

REALTORS® & Smart Growth

# on common ground

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WINTER 2018

## THE NEW NEIGHBORHOOD

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BLUE JACKET

Redeveloping Shopping Malls

Accessory Dwelling Units

Green Streets



NATIONAL  
ASSOCIATION of  
REALTORS®

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# Rural HOUSING INITIATIVES

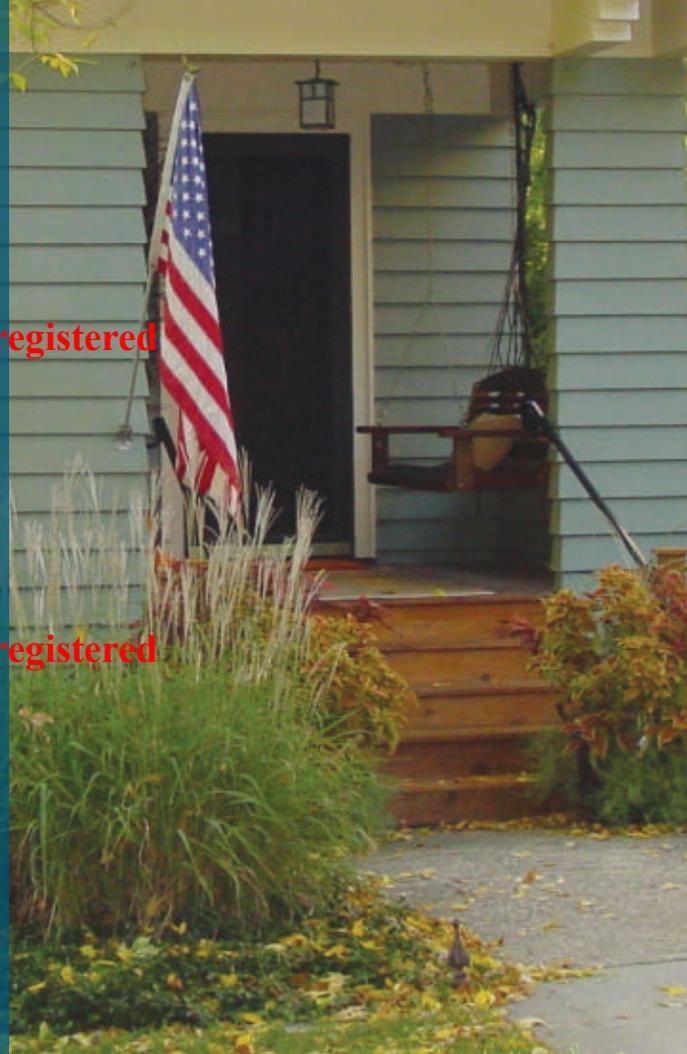
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AFFORDABLE HOUSING IS NOT  
JUST AN URBAN PROBLEM

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By Bobby L. Hickman

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Discussions around safe, affordable housing issues often focus on helping low-income residents in large urban areas. But rural areas are also experiencing housing challenges that require creative solutions.

Some 20 percent of the U.S. population lives in rural America. They share some of the same obstacles as other citizens seeking adequate housing at prices they can afford. Rural communities across the country also face lower incomes, aging housing, older populations, and slower economic growth. However, a number of rural housing initiatives are underway, including campaigns in Nebraska and Virginia where REALTORS® are playing a lead role in bringing about positive change.

“A lot of rural communities that were hit hard by the recession haven’t come back very well,” said Bob Rapoza, manager of the National Rural Housing Coalition (NRHC). “Rural areas have higher poverty rates and higher

unemployment rates than metropolitan areas. The recovery in housing prices for rural communities has also been far less.”

Rapoza listed several reasons why rural housing issues draw less attention than urban concerns. One factor is the nature of the U.S. Department of Housing and Urban Development (HUD). “Their focus and their constituency are mayors and people who use the FHA program,” he said. As a result, HUD emphasizes city and suburban needs over rural Americans.

Developing rural housing is primarily addressed through U.S. Department of Agriculture (USDA) programs. However, Rapoza said, regardless of which political party controls the White House, “Housing is not the first thing

A number of rural housing initiatives are underway.

## Financial support for rural housing has declined

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the secretary of agriculture thinks about when his feet hit the floor every morning.”

Rural citizens also have less political pull in Congress. The percentage of Congressional members representing rural areas has declined as more people move to cities and suburbs. How the government finances community development initiatives has also changed. “We’ve gone from grants to guaranteed loans to direct loans to tax credits,” Rapoza said. “The more complex the financing tool, the more difficult it is for smaller projects to use them.”

