	3	4	1	3	3	1	4	4				1					
2008	1	1	3	3	3	6	7	2	2	2						1		
2009	2	7	8	5	5	7	4		1	1	1	1		1			1	
2010	2	8	2	2	9	4	5	3		2				1			1	
2011	1	3	6	5	2	5	1	4	2	1	1							
2012	2	3	6	6	4	5	6	2	1			1		1		1		
2013	1	1	6	3	6	8	3	5	4		2	1			1			
2014	1	4	4	6	5	1	3	3	4		2	2	2		1		1	
2015 (YTD May)				1	2	1	1											1

Affordability

The question of affordability is complicated. Federal regulations, tightened significantly with the Dodd-Frank Wall Street Reform and Consumer Protection Act, have created a tightening of credit requirements. As a result, financing is difficult, even for those with a good credit history and down payment. Among other things, it can be difficult to obtain an appraisal in small cities given the requirements for “comparables” included in new regulations.

To determine a base level of affordability, several assumptions were used to generate a “model” new family. Specifically:

The “breadwinner” making \$14/hour	\$29,120
The “spouse” making \$9/hour	\$18,720
Annual income before taxes	\$47,840
25% taxes	<u>-\$11,960</u>
“Take home pay”-annually	\$35,880
“Take home pay”-monthly	\$2,990

Interestingly, this hypothetical family is above the median household income for the City of Perryville. The US Census Bureau found the median household income to be \$40,788 as of 2013. It does, though, reflect the “ideal” new resident that the city would like to attract.



Further assumptions included \$500 a month in “expenses” and ability to make a \$20,000 down payment.

To determine the mortgage this “model” family can afford, three websites were consulted. Based on the income and expenses assumptions above, a wide range of returns were received:

zillow.com suggested this family could afford a house for \$99,740.

bankrate.com suggested this resident could afford a house for \$125,000.

money.cnn.com was the highest, raising the limit to \$157,000.

The greatest need for housing is in the \$100,000 to \$150,000 step-up home price range.

This level of income qualifies for loan guarantees through the United States Department of Agriculture – Rural Development under the Section 502 Guaranteed and Rural Home Loan Programs. For the Guaranteed program the maximum allowable income is \$75,650 annually. For the Direct program the maximum is \$42,500 making our hypothetical family ineligible for this program.

This experiment suggests that the \$100,000 to \$150,000 range seems to be the range most needed by families working at the jobs in Perryville. This represents an affordable housing problem for the city. As



of this writing, Summer 2015, there is only one house listed in the \$125,000 to \$149,999 range. Another dozen are listed in the \$100,000 to \$124,999 range. This is not a very large selection, especially at the upper half of the range. The lack of housing in this key price range is purely market driven.

Development Opportunities

Developers naturally gravitate to large markets. In an industry where hundreds of thousands of dollars are invested before the first return is received, a small market is seen as very risky. As noted below, there is land available for development. The question to be answered is does the market justify the risk associated with a subdivision development. Alternatively, are there programs that could be put in place to stimulate such development?

The central area of the city of is generally built out although individual



lots are available for those interested in building “right in town.” The various

Although the central part of the city is fully built out, there is plenty of land available on the outskirts but still within the city limits.

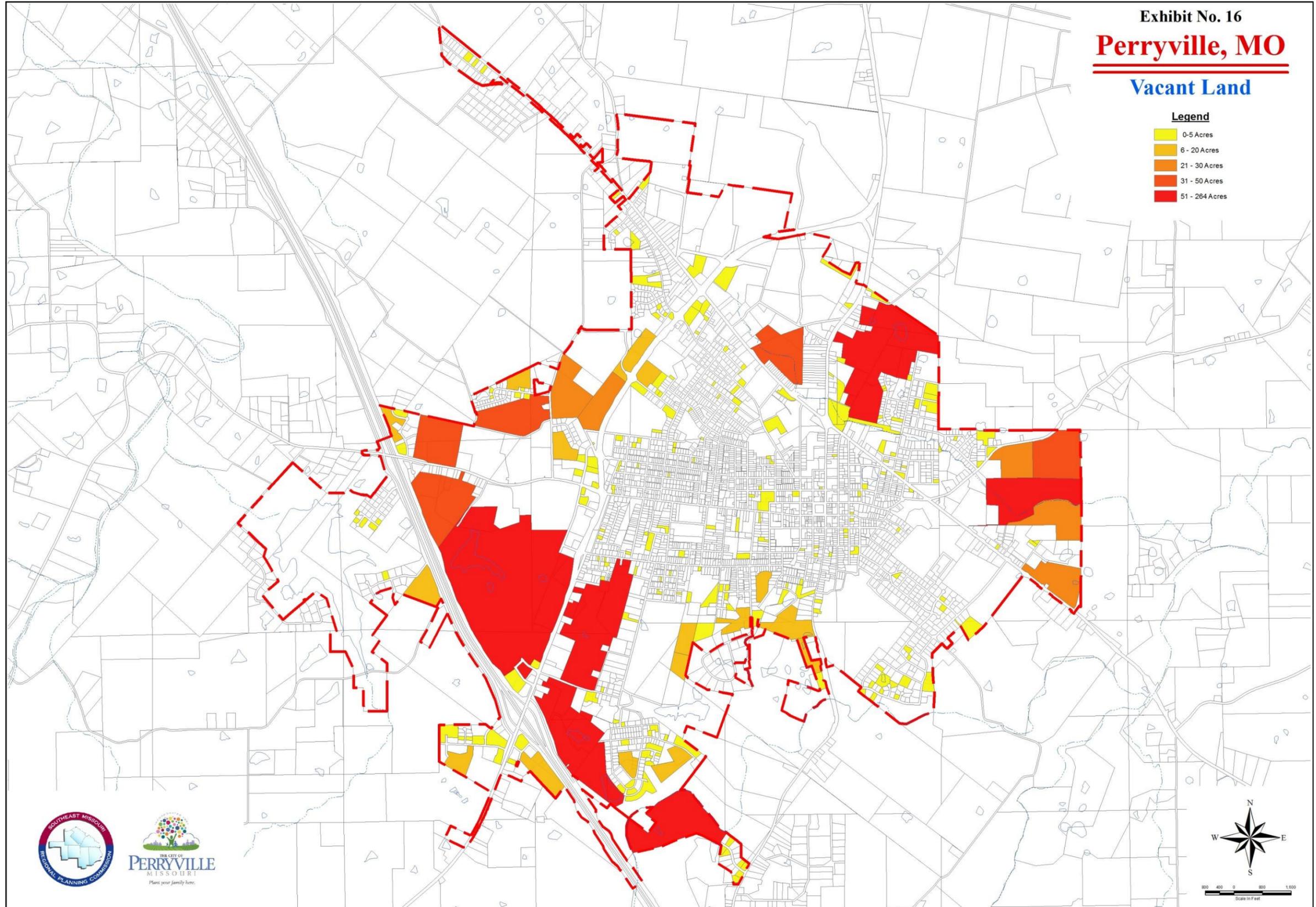
subdivisions around the city generally

also have vacant lots available. Moreover, there is significant developable land either available and on the market or which would be available for the “right offer.” As noted at Exhibit No. 16, this is significant land availability. The various tracts identified sum to over 1,300 acres developable within the city limits. These range from small to very large tracts as follows:

Size of Tract	Acreage
0-5 Acres	207
6-20 Acres	152
23-30 Acres	128
31-50 Acres	193
<u>52-264 Acres</u>	<u>661</u>
TOTAL	1,341



Exhibit No. 16
Perryville, MO
Vacant Land



Development Constraints

During interviews and discussions, a perception of Perryville’s subdivision regulations and zoning requirements being overly strict and burdensome came up multiple times. Specifically, the street requirements were cited frequently. However, Perryville’s requirements are in line with other area communities, as shown in Exhibit No. 17.

Similarly, the zoning requirements are not dramatically different among the cities. The issue, at least anecdotally, is a problem obtaining Special Use Permits or variances. Two examples were given in interviews. In one case, a multi-family development (apartment building) was proposed for an area zoned C-1. This is allowable under the Zoning Ordinance with a Special Use Permit. However, the permit was not granted and not presented to the Planning & Zoning Commission for consideration. In another case, an existing trailer park located in a residential zone, which is a nonconforming use in such a zone, was proposed to be converted into a duplex development. This was not allowed as it was considered “spot zoning.” To repeat, these are anecdotes and unconfirmed. It is, however, a perception that needs to be overcome. Indeed, the city is fully aware of the issue of trailer parks and is in the preliminary stages of developing such changes to zoning requirements that would allow non-conforming trailer parks to be converted to duplexes as a use-by-right.

