Breakout IB Affordable Rural Housing and Its Impact on the Rural Workforce

David Lipsetz is the new Executive Director of the, in his words, "brand spanking new" Housing Assistance Council (HAC). HAC is a certified for-profit Community Development Financial Institution. It has touched 487 rural housing organizations in the last ten years.

In addition to housing HAC:

1. Lends money from its own fund and have private equity and debt invested in the Council through major financial entities that is then used to lend for development.
2. Promotes national policy through its base in DC and its field offices. Its high-level policy-oriented research is available to the public.
3. Supports community development capacity building by going on-site to help small towns through Community

Why should we be talking about housing? **Housing is a jobs vehicle**. Permits, materials, construction jobs, etc. are created by the construction of single family housing. Housing is the second most important source of revenue in a town. Property taxes generate 40 percent of local operating revenue.

In the last ten years or so there has been a proliferation of science on what housing does in terms of outcomes for families. A child growing up in stable housing shows improved cognitive capacity and earnings later in life. Lipsetz encourages legislators, when talking to school boards, hospitals, etc. to tell them that housing is one of the factors that improves outcomes. He suggests developing some expertise in this area.

Workforce housing is not a specific building. It is any place you live that you can afford as a household with employment income. *Affordability* is the conversation. Thirty percent is an appropriate amount of total income to spend on housing.

Farm labor housing
USDA's Section 514/516 Farm Labor Housing programs provide loans and grants for on-farm and off-farm housing. Section 514 loans and Section 516 grants are provided to buy, build, improve or repair housing for farm laborers. Farmworker housing is nearly impossible to do at the income levels in current market conditions. Some level of subsidy is going to be necessary to keep that workforce viable. But housing can be anywhere in the farm distribution network.

Low Income Housing Credits is a complex process. It requires assistance from a housing organization to leverage. A Fannie Mae or a Freddie Mac buys the loan from a bank so the bank can make another loan. Fannie Mae has just been allowed back into the LITC market for rural locations only.

Every year the US Treasury provides an amount of credit to every state Housing Finance Agency. They can use those credits for organizations that are building units for lower income housing. The state HFA puts out a Qualified Application Plan that says what it's going to do with the value it receives from the US Treasury. In 19 states rural areas have precedence for getting credits. If rural areas do not have sufficient rental units for farm workers, this program has private financing that is as close as it gets to a market-driven solution in a market that is not functioning on its own.

The doughnut hole with the federal housing program is that a significant number of people taking mortgage interest deductions, which Lipsetz considers a subsidy, have raised housing out of the price range for others. The USDA Rural Development Section 502 Guaranteed Rural Housing Loan Program can originate a loan from a private entity to folks with modest credit scores.

What is HAC doing to make sure the types of people its financing attract to rural communities are making them stronger rather than putting a strain on existing public services and infrastructure?

Lipsetz suggested not vilifying people on the lower end of the spectrum. This type of program allows professionals, for example doctors trained in foreign countries, to come into the community when no one else will, obtain affordable housing and become a property-owning tax-paying member of the community who is more likely to remain in that rural place. First-time home buyer loans also pay back over time as those people stay in the community and buy more expensive homes.

There is an imbalance between the availability of rental housing in urban/suburban areas and in rural areas. In urban environments 51 percent of the housing stock is rental; in rural it's 27.9 percent. The need in rural areas isn't greater but the lack of rental housing is. The life of USDA subsidized rental housing units is coming to an end. Communities are going to have a preservation crisis on their hands. Banks have Community Reinvestment Act loans whereby a CRA officer can deliver inexpensive capital to build housing for county annexed land.

Community Facilities

The USDA Rural Development Department's Community Facilities Direct Loan Program provides stable, safe and affordable financing to build not-for-profit facilities like a critical care hospital in Alaska and an osteopathic learning center in Kentucky with no public subsidies or appropriations. The rates and terms are below market and can be paid back over a longer period of time. They are negative subsidy programs that have no public appropriations but are safe and affordable.

Not individuals but **infrastructure will house families over generations.** There is this narrative that our children are leaving small towns where the population is rapidly aging. The Millennial Focus Group earlier on the SARL summit agenda pointed out that they want a place to live that fits their image .Having attractive housing is one way to address some of that brain drain. Housing, civic infrastructure and smart growth investment models can make money, produce revenue that can do social good, and pay for itself.