Financial support for rural housing and related programs has also fallen off. Rapoza said almost half a billion dollars was available in the early 1980s, and 31 percent of funds went to small communities. Today, there is less funding and rural areas get about 12 percent.

NRCH continues to support the USDA’s Rural Housing Service and its programs (such as Section 515 for rural rental properties, and Section 502 direct and guaranteed loans to families). “The programs are certainly not what they used to be,” Rapoza said, “but they remain important to members of the coalition.”

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One example is NRCH member Southern Tier Housing (STHC), which has worked with Kentucky Highlands Investment to replace manufactured homes with low-cost housing. Some of that was done through Section 502 direct loans. Over the past two years, STHC has obtained \$5.8 million in funding to help 38 households. It expects to construct at least 21 more dwellings over the next two years through the USDA’s Mutual Self-Help grant program (which helps fund “sweat equity” projects where six to eight families join forces to build each other’s homes).

The national coalition is particularly interested in finding ways to preserve the USDA’s rural housing portfolio, Rapoza said. Section 515 financed half a million housing units during its existence, and some 400,000 remain in its portfolio. “However, most of them have not been touched for rehabilitation, and the average age is 30 years,” Rapoza added. “So we’ve been working to include USDA funds to finance repair and rehabilitation of Section 515 housing.”





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### Nebraska REALTORS® Push Workforce Housing Initiative

One indicator of the problems small communities have faced since the Great Recession is a shortage of workforce housing in some states (particularly in the Midwest and the Plains). “In the Dakotas and Kansas, some coalition members have told us the biggest obstacle to economic growth is some people have to drive three to four hours to work, because there is no housing in the areas where the jobs are,” Rapoza said. “We had a group in Dodge City, Kan., join the coalition specifically because of the housing shortage and its obstacle to economic growth.”

In early 2017, Nebraska addressed the issue by passing the Workforce Housing Initiative. Backed by the Nebraska REALTORS® Association (NRA) and the Nebraska Association of Bankers, the legislation allocates \$7.3 million for grants to build workforce housing in rural communities.

“We want to have people gainfully employed in jobs they like, in communities they want to live in, at a rate they can afford,” said Kent Thompson, NRA’s immediate past president. “That’s why this is a REALTOR® issue. If we don’t have inventory, we don’t have a market.”

Thompson, who testified at legislative hearings on the bill, said Nebraska REALTORS® have pursued workforce and low-income housing initiatives for many years. “Across the country, the shortage of middle income housing is rampant,” Thompson said. “But the shortage is direr in our smaller cities and towns, from 1,500 to 20,000 residents.”

The housing shortage has hampered Nebraska efforts to attract new industry. “If a company doesn’t have the staffing it needs to be successful, they won’t come — and housing is a major part of that.” Thompson explained. “After prospects ask about the costs and the employment base, they ask what the housing stock is like: Where are our managers and our support staff going to live? Is it affordable and available, or can it be constructed quickly?”

Both of those questions can be problematic in rural communities. “We kept hearing this over and over across the state: either the housing stock is really nice (maybe belonging to a company president), or there are older homes



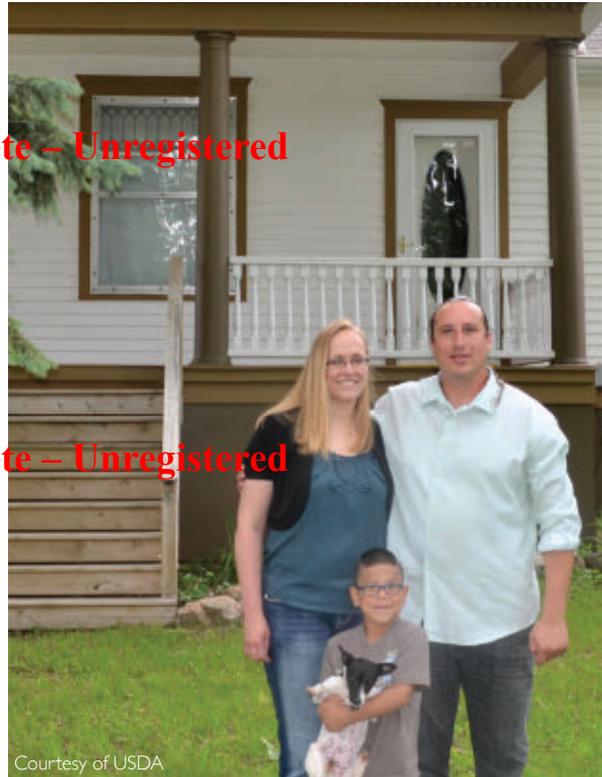
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Courtesy of USDA



Courtesy of USDA

Across the country, the shortage for middle income housing is rampant.



