HOUSING RESOURCES STRENGTHEN RURAL COMMUNITIES

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The Build Back Better Act, as passed by the House in November 2021, would provide $154 billion in funding resources in addition to increased tax incentives for fair, affordable, and accessible housing and community development. These investments will help people in communities across the country, including rural areas, and should be part of any final economic recovery package.

The rural U.S. is facing an affordable and accessible housing crisis. Homes in rural areas are more likely to lack adequate plumbing and kitchen facilities, and many communities face high rates of overcrowding. Only 3.8 percent of homes nationwide are accessible, which prevents people with disabilities from obtaining housing and older adults from remaining in their homes. Average incomes in rural areas are well below the national median, and nearly half of renters are cost-burdened (defined as paying more than 30 percent or more of their income on rent). Funding for rural housing and community development has been insufficient to meet this need. Below are some of the ways housing funding in the Build Back Better Act would help rural communities thrive.

Public Housing

Currently, nearly half of the approximately 3,300 PHAs nationwide qualify as small, rural public housing agencies (PHAs), defined as operating 550 or fewer public housing and voucher units in a predominantly rural area. An estimated 21 percent of public housing households live in rural areas.

The Build Back Better Act would provide a total of $65 billion for the Public Housing Capital Fund, with $10 billion to be distributed by formula to all public housing agencies, including just over 1,500 rural PHAs. With this funding, public housing authorities, including those in rural areas, would receive about 3.5 times the award for fiscal year 2021.

Of the total $65 billion, $53 billion is for priority investments to repair, replace, or construct properties. Depending on HUD's implementation, rural areas could receive even more than their formula amount of the $10 billion. This funding would help address health and safety concerns, add new public housing, and make major capital improvements to improve residents' quality of life and property efficiency and durability.

HOME Investment Partnerships

The HOME Investment Partnerships Program (HOME) is a block grant that can be used for new construction, rehabilitation, down payment assistance, tenant-based rental assistance, and other activities to support rental housing and homeownership. HOME's flexibility empowers states and localities that administer the program to respond to the whole spectrum of need, from homelessness to homeownership, in urban and rural areas, and for all people with low incomes, including families with children, older adults, and people with disabilities.

The Build Back Better Act would provide $10 billion for HOME, providing states and localities with the resources and flexibility to pursue both supply and demand-side solutions to ensure access to affordable housing in every community. Importantly, 40 percent of HOME funding goes through states, which often utilize it in smaller communities.

National Housing Trust Fund

The Build Back Better Act includes $14.9 billion for the national Housing Trust Fund to expand housing opportunities for people with the lowest incomes. The national Housing Trust Fund (HTF) dedicates federal funding for state agencies to build, preserve, and operate housing for extremely and very low-income households. Since receiving its first allocation in 2016, the program has supported the creation and preservation of 1,949 affordable homes. Every dollar of HTF invested in a project leverages another $9 overall.

States must submit an Allocation Plan describing how they will implement HTF dollars in a way that reflects geographic diversity, taking into account the needs of urban, suburban, and rural areas. Like the HOME and Community Development Block Grant (CBDG) programs, HTF dollars are administered to states as a block grant, giving them flexibility to use funds in a way that meets communities' needs. Grantees can also align HOME, CDBG, and HTF dollars to fill in housing gaps in rural communities.

Section 202 Supportive Housing for the Elderly

The Build Back Better Act would provide $500 million to develop about 7,000 new HUD Section 202 Supportive Housing for the Elderly homes. Section 202 housing communities, for which only nonprofits are eligible grantees, exist in every type of community. Nationally, more than 15 percent of Section 202 communities are in rural areas. But more funding is needed to ensure all communities have the affordable senior housing they need. "Worst case housing needs" among older adults increased 82 percent between 2009 and 2019, pointing to the need for additional resources.

The Build Back Better Act would also provide funding to deploy more service coordinators where needed. Service coordinators ensure that older adults who reside in HUD Section 202 properties can continue aging in their communities instead of moving to costlier facilities that provide higher levels of care. They do this by assessing needs, connecting residents to services and resources for which they're eligible, and addressing social determinants of health. Such efforts are particularly vital in rural communities where community-based organizations and health care providers are sparse.

Unfortunately, half of all HUD senior housing properties that are eligible to hire service coordinators are unable to because of a lack of funding. The additional funding in Build Back Better Act would be particularly helpful for properties in largely rural states, which are currently the least likely to have the resources to support service coordinator programs.

New Construction and Preservation of USDA Multifamily Properties

There is at least one USDA Section 515 property in 87 percent of all US counties. However, no new USDA direct-financed rental housing has been developed in a decade (with the exception of a small number of farmworker housing units), and the existing properties are increasingly losing their affordability provisions as their mortgages mature and owners prepaying their mortgages, with thousands of units being lost each year. From November 2019 to November 2020, 186 Section 515 properties exited the program. Build Back Better includes a transformational investment in the preservation of USDA multifamily properties, and also allows for new construction to resume.