Exhibit No. 17

A similar perception is the building inspector in Perryville is not as “cooperative” as those in Jackson where one developer interviewed for this report works regularly. The example given was a situation that required a driveway be built and the home be ready to move into on an extremely short, 24 hour turnaround. The anecdote, as related by the developer, was the inspector in Jackson was contacted and the problem described over the phone. The developer explained what he intended to do and was given a verbal “go ahead” based on a simple phone call. The developer said he did not believe that sort of cooperation would be possible in Perryville. Again, this is anecdotal but something for the city to consider.

Street Requirement Comparisons					
Streets Right-of-Way	Arterial (4-lane) (feet)	Arterial (2-lane) (feet)	Collector (feet)	Local (feet)	Marginal Access (feet)
Perryville	80	80	60	50	40
Jackson	64	64	60	50	24
Farmington	100	70	60	50	20
Ste. Genevieve	80	80	60	50	40
Streets Pavement Width	Arterial (4-lane) (feet)	Arterial (2-lane) (feet)	Collector (feet)	Local (feet)	Marginal Access (feet)
Perryville	48	44	40	32	24
Jackson	50	50	38	32	20
Farmington	48	48	40	32	24
Ste. Genevieve	48	44	40	32	24

Senior Citizens

For purposes of this section, the term “senior citizens” is defined as those 60 and older. Between 60 and 65 especially, a large percentage of these people are still in the labor force and drawing paychecks. Their mortgage has been paid off and their children are in college or on their own. This group includes the classic “empty nesters,” whose house is bigger than needed. As age increases, the two-story house with its stairs may pose accessibility problems. After retirement, the possibility that the home is owned by a single householder, typically a woman, increases with each year that passes.

Increasing the stock of housing dedicated to seniors would help increase the market as those larger houses at the top of the housing “progression” are opened up. There are programs available to promote housing for low and moderate income seniors. One such project was undertaken and resulted in the development of a 36-unit complex. Demand for this housing type was so high that all 36 units were immediately rented and a waiting list was created. With 33 of the original renters still residents, the waiting list continues to grow. Clearly, this segment of the market has not been saturated.



What is not as clear is whether such a strong market exists for a more upscale development. The existing senior housing is a “standard” apartment complex consisting of several “six-plex” units. Nearby parking is provided but these units lack the garage that the individuals interviewed for this report identified as a “deal breaking” requirement. Rent is held low, under \$500/month for a 1,000 square foot two-bedroom apartment, through the tax credits provided through the Missouri Housing Development Commission to hold the price well below market values.

Economics

The greatest constraint to developing housing in that \$100,000 to \$150,000 price range is simple economics. Up front expenses including streets and utilities represent a large cost in the developer's budget. When the cost of construction is added in, it may be difficult to undertake a development targeted at that price point in a development as small as 36 units. Exhibit No.18 gives a "back of the envelope" estimate of the costs involved in such a development.

Economics is the central problem in a small market.

Exhibit No. 18

Hypothetical Subdivision Development ¹							
Line Item	Number	Unit		Cost	Unit		Total
Land	15	acres	@	\$10,000	per acre	=	\$150,000
Streets ²	1,750	feet	@	\$256	per linear foot	=	\$448,000
Sewer Service	1,750	feet	@	\$50	per linear foot	=	\$87,500
Water Service	1,750	feet	@	\$50	per linear foot	=	\$87,500
Gas Service	1,750	feet	@	\$15	per linear foot	=	\$26,250
Electric service	36	houses	@	\$1,500	per house	=	\$54,000
Miscellaneous ⁴							\$50,000
TOTAL BEFORE A HOUSE IS BUILT							\$903,250
Initial costs on a "per unit" basis							\$25,090
Construction ³	1,400	ft ²	@	\$110	per ft ²	=	\$154,000
TOTAL PER HOUSE BEFORE PROFIT							\$179,090
¹ This assumes a subdivision developed to accommodate 36 units							
² Assumes \$8/Square foot and a 32 foot pavement width for local street = \$256/linear foot							
³ Construction costs have many variables. During research for this report the per square foot cost was seen in a range from \$70/ft ² to \$200/ft ² . For purposes of this "back of the envelope" estimate a base construction cost of \$110/ft ² was used based on a conversation with a local supplier and an average house size of 1,400 ft ² . This includes a two-car garage and a basement.							
⁴ Miscellaneous accounts for engineering, design, soil testing, etc.							

The interest in housing at this price range is seen in the speed with which subdivisions focusing on that range have been completed. As shown on Exhibit No. 19, subdivisions that targeted the "step-up house" range have been built out in a relatively short order. This includes the Lake Point Acres and Rambling Hills Estates subdivisions. The more upscale Windy Heights/Cinque Hommes subdivision still has lots available.

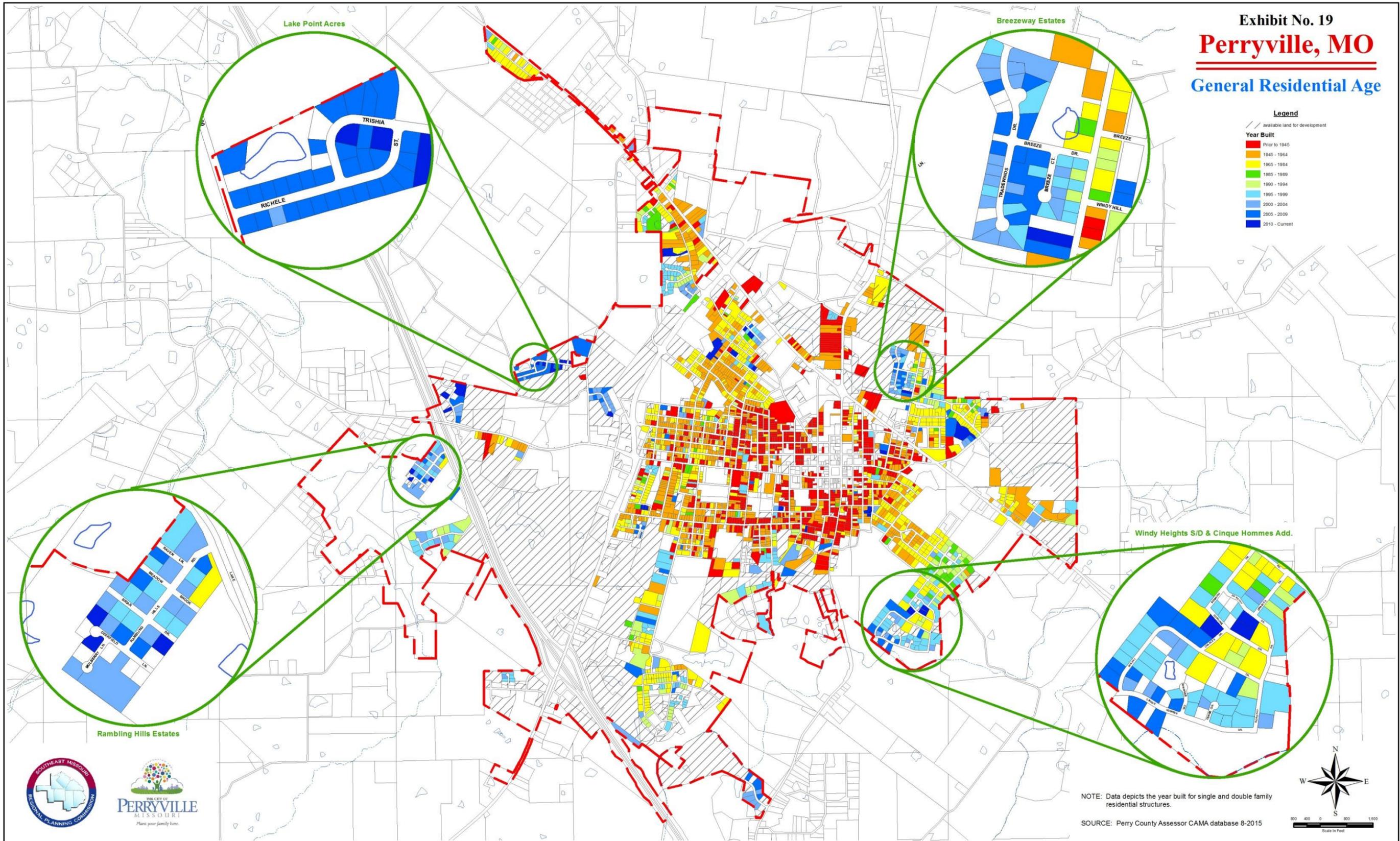
Exhibit No. 19
Perryville, MO
 General Residential Age

Legend

--- available land for development

Year Built

- Prior to 1945
- 1945 - 1964
- 1965 - 1984
- 1985 - 1989
- 1990 - 1994
- 1995 - 1999
- 2000 - 2004
- 2005 - 2009
- 2010 - Current



NOTE: Data depicts the year built for single and double family residential structures.