## Workers who can build modern homes may not be available in a rural setting.

built 40, 50, or 100 years ago,” Thompson added. In fact, a structure can also be outdated.

Building new homes can present challenges. Workers who can build modern homes may not be available in a rural setting, and have to be brought in from larger cities. Also, a manager may build a new home for \$250,000 and later be transferred to another plant. They may find “it’s only worth \$125,000 on the open market, and it may take a long time to sell,” Thompson said. That market further discourages new construction and new industries.

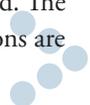
In Nebraska, Thompson said, “We have a lot of people here who could be qualified employees for these companies, but we also need to help supply housing for middle managers. We’re looking for effective tools to make that happen.”

On the workforce housing legislation, the Nebraska Bankers Association initiated the bill and NRA quickly joined in the effort. Thompson said. “As REALTORS®, we feel this is an issue we should own.” While bankers

addressed rural financing, he continued, “That’s only part of the issue. Financing is difficult but we can get there. The bigger issue is that you’ve got to have a ready market for the housing.” Economic development and community leaders across Nebraska also backed the effort.

State Sen. Matt Williams, who introduced the bill (LB518), said Nebraska REALTORS® were involved throughout the legislative process. “We have many good jobs available across Nebraska,” Williams said. “The largest obstacle to filling these positions is the lack of available workforce housing. This is especially evident in our rural areas. The primary goal of LB518 is to create a mechanism that encourages communities to engage in workforce strategies.”

With LB518 signed into law in May 2017, the Nebraska Department of Economic Development is currently writing rules to implement the initiative, Williams said. The first grants to nonprofit development organizations are expected to be awarded in early 2018.





Courtesy of USDA



Courtesy of USDA

### Virginia Forums Tackle Rural Housing

While leaders of the Virginia Association of REALTORS® (VAR) agree that workforce housing is an important consideration, they feel their state must first address more immediate needs: an aging rural population, and inadequate housing for people currently living in those areas.

Most of Virginia’s population density lies in the “Urban Crescent” stretching from the Washington, D.C., suburbs through Richmond and south to Hampton Roads. The state also has some extremely rural areas, such as the Shenandoah Valley and the mountains to the west. VAR leaders realized not enough attention has been paid to housing trends in rural areas.

The demographics in rural Virginia (and most parts of the country) are changing as more young people flock to urban areas. Rural housing stock often does not meet the needs of millennials. At the same time, the senior population is growing. A greying rural demographic brings such challenges as providing health care and maintaining adequate housing stock — replenishing existing homes as well as building new residences.

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The idea to examine rural housing began with Housing Virginia, a statewide affordable housing advocacy group which VAR helped found more than a decade ago. (The current chair of Housing Virginia is a VAR member, as are several board members.)

Housing Virginia launched its Rural Housing Initiative in the fall of 2015, backed by research grants from USDA Rural Development. To gather local input, VAR helped local REALTOR® associations apply for Housing Opportunity Grants from the NATIONAL ASSOCIATION OF REALTORS®. The grants supported five regional housing forums conducted in 2016, and results were presented at the Governor’s Housing Conference.

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Forum feedback was also incorporated into Housing Virginia’s November 2016 report on rural housing. Between 2010 and 2015, Virginia’s population grew by 4.8 percent, but its rural population grew by only 3.3 percent, the report noted. “By 2020, young adults will account for less than 15 percent of the population in many rural counties,” the report continued, while seniors will make up more than 20 percent. Other trends included underperforming rural economies; lower wages and housing prices; higher unemployment and poverty rates; lower quality of housing; fewer home sales; and more difficulty selling homes. The report added, “Across all rural areas, the average (home sale) price was \$282,000 — nearly \$50,000 less than the statewide average.”

In the fall of 2017, Virginia service providers held their own rural housing summit, based on the information

gathered by Housing Virginia and the local forums. Participants ranged from regional groups like the Eastern Shore of Virginia Housing Alliance to local chapters of Habitat for Humanity to Bay Aging, which develops and manages complexes for seniors.

The next step will be another set of forums that will build on the previous activities to explore practical applications addressing the challenges and concerns individual communities will have. As the project moves forward, VAR officials expect participating communities will be able to better serve the senior populations, improve the quality of life for rural residents, and, eventually, be able to attract younger people to those areas. ●

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