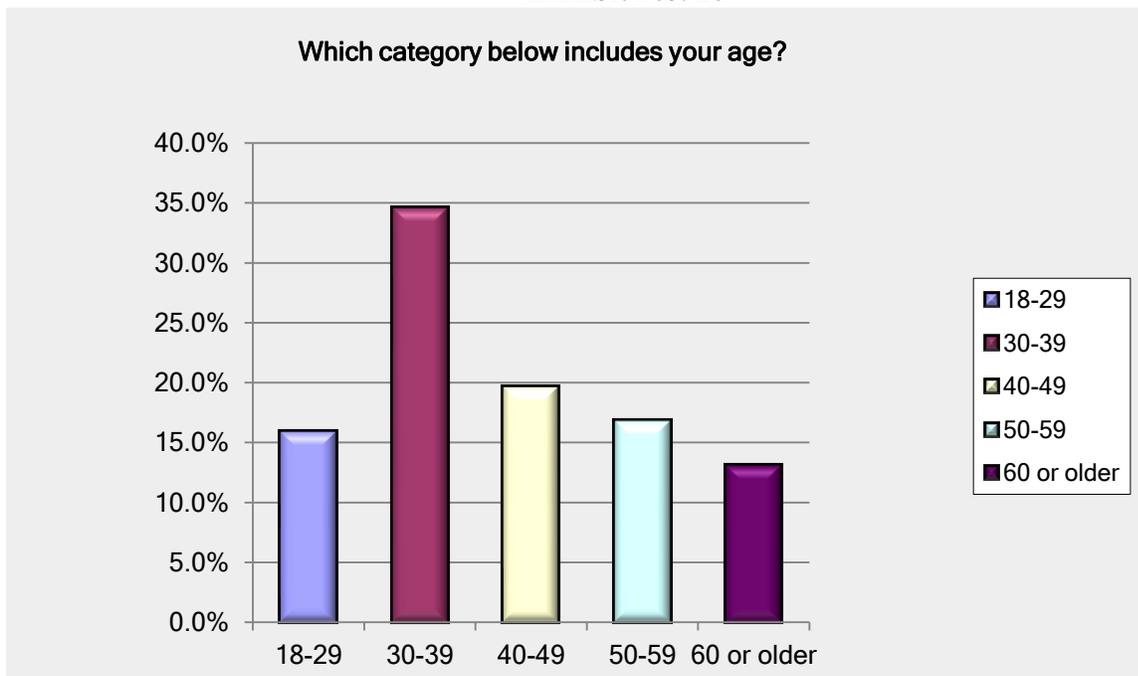
SOURCE: Perry County Assessor CAMA database 8-2015



Survey Results

A survey was created to collect information from Perryville residents and those that work in Perryville but live elsewhere. The survey was open for approximately two months and was advertised on Facebook, Twitter, the City of Perryville website, the SEMO RPC website and announced in the newspaper. The Chamber of Commerce and the Perry County Economic Development Authority made direct contacts encouraging participation. Also, the various firms contacted in the process of the small group interviews were notified directly and encouraged to ask employees to take the survey. There were 108 respondents from which the basic demographic information was collected as seen in Exhibit No. 20, in addition to more situation specific questions to elicit responses regarding living and working conditions. The contents of the entire survey and responses can be found in Appendix # 2.

Exhibit No. 20



The first 12 questions covered demographics, such as age, marital status, etc. One question asked if their residence was owned or rented. Of the 108 respondents, 87 owned their home, 19 rented housing and two did not respond to the question, Exhibit No. 21. Ninety-four respondents described their housing as a single-family house. Over 60% of the renters were between 18 and 40 years of age, living in single family homes and working full time jobs.

Exhibit No. 21



Following these general, introductory questions, the survey divided the respondents between those living in the City of Perryville from those that do not. Eighty-two of the respondents resided within Perryville, 26 resided outside Perryville and two did not respond. The respondents were then directed to two different groupings of similar questions to draw out deciding factors related to residential location choices. Those residing outside of Perryville either chose a more rural setting, such as Frohna, Sedgewickville or unincorporated county by 80%, or chose a more urban setting like Cape Girardeau or Jackson.

Another question asked what respondents like most about their community. The residents of Perryville reported the small town atmosphere as the most admirable feature. Other popular responses included nearness to family, community spirit, growth, parks, and cleanliness. The sister question for non-residents indicated about 80% of the respondents preferred rural attributes and 20% preferred proximity to urban amenities.

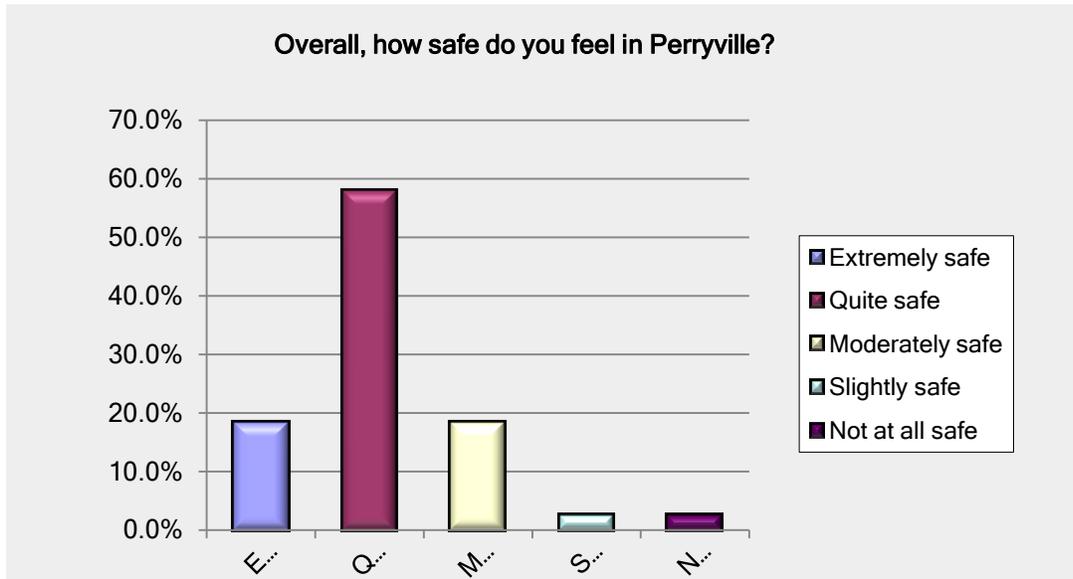
*What do you like most about Perryville?
...small town atmosphere, it's a community that cares, close to a major metro area without all the headaches.*

A pair of questions asked respondents to identify the least favorable characteristic. Perryville residents typically fell into three categories: unfriendly people/politics, lack of restaurants/shopping, and rundown/bad element. Non-residents did not have much commonality in responses except for road conditions and travel time to amenities/work.

Non-residents listed lengthy distance to work, crime, and poor road conditions as least favorable conditions.

In regard to overall satisfaction with the quality of life in their community, approximately 75% of respondents indicated they were either satisfied or highly satisfied. Almost 80% considered their community safe, Exhibit No. 22.

Exhibit No. 22



Ninety percent of resident survey participants believe Perryville is a good place to retire, likewise nearly 80% of non-residents believe their community is a good place to retire. Similarly, 92% of residents feel Perryville is a good place to raise children, while 84% of non-Perryville residents feel their community is a good place to raise children. Perryville participants responded with a resounding 95% that the streets were well maintained while 55% of those living outside Perryville believed their streets were well maintained. Some 89% of Perryville respondents agree Perryville has a promising future. Only 74% of respondents from other communities felt this way. Perryville residents and non-Perryville residents are equally proud of their communities at approximately 90% affirmative responses. Over 80% of respondents agree opportunities for economic development exist in their community.

Perryville gets excellent reviews as a place to retire and a good place to raise children.

Approximately 85% of Perryville residents considered housing affordable or extremely affordable compared to approximately 90% of non-residents. When filtered down to the renter level, affordability was a 50/50 split between affordable and not affordable for both Perryville residents and non-residents.

The average length of time lived in Perryville is 26 years and breaks down in the following categories: 25% residing in Perryville 1-10 years, 17% residing in Perryville 11-20 years, 18% residing in Perryville 21-30 years and 40% residing in Perryville 31+ years. Those living outside Perryville were quartered into the four categories: 1-10 years, 11-20 years, 21-30

years and 31+ years. Approximately 80% of all participants have lived in at least one community other than the one in which they currently reside. A majority of respondents indicated no immediate desire to leave their current community, however 16% of Perryville residents and non-residents plan to leave their current residence in the next 5 years. As would be expected, approximately 40% of renters anticipate moving in the next five years.

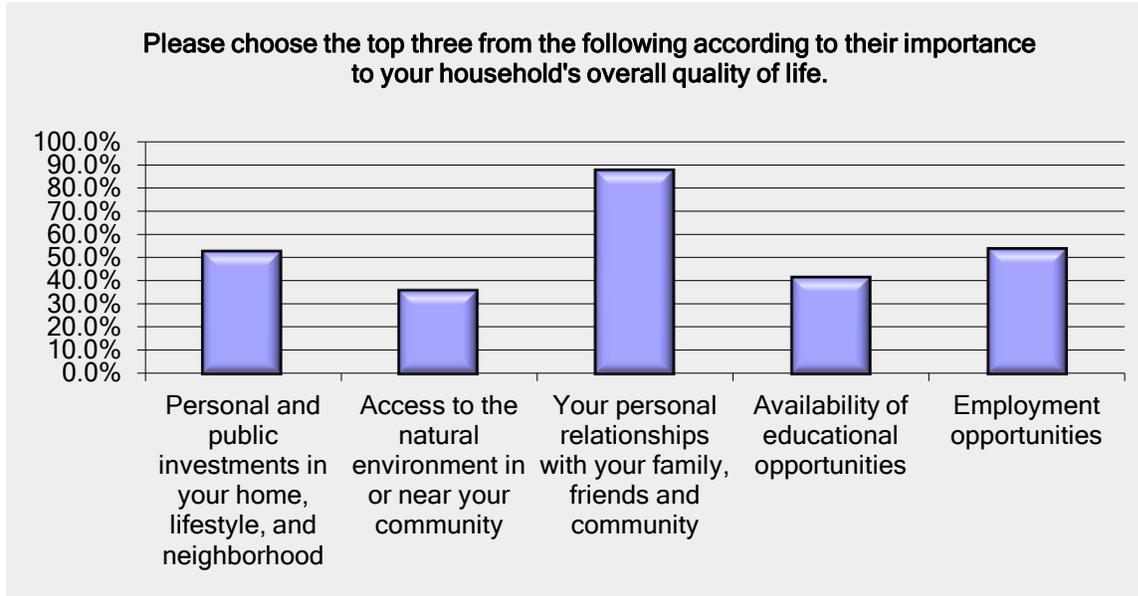
Sixty-two percent of all respondents live within 5 miles or less of their work. Taking the radius out farther, 87% of participants live within 20 miles of their work. The number one reason among all respondents for selecting their residential location is proximity to family at 53%, followed closely by work at 47%. When separated out, Perryville residents indicated work outweighed family by 5% for the number one reason. Conversely, non-residents chose family as the main reason for their residential location at 71% over 21% for work.

The number one reason among all respondents for selecting their residential location is proximity to family.

In terms of household quality of life, respondents ranked the following in order of importance: “Personal relationships with family, friends and community”, “employment opportunities”, and “personal and public investments in home, lifestyle and neighborhood”. These remained the top three except for respondents 60 years and over; in this case “access to the natural environment in or near community” takes the place of “employment opportunities”. Over three quarters of residents and non-residents would recommend Perryville to friends or family as a good place to live. However, renters would recommend Perryville at a lower rate, 55%. The two major reasons behind the positive recommendation are small town atmosphere and safe place to live. The major reasons for a non-recommendation stem from lack of shopping centers and the perception that illegal drugs are in the city. Digging deeper into the negative impression, non-residents identified “drugs,” “not a very good school system” and “limited resources” equally. Perryville residents and respondents in the 60+ age group listed “lack of shopping centers” and “drugs.” Renters also identified “lack of shopping centers” with a three way tie for second between “limited resources,” “employment opportunities” and “drugs” as reasons for not recommending Perryville.

The major reasons given for not recommending Perryville were the perception that illegal drugs are common, “not a very good school system” and “limited resources.”

Exhibit No. 23

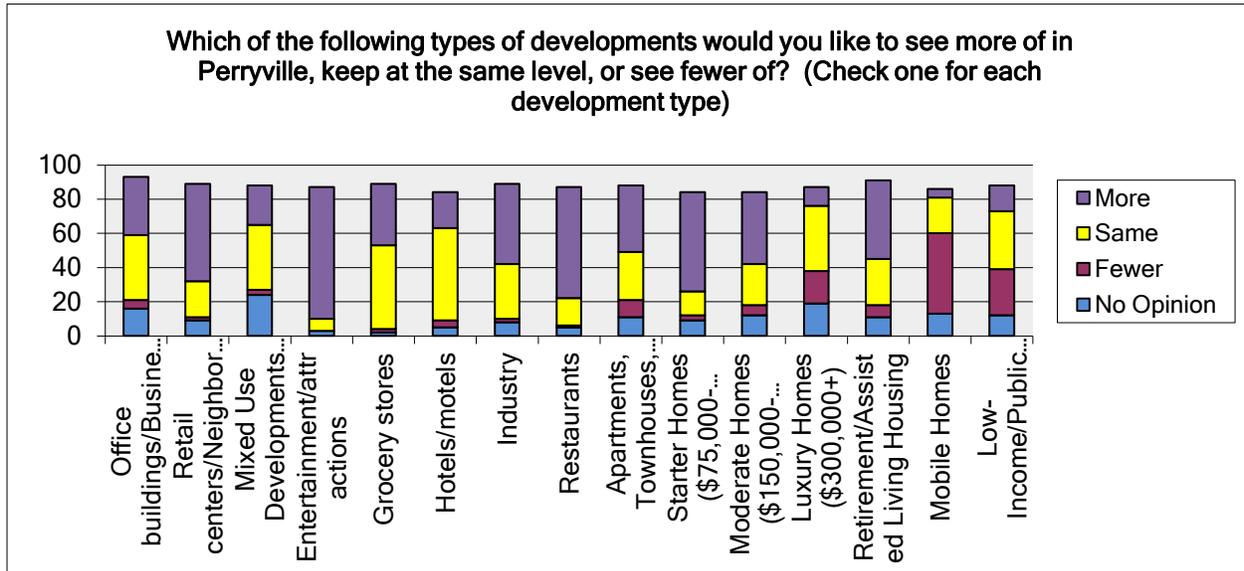


Educational opportunities are considered fair to excellent by most respondents with fair at 57% and excellent at 35% for all surveyed. Non-resident and 60 years+ cross-sections ranked educational opportunities 47% and 54% excellent, respectively and 37% and 38% fair, respectively. Conversely, the renter and resident subsections ranked educational opportunities 15/31% excellent and 54/63% fair.

Respondents were given a listing of types of developments and asked if they would like to see more, the same number or less of that type of development. The types of development were office buildings/business parks, retail centers/neighborhood service retail, mixed use developments, entertainment/attractions, grocery stores, hotels/motels, industry, restaurants, apartments/townhouses/condominiums, starter homes, moderate homes, luxury homes, retirement/assisted living, mobile homes, and low-income/public housing. The top three in the “more” column were entertainment/attractions, restaurants, and starter homes. The “same” selection top three were hotels/motels, grocery stores, and luxury homes. Respondents would like to see fewer mobile homes, low-income/public housing, and luxury homes, Exhibit No. 24 Indeed, “fewer mobile homes” was the single highest response.

The Perryville resident subgroup matched the collective responses. The renter subgroup also would like to see more entertainment, restaurants and starter homes but fewer luxury homes, moderate homes and low income housing. Non-residents concurred with the need for more entertainment and restaurants with a three way tie for third going to industry, starter homes and retirement/assisted living. The non-resident subgroup mirrored the overall responses for fewer mobile homes, luxury homes and low-income/public housing. The 60+ age subgroup echoed more entertainment/attractions as their number one selection with a four way tie for second

Exhibit No. 24



– industry, restaurants, starter homes, and retirement/assisted living housing. The 60+ age subgroup identified the need for fewer mobile homes, luxury homes and low-income/public housing. More starter homes made the top three “more” of all subgroups, conversely luxury homes made the top three in the “fewer” column of each subgroup. Neither the whole of respondents nor any subgroup identified apartments/townhouses/condominiums in their top three in the “more” column.

Roughly 80% of all respondents agreed that now is a good time to buy and sell a house. Renters were the only subgroup who believed now is not a good time to buy or sell a house. Only 14% of all respondents are in the market for a home. Three quarters of respondents shopping for a home are Perryville residents. Respondents shopping for homes are predominantly looking in the \$50,000-\$100,000 range and the \$100,001-\$150,000 range. This is the starter home to “step up” home price range. There were mixed results among respondents as to the difficulty of qualifying for a home mortgage. Of those shopping for a home, nine percent each thought acquiring a mortgage is very difficult, somewhat easy or don’t know. Thirty-six percent each believe it is somewhat difficult or very easy to get financing. Home shopper household incomes range from \$35,000-\$49,999 (40%), \$75,000-\$99,999 (20%), and \$100,000-\$149,999 (40%). The major obstacle to getting a mortgage was identified as personal debt. Others listed affordable down payment, insufficient income, and appraisal value. There was no consensus on the reason for home shopping. Respondents listed closer to work, buying first home, up scaling, crime and acreage as some of the reasons for moving from their current residence.

Only 14% of all respondents are in the market for a home. Three quarters of respondents shopping for a home are Perryville residents.

Survey Discussion

As to the question of “Why Perryville?” or “Why somewhere else?” those respondents living outside of Perryville chose a more rural setting 4 to 1. Perryville’s continued development would do little to encourage these individuals to move into the city. However, that leaves 20% of those living outside of Perryville interested in a more urban setting. Perryville would need to see substantial growth in entertainment, retail and restaurants in order to compete with larger communities, such as Farmington, Cape Girardeau, etc. Only 15% (3) of renter respondents live out of Perryville which is not a large un-captured rental market. The small town feel and community spirit which made so many Perryville residents proud may be harmed by increasing the rental market as renters tend to be less invested in their neighborhood, property and long term vitality of the community. Rental properties are typically not as well maintained as owner occupied units. Fast growth and increased rentals may change these favorable attributes. The 60+ year of age cross-section did not select “Apartments/Townhouses/condos” or “Retirement/Assisted Housing” as the “most” needed development in Perryville. “Entertainment/Attractions” topped the list as the “most” desired development within this subgroup.

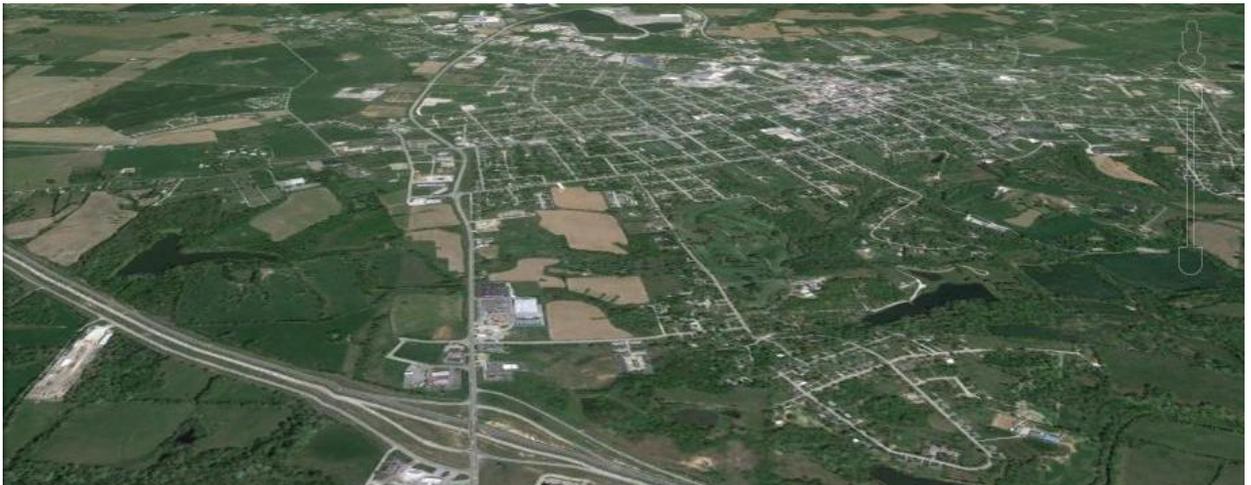
Summary

Whether engaging in a “strengths, weaknesses, opportunities, threats” analysis, a “pro/con” analysis, or any of the other approaches common in community analyses, it is apparent that, on balance, the City of Perryville is doing reasonably well. In terms of population, the city has shown steady growth that is consistent with, or greater than, communities of similar size and geography. In terms of unemployment, Perry County, the smallest unit for which data is available, is doing better than the region, the local “competition” or the state. In terms of job capture and pull factors, the city does better than comparable cities.

Although housing starts have been relatively low, the supply is generally keeping up with demand. Anecdotally, the market as of the Summer of 2015 has essentially no houses in the important \$100,000 to \$150,000 range. This could simply be a matter of a short term bottleneck in more expensive houses, as discussed in greater detail earlier.

At the beginning of this study, the Commission approached it as a matter of “why Perryville?” or “why not Perryville?” As the study progressed, it became clear this was the wrong question. Rather, “Why Perryville?” or “Why somewhere else?” are better questions.

Perryville is, in many ways, a story of “mixed blessings.” Interstate-55, for example, in conjunction with a four lane bypass and the Chester bridge, is an attraction. It allows companies such as Gilster-Mary Lee and TG Missouri to receive raw materials and components quickly and



conveniently and allows them to ship the same way. However, the Interstate also allows would be residents to easily commute to jobs in town. For instance, a resident of Jackson can commute to Perryville in only about ten minutes more than he or she could commute to downtown Cape Girardeau.

Similarly, Perryville has a distinct “small town charm.” Visitors are impressed by the generally “well kept” appearance of the city. Wide concrete streets, almost all with curbs, gutters, and sidewalks, are attractive. One observation is there are no “bad areas” in town. While there might be individual properties in need of repair and maintenance, there are no “shoddy” sections.

That same “small town charm” is not an attraction to all though. One 20 year old line worker, when asked if he would be moving to Perryville, responded flatly, “No way.” When asked why, he said “there is nothing to do.” He went on to say he knew several people at work who went to Cape Girardeau on weekends for the “night life.”

“Small town charm” is a two edged sword. “Well kept” and “clean” and “safe” are clear positives. “Cliquish” and “nothing to do” are the other side of “small town living.”

Besides the “nothing to do” comments from the 20 year old above, more mature citizens had some issues. “Cliquish,” was a word used commonly. One of the drawbacks of “small town living” is that groups formed during grade school can be hard to enter by new arrivals. Groups where there is shared interest can, of course, be joined. The various booster clubs, for example, supporting sports are such an avenue. Nevertheless, there is an undercurrent of standoffishness that was encountered during interviews and in the survey.

The “small town” nature of Perryville also acts as a filter for a significant section of the potential population that might be attracted to the city for employment. This is another instance where Interstate-55 is both a “pro” and a “con.” If the family wants to have access to moderately upscale chain-restaurants such as Red Lobster, Outback, or Olive Garden within 15 minutes of home they will be looking to the Cape Girardeau-Jackson area. If access to a metropolitan area is the governing concern, where “big city” amenities are desired, then the southern St. Louis bedroom communities such as Herculaneum and Festus are attractive.

Perryville is starting to hit the population threshold that attracts the chains.

Perryville is starting to hit the threshold to attract more of the types of amenities that will expand its attractiveness to a wider range of people. The recent development of a Beef O’Brady’s Family Sports Restaurant is an example of this. As local investors look for opportunities it is a virtual certainty that more such developments will occur. Given the importance placed on “entertainment” in interviews and survey responses this is an important development and bodes well for the city. The recent change of Tractors to 15 West, the addition of Mary Jane’s Burgers and Brews, the

move of Body Treats and other recent retail additions to the town square are more indications of a vibrant downtown area.

The supply of houses, especially in the important \$125,000 - \$150,000 range, is purely a market issue. In the City of Jackson, for example, where houses in this range sell readily, developers are developing entire subdivisions in this price range. Development is an expensive proposition and developers need to see a market that will support their activities and allow a reasonably quick profit on their investment.

It is easy to understand how this can be a problem. As of August, 2015, one tract was on the market at a little over \$16,000 per acre. Another tract was priced at about \$8,000 per acre. As with any real estate transaction, prices are negotiable. Even at the lower price, though, assuming three or four residential lots per acre \$2,000 to \$3,000 per lot covers only the land price. At the higher priced land this rises to \$4,000 to \$5,000. This does not include necessary expenses of utilities (water, sewer, gas, electricity) and roads. As one developer put it, “you just cannot have more than \$20,000 in the dirt.”

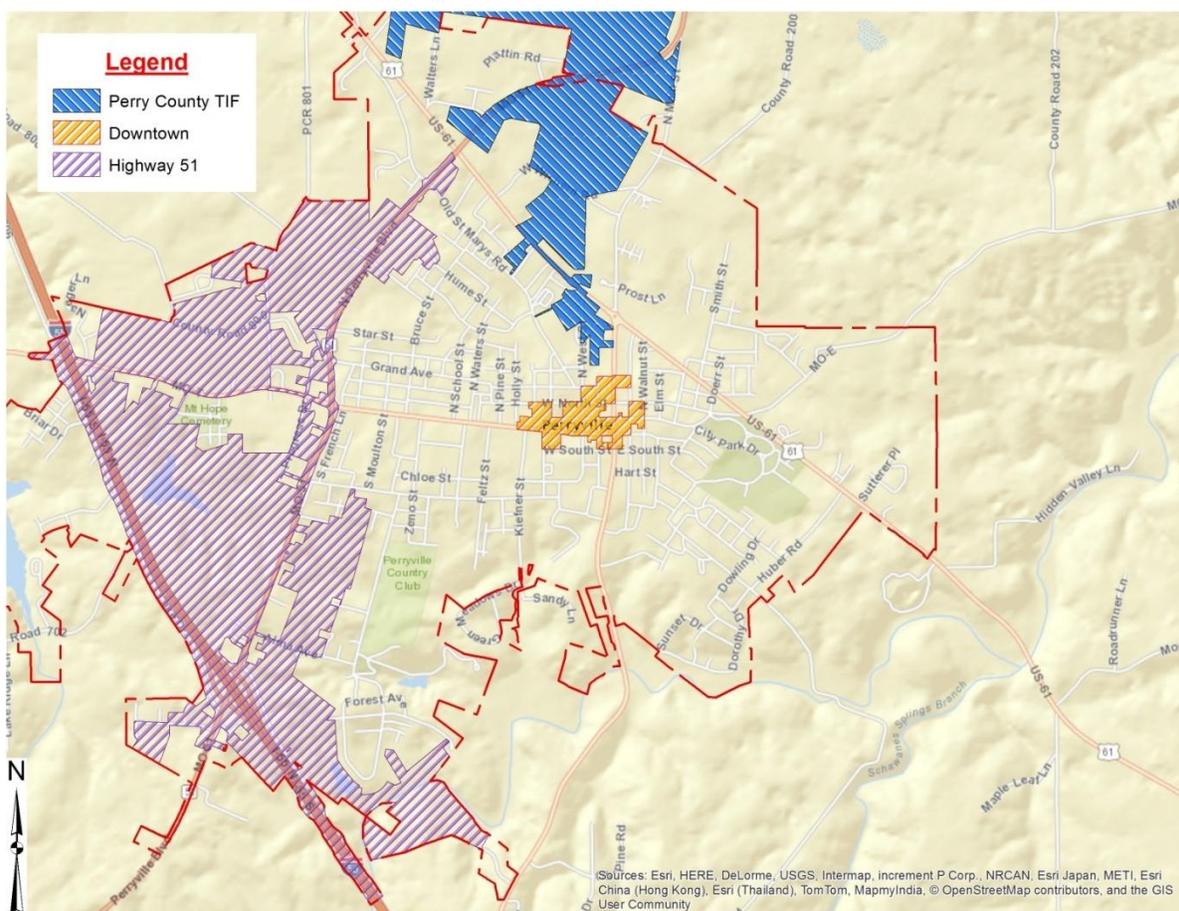
This is an important price point for “millennials” as well. With their interest in “walkable” communities and awareness of environmental concerns, smaller houses in pedestrian friendly neighborhoods are a selling point. In this the “millennials” resemble “seniors.”



Program Options

Tax Increment Financing –

Tax Increment Financing districts are usually established to support commercial development projects. Such a district could be used to support a housing project as well. They are authorized by the TIF Act, Section 99.845 RSMo. Practically any infrastructure improvements can be undertaken based on a plan prepared usually in cooperation with the proposed developer. Improvements are funded through bonds that are then repaid through “payments in lieu of taxes” based on the increased valuation of the area.



Community Improvement District –

Community Improvement Districts can be either a political subdivision or a nonprofit corporation. They are authorized under Sections 67.1401 – 67.1571 RSMo. Community Improvement Districts can undertake a variety of infrastructure improvements including, specifically, “sidewalks, streets, alleys, bridges, ramps,

tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems and other site improvements.” A CID could, in theory, handle virtually all of the site preparation for a housing subdivision development.

Such improvements would be funded through one or more of the following:

1. Special assessments, such a special assessment approved by petition signed by more than 50% of the affected property owners;
2. Real property taxes approved by a majority of “qualified voters”;
3. Sales tax approved by a majority of “qualified voters”;
4. Fees, rents and charges for District property or services;
5. Grants, gifts and donations; or,
6. Bonds secured by property owned by the District.

Neighborhood Improvement District –

Neighborhood Improvement Districts are areas benefited by a public improvement and assessed to pay for that improvement. It is created by an election or petition and is not a separate legal entity. They are authorized under Article III, Section 38(c) of the Missouri Constitution and Sections 67.453 to 67.475 RSMo. Once formed the Neighborhood Improvement District is financed through general obligation bonds issued by the city and backed by the “full faith and credit” of the city. Virtually any public facility or development can be undertaken by a Neighborhood Improvement District. This specifically includes acquisition of property and infrastructure to that property.

Missouri Housing Development Commission –

The MHDC is the agency in Missouri that handles the Low Income Housing Tax Credits. The LIHTC program is used by developers to help cover the expenses of undertaking a low income housing project. The MHDC also provides lending support through a guarantee program. At this time, there are no certified lenders in Perryville.

Community Land Trust –

A Community Land Trust retains ownership of the underlying land and improvements, allowing a developer to avoid those costs and making otherwise unattractive projects feasible. This is a relatively new approach and each is established separately. Typically a new 501(c)(3) not-for-profit organization is established for the purpose of operating the trust although it could be done under the auspices of an existing development organization. Typically these programs are undertaken to promote low-income, affordable housing although there is no legal requirement that they be used for that purpose.

One option to consider is to use a Community Land Trust to establish a land “bank.” In the areas surrounding Perryville, traditional farmers are reluctant to sell their land which they view as both their livelihood and their birthright. The Community Land Trust could watch for tracts that come available farther out and purchase them if the price is reasonable. They would then be able to offer a land “swap” for the closer, more developable land which might be a more attractive option for farmers.

Direct City Participation -

The central issue in attracting development is straightforward economics. The requisite market needs to be demonstrated. The minimum number of units to interest a developer was quoted as 36 by one developer. This represents a significant investment before any return is realized. For example, figuring street construction meeting Perryville standards at \$8/square foot, and a 32 foot pavement requirement, it runs to \$256/lineal foot. Almost \$450,000, then, is required to lay 1,750 feet of street. Similar costs are reflected in other utilities.

The City could, as an inducement, pay for some or all of these up-front costs under an agreement that all or part of that expense would be repaid as lots or homes are sold.

Non-Profit Developer -

The most direct approach, and the approach that would offer the greatest degree of control, would be for a not-for-profit established for the purpose, do the development. When the profit motive is removed from the equation, it becomes easier to “make the numbers work.”

The hypothetical subdivision development assumes that the target market is the employed family discussed earlier. The most expensive house they could afford would be about \$150,000 and that would be a stretch. A more reasonable target price would be \$125,000.

The hypothetical subdivision presented at Exhibit No. 18 on Page 29 and repeated below is based, loosely, on existing subdivisions in Perryville.

Past subdivisions have had roughly 4

EXHIBIT No. 18

lots per acre and 36 lots per development. The actual initial land requirement, given terrain considerations can be considered to be approximately 10 acres. In addition, local streets serving this subdivision can be expected to be approximately a third of a mile or about 1,750 feet. Utilities are needed at \$50/linear foot for Sewer, \$50/linear foot for water, \$15/linear foot for gas service and roughly \$1,000 - \$2,000 per house for electric service. Clearly, any requirement for a profit will make holding the price at that \$150,000 target very difficult.

Hypothetical Subdivision Development ¹							
Line Item	Number	Unit		Cost	Unit		Total
Land	15	acres	@	\$10,000	per acre	=	\$150,000
Streets ²	1,750	feet	@	\$256	per linear foot	=	\$448,000
Sewer Service	1,750	feet	@	\$50	per linear foot	=	\$87,500
Water Service	1,750	feet	@	\$50	per linear foot	=	\$87,500
Gas Service	1,750	feet	@	\$15	per linear foot	=	\$26,250
Electric service	36	houses	@	\$1,500	per house	=	\$54,000
Miscellaneous ⁴							\$50,000
TOTAL BEFORE A HOUSE IS BUILT							\$903,250
Initial costs on a "per unit" basis							\$25,090
Construction ³	1,400	ft ²	@	\$110	per ft ²	=	\$154,000
TOTAL PER HOUSE BEFORE PROFIT							\$179,090
¹ This assumes a subdivision developed to accommodate 36 units							
² Assumes \$8/Square foot and a 32 foot pavement width for local street = \$256/linear foot							
³ Construction costs have many variables. During research for this report the per square foot cost was seen in a range from \$70/ft ² to \$200/ft ² . For purposes of this "back of the envelope" estimate a base construction cost of \$110/ft ² was used based on a conversation with a local supplier and an average house size of 1,400 ft ² . This includes a two-car garage and a basement.							
⁴ Miscellaneous accounts for engineering, design, soil testing, etc.							

Senior Citizen Group –

The interest demonstrated by at least one group of senior citizens suggests there is a market for housing not reflected in the “low income” developments to date. This group would like to see a development of duplexes, but with at least two bedrooms and two baths, an open floorplan, and an attached garage. The potential exists that such a group could associate as a development group interested in this very specific type of development. This could be done on a for-profit or a not-for-profit basis. The group would then obtain the land and find a qualified general contractor to handle the construction including any up front engineering and design costs.

Conclusions

Successful growth is dependent on a clear and concise vision of what you want to be in the future. The housing study will aid Perryville in developing a vision. One question to ask is; Perryville, do you want to remain small town Perryville or do you want to be the next Farmington or Cape Girardeau. Once Perryville has a clear idea of what they want to be then they can construct a plan on how to get there. In *Growth Management Fact Book*, there are five objectives of growth management: controlling the location, density and rate of growth; providing public facilities and infrastructure; preserving community's character; protecting the environment; and providing housing.

City Ordinances, regulations and thoughtful developing will control the location of growth. Slow, managed growth maintains the status quo in quality of life as reflected in low crime, street quality, no blight, and community unity (people growing together). All of these are qualities listed in the things respondents liked most about Perryville.

Based on the survey results, the community is resistant to increasing low income housing. Through interviews, it was discovered there is a need for high-end senior developments and surveys support the desire for more retirement/assisted living housing. "Boomers" have the money/discretionary funds and should be catered to as a consumer group. This demographic has needs and desires similar to millennials. The generation born between 1980 and 2000 are typically referred to as millennials. The similar desires are smaller home options, walkable community, and social gathering area. A community needs to ensure connectivity and have a public space for these two demographics. Public space should promote human contact and social activities; be safe, welcoming and accommodating for all users; have design and architectural features that are visually interesting; promote community involvement; reflect the local culture or history; relate well to bordering uses; be well maintained; and have a unique or special character. Perryville has a long standing history using the downtown square for a public space. Retail, finance and restaurants surround the square promoting walkability and connectivity.

The survey revealed starter homes in the top three of every subgroup examined. Not far behind, respondents agreed Perryville could use more Apartments/Townhouses/Condominiums. These two types of housing options could easily be the solution to the needs of the boomers and millennials. Developing loft space in the downtown area provides smaller, attractive housing, immediate access to retail and access to public space. Senior aimed, single family housing may be more difficult to develop with

walkability, connectivity and public space in mind. There are areas in Perryville where a few units can be nestled in town but not major developments with the 36 unit threshold are possible at the present time.

These centrally developed housing options would raise population density which has been linked to higher productivity. A 2010 Federal Reserve study found ‘sectors with the highest productivity gains were professional services, arts and entertainment, information, and finance...it demonstrates that increasing density can lead to positive economic gains.’ From respondent and interview input, these sectors are in need of growth in Perryville. Centrally located developments are also more cost-effective as infrastructure already exists at the location.

The single most important thing to understand about the real estate market is that it is an open market and prices are set through negotiation between a willing buyer and a willing seller. In this market in 2015 in Perryville there is no apparent interest in undertaking a new subdivision development without some sort of market intervention. A proposal has been made to develop a senior citizen apartment complex, for example, but this relies on receiving Low Income Housing Tax Credits as an incentive. In view of this condition, it becomes necessary for some sort of intervention if the city actively seeks to promote housing development in the price range that would be affordable for the families they want to attract.

The first step in implementing any of the options that follow, then, is to address the political question. That question, in turn, can be stated as “is it the policy of the City of Perryville to use public funds to support the development of housing for citizens regardless of income level.” This would separate out the question from the commonly accepted “public good” associated with public support for “low-income housing.”

Presuming that the answer to the political question is “yes,” then the city can select one or more of the following actions and proceed.

Direct Action to Address Costs:

The central problem in developing housing is economics. The existence of a market is demonstrated by the lack of supply in that step-up house price range shown above in Exhibits No. 14 and 15 and in senior citizen housing. This is, moreover, the price range appropriate for the “model” family discussed earlier, with a combined family income of approximately \$50,000 a year. The problem is to match the apparent need for housing in the \$150,000 price range with the costs of development. Returning to the hypothetical development from Exhibit No. 18 there are several approaches to attack the problem.

As seen here, small houses on small lots quickly exceed the target price point. The most obvious expenses, incurred before the first foundation is poured, are the basic infrastructure costs. Streets, sewer, water and gas lines, and electric service represent \$700,000. Clearly, any action that could address these costs would help make such a development more attractive.

Those infrastructure expenses could be covered by either a Tax Increment Financing program, a Neighborhood Improvement District program or a Community Improvement District program. In each case the upfront infrastructure costs would be financed through bonds which

Hypothetical Subdivision Development ¹						
Line Item	Number	Unit		Cost	Unit	Total
Land	10	acres	@	\$10,000	per acre	\$100,000
Streets ²	1,750	feet	@	\$256	per linear foot	\$448,000
Sewer Service	1,750	feet	@	\$50	per linear foot	\$87,500
Water Service	1,750	feet	@	\$50	per linear foot	\$87,500
Gas Service	1,750	feet	@	\$15	per linear foot	\$26,250
Electric service	36	houses	@	\$1,500	per house	\$54,000
Miscellaneous ⁴						\$50,000
TOTAL BEFORE A HOUSE IS BUILT						\$853,250
Initial costs on a "per unit" basis						\$23,701
Construction ³	1,200	ft ²	@	\$110	per ft ²	\$132,000
TOTAL PER HOUSE BEFORE PROFIT						\$155,701
¹ This assumes a subdivision developed to accommodate 36 units						
² Assumes \$8/Square foot and a 32 foot pavement width for local street = \$256/linear foot						
³ Construction costs have many variables. During research for this report the per square foot cost was seen in a range from \$70/ft ² to \$200/ft ² . For purposes of this "back of the envelope" estimate a base construction cost of \$110/ft ² was used based on a conversation with a local supplier and an average house size of 1,200 ft ² . This includes a two-car garage and a basement.						
⁴ Miscellaneous accounts for engineering, design, soil testing, etc.						

are paid off through property tax assessments. This makes a big difference in the economics of the project as shown here.

In fact, by taking these costs out of the upfront equation, larger lots are possible while still remaining in that \$150,000 range.

This approach has both pros and cons associated with it.

On the "pro" side of the ledger, the expenses are assigned to the owners and paid over time. Relieving developers of this expense and the carrying costs associated with it could be a powerful inducement. Also, once the bonds are retired the local taxing entities would begin receiving the revenues from the property taxes associated with the development.

Hypothetical Subdivision Development ¹						
Line Item	Number	Unit		Cost	Unit	Total
Land	10	acres	@	\$15,000	per acre	\$150,000
Streets ²	1,750	feet	@	\$0	linear foot	\$0
Sewer Ser	1,750	feet	@	\$0	linear foot	\$0
Water Ser	1,750	feet	@	\$0	linear foot	\$0
Gas Servic	1,750	feet	@	\$0	linear foot	\$0
Electric se	36	houses	@	\$1,500	per house	\$54,000
Miscellaneous ⁴						\$50,000
TOTAL BEFORE A HOUSE IS BUILT						\$254,000
Initial costs on a "per unit" basis						\$7,056
Construct	1,200	ft ²	@	\$110	per ft ²	\$132,000
TOTAL PER HOUSE BEFORE PROFIT						\$139,056
¹ This assumes a subdivision developed to accommodate 36 units						
² Assumes \$8/Square foot and a 32 foot pavement width for local street = \$256/line						
³ Construction costs have many variables. During research for this report the per square foot cost was seen in a range from \$70/ft ² to \$200/ft ² . For purposes of this "back of the envelope" estimate a base construction cost of \$110/ft ² was used based on a conversation with a local supplier and an average house size of 1,200 ft ² . This includes a two-car garage and a baser						
⁴ Miscellaneous accounts for engineering, design, soil testing, etc.						

On the “con” side of the ledger is the basic political question that can be phrased as “do we really want to subsidize a private business?” There are also carrying costs associated with public financing of this nature. Additionally, some minimal tax revenue would be lost during the period in which those revenues are devoted to retiring the debt. In actuality, this is minimal since these properties are yielding essentially no tax revenues before development. Once the debt is retired then tax revenues would go to the appropriate taxing entities.

This is not, and this cannot be overstressed, a “grant” to the developer. Rather, it is a vehicle that would move the upfront costs from the developer to the home owner. This allows the purchase price to be lowered and those essential infrastructure costs to be paid over an extended period in the future.

Indirect Action to Address Costs.

The City, by policy, requires new streets to be concrete. The simple change of allowing asphalt streets could make a difference. In today’s market with the price of concrete rising and petroleum falling dramatically, it is reasonable to assume a potential shift of 10% in the single most expensive upfront cost. In that case about \$45,000 would be cut from the upfront budget as shown here. This is not a major change but might be enough to entice a developer.

Hypothetical Subdivision Development ¹						
Line Item	Number	Unit		Cost	Unit	Total
Land	10	acres	@	\$10,000	per acre	\$100,000
Streets ²	1,750	feet	@	\$230	linear foot	\$402,500
Sewer Ser	1,750	feet	@	\$50	linear foot	\$87,500
Water Ser	1,750	feet	@	\$50	linear foot	\$87,500
Gas Servic	1,750	feet	@	\$15	linear foot	\$26,250
Electric se	36	houses	@	\$1,500	per house	\$54,000
Miscellaneous ⁴						\$50,000
TOTAL BEFORE A HOUSE IS BUILT						\$807,750
Initial costs on a "per unit" basis						\$22,438
Construct	1,200	ft ²	@	\$110	per ft ²	\$132,000
TOTAL PER HOUSE BEFORE PROFIT						\$154,438
¹ This assumes a subdivision developed to accommodate 36 units						
² Assumes \$7.20/Square foot and a 32 foot pavement width for local street = \$230/li						
³ Construction costs have many variables. During research for this report the per square foot cost was seen in a range from \$70/ft ² to \$200/ft ² . For purposes of this "back of the envelope" estimate a base construction cost of \$110/ft ² was used based on a conversation with a local supplier and an average house size of 1,200 ft ² . This includes a two-car garage and a baser						
⁴ Miscellaneous accounts for engineering, design, soil testing, etc.						

Another possible indirect action would be to reduce or allow for exemptions from the requirement of 75 feet of street frontage. A narrower allowable frontage would open up additional areas for development. These could be reached via narrow and less expensive private lanes. If the developer understands, from the outset, that maintenance of the private lane is not a city responsibility then they could be built to a lighter standard. Since there would be no heavy traffic on these private lanes this arrangement could be a significant inducement.

Form A Non-Profit Organization:

Given the expenses in development of a subdivision, developers who are trying to make a profit are obviously working on a very thin margin. They are putting a lot at risk, incurring expenses, and accumulating opportunity costs in the expectation of earning enough to justify it as the project gets built out. A new non-profit corporation, or an existing non-profit could function as the developer. This has a couple of benefits.

First, without a profit motive margins can be thinner. Even non-profit organizations need to make something over costs to cover carrying costs, losses and incidentals. But a non-profit does not require as much income, especially if development was done under the auspices of the existing EDA or Perryville Development Corporation.

The non-profit organization approach offers a couple of benefits. First, materials would be purchased tax-exempt, cutting several percent from the budget. In addition, any donations made, and these could include “in-kind” donations as long as they can be assigned a cash value, would be eligible for tax benefits if the non-profit is established as a 501(c)(3) under IRS rules. A landowner, for example, with a substantial tax liability might be able to sell the land at a reduced rate and claim the difference from the appraised price to address some of the tax liability. Given the well understood complexity of the Internal Revenue Code no specific examples are possible.

Beside the general potential for a non-profit developer, the question of senior citizen housing is a specific case of the potential for this approach. Local senior citizens have expressed at least some level of interest in a “community development” approach. A non-profit organization would realize the same benefits identified above. In addition this approach would allow those who intended to live in the community to be involved in its design from the outset.

Appendix 1

Comparable Cities Demographics

Comparable Cities - Demographic Comparison

Category	Perryville	Monett	Nevada	Sullivan
People				
Population				
Population estimates, July 1, 2013, (V2013)	8,334	8,940	8,280	7,075
Population estimates base, April 1, 2010, (V2013)	8,226	8,870	8,384	7,092
Population, percent change - April 1, 2010 (estimates base) to July 1, 2013, (V2013)	1.3	0.8	-1.2	-0.2
Population, Census, April 1, 2010	8,225	8,873	8,386	7,081
Age and Sex				
Persons under 5 years, percent, April 1, 2010	7.6	8.9	7.1	7.7
Persons under 18 years, percent, April 1, 2010	25.4	27.8	23.3	26.5
Persons 65 years and over, percent, April 1, 2010	17.7	14.5	18.2	16.6
Female persons, percent, April 1, 2010	52.3	51.9	54.7	52.6
Race and Hispanic Origin				
White alone, percent, April 1, 2010 (a)	95.3	86.8	95.1	97.4
Black or African American alone, percent, April 1, 2010 (a)	0.8	0.8	1.1	0.2
American Indian and Alaska Native alone, percent, April 1, 2010 (a)	0.4	0.9	0.8	0.4
Asian alone, percent, April 1, 2010 (a)	0.9	1	0.8	0.4
Native Hawaiian and Other Pacific Islander alone, percent, April 1, 2010 (a)	0.1	0.1	Z	0
Two or More Races, percent, April 1, 2010	1.3	1.9	1.6	1
Hispanic or Latino, percent, April 1, 2010 (b)	2.7	19	2	2.2
White alone, not Hispanic or Latino, percent, April 1, 2010	94.3	77.4	94	96
Population Characteristics				
Veterans, 2009-2013	546	705	575	759
Foreign born persons, percent, 2009-2013	3	9.7	0.5	0.8
Housing				
Housing units, April 1, 2010	3,588	3,828	4,018	3,136
Owner-occupied housing unit rate, 2009-2013	65.9	62.5	52.7	54.8
Median value of owner-occupied housing units, 2009-2013	102,200	106,300	69,100	110,000
Median selected monthly owner costs -with a mortgage, 2009-2013	971	1,036	931	1,198
Median selected monthly owner costs -without a mortgage, 2009-2013	364	336	305	391
Median gross rent, 2009-2013	694	601	601	640
Families and Living Arrangements				
Households, 2009-2013	3,336	3,129	3,393	2,890
Persons per household, 2009-2013	2.38	2.79	2.29	2.58
Living in same house 1 year ago, percent of persons age 1 year+, 2009-2013	80.1	76.4	77.7	79.1
Language other than English spoken at home, percent of persons age 5 years+, 2009-2013	4.3	19.7	2.3	1.9
Education				
High school graduate or higher, percent of persons age 25 years+, 2009-2013	84.1	77.4	81.5	78.6
Bachelor's degree or higher, percent of persons age 25 years+, 2009-2013	14.5	16.1	12.7	12.1
Health				
With a disability, under age 65 years, percent, 2009-2013	14.2	10	18.2	13.1
Persons without health insurance, under age 65 years, percent	14.2	22.6	18.8	16.1

Economy				
In civilian labor force, total, percent of population age 16 years+, 2009-2013	62.2	64.9	54.0	56.1
In civilian labor force, female, percent of population age 16 years+, 2009-2013	56.5	59.1	53.0	54.8
Total accommodation and food services sales, 2007 (\$1,000) (c)	18,035	13,612	16,659	22,069
Total health care and social assistance receipts/revenue, 2007 (\$1,000) (c)	D	44,776	86,944	66,468
Total manufacturers shipments, 2007 (\$1,000) (c)	604,724	1,029,505	D	D
Total merchant wholesaler sales, 2007 (\$1,000) (c)	4,681	103,956	21,731	D
Total retail sales, 2007 (\$1,000) (c)	181,750	151,847	182,078	306,785
Total retail sales per capita, 2007 (c)	22,488	17,348	21,921	45,912
Transportation				
Mean travel time to work (minutes), workers age 16 years+, 2009-2013	15.6	14.8	13.4	26.8
Income and Poverty				
Median household income (in 2013 dollars), 2009-2013	40,788	36,756	29,920	30,372
Per capita income in past 12 months (in 2013 dollars), 2009-2013	19,601	18,163	17,175	16,231
Persons in poverty, percent	18.2	25.1	26.1	24.1
Businesses				
All firms, 2007	919	862	1,137	832
Men-owned firms, 2007	317	S	493	325
Women-owned firms, 2007	173	S	359	191
Minority-owned firms, 2007	F	78	35	F
Nonminority-owned firms, 2007	855	S	1,051	742
Veteran-owned firms, 2007	69	81	S	118
Nonveteran-owned firms, 2007	702	S	942	609
Geography				
Population per square mile, 2010	1,054.50	1,052.30	934.00	896.60
Land area in square miles, 2010	7.80	8.43	8.98	7.90

Source: US Census Bureau - Quick Facts

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable.

(a) Includes persons reporting only one race

(b) Hispanics may be of any race, so also are included in applicable race categories

(c) Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data

D: Suppressed to avoid disclosure of confidential information

F: Fewer than 25 firms

FN: Footnote on this item in place of data

NA: Not available

S: Suppressed; does not meet publication standards

X: Not applicable

Z: Value greater than zero but less than half unit of measure shown

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Appendix 2 Survey Results

- A. All Respondents**
- B. Residents**
- C. Non-Residents**
- D. Renters**
- E. 60+**

Appendix 2.A

All Respondents

Appendix 2.B

Residents

Appendix 2.C

Non-Residents

Appendix 2.D

Renters

Appendix 2.E

60+