Part of the reason Section 515 housing remains affordable is because, in addition to an interest credit that provides a shallow rent subsidy, Section 515 residents are also eligible to receive Rental Assistance (RA), which provides a deep rent subsidy. RA is a direct subsidy paid by USDA to Section 515 property owners on behalf of low and very low-income residents, requiring them to pay no more than 30 percent of their income for shelter. Currently, there is not enough funding for all eligible Section 515 residents to receive RA, even with additional funding received under the American Rescue Plan Act of 2021, which is set to expire September 30, 2022.

Housing Choice Vouchers

The Build Back Better Act provides $24 billion to expand the voucher program across the country to help nearly 700,000 people in over 300,000 extremely low-income households live in stable, affordable homes. An estimated 11 percent of people using vouchers live in rural areas. Of households receiving federal rental assistance, nearly a quarter (24 percent) in rural areas had a housing choice voucher, and almost a third (31 percent) used a voucher in a small town, according to the most recent analysis in 2016. Vouchers help families and individuals afford existing rental homes and can be layered with other development subsidies in the proposed package, such as HOME or the Low Income Housing Tax Credit, to help provide housing affordable to people with the lowest incomes.

This funding would help address rental assistance needs in rural areas, where a loss of rental subsidies under traditional USDA rural housing programs is a critical problem. Thousands of USDA-financed Section 515 properties have lost their affordability provisions and any accompanying rental assistance in the past ten years, leaving residents without help. The majority of these households are seniors and people with disabilities with an average income of $13,600. Additional vouchers can help these households and others in rural areas facing housing instability. Nationally, 17 percent of all severely cost-burdened renters (meaning they pay more than half of their income on rent) live in rural areas.

Native American Housing Investments

Build Back Better would provide $1 billion in critical funding to develop housing and make it more affordable for tribal nations and Native Hawaiians. American Indians and Alaska Natives living on tribal lands, especially those in rural areas, face rates of substandard housing conditions, such as a lack of plumbing or heating, and overcrowding that are well above the national averages. These additional funds will help tribes build desperately needed new housing, repair existing homes, and continue important rental and homeownership assistance programs.

Community Development Block Grant

The Community Development Block Grant (CDBG) directs federal resources to locally-led activities supporting low- and moderate-income people. Large and mid-sized localities receive 70 percent of funding, and the remaining 30 percent is dedicated to states for use in small and rural communities. The Build Back Better Act would dedicate $3 billion to CDBG for projects and services responsive to state and local community development goals.

From 2005 to 2020, CDBG supported over 1.6 million households with housing repairs, rental assistance, and related housing activities; benefitted over 51 million low- and moderate-income people through public facilities developments; and assisted over 150 million low- and moderate-income persons through public services. States primarily use CDBG for public facilities in rural communities; about 63 percent of program funds were used for utilities, roads, public buildings, and related improvements in fiscal year 2021. States have successfully deployed CDBG to rural projects such as the Stafford Street Water Improvements in Tombstone, AZ.

Community Restoration and Revitalization Fund

The Community Restoration and Revitalization Fund (CRRF) was adapted from the Restoring Communities Left Behind Act (H.R. 816; S.2300). The CRRF creates a new competitive grant program at HUD that would offer planning and implementation grants to nonprofits, Community Development Financial Institutions (CDFIs) and Community Development Corporations working in partnership with local governments, or other partners, to support community-led projects that create or preserve affordable housing. Activities include housing rehabilitation and construction, demolition of abandoned or distressed structures, establishing and operating land banks, and assisting residents experiencing housing instability and at risk of displacement, including purchasing non-performing mortgages or clearing title, issues common in rural communities with inventories of heirs' properties.

CRRF's housing precursor, the Neighborhood Stabilization Program (NSP), has a history of success in rural areas. During NSP's first authorization, NSP1, Vermont, New Hampshire, and Maine dedicated a significant portion of their program funding towards rural areas. According to a report from the Boston Fed, results were often immediately apparent. In some rural Maine communities, home values in the program area increased 17 percent and emergency response calls plummeted.

Housing Investment Fund

The Housing Investment Fund (HIF) is modeled off the successful Capital Magnet Fund (CMF) program administered by the U.S. Department of the Treasury. Similar to the CMF, HIF resources can be used flexibly by CDFIs and nonprofit housing organizations for the full array of affordable homeownership and rental housing financing needs. Under CMF, award recipients have created over 28,000 affordable rental and homeownership housing units and the program includes a requirement for broad geographic diversity, which would likely be included in the HIF. In the most recent CMF funding round, over half of all funding recipients committed to investing a portion of their award in rural communities.

Section 504 Single Family Housing Repair Grant

The USDA Section 504 Single Family Housing Repair Grant program provides grants for very low-income homeowners in rural communities to repair, improve, or modernize their homes. These grants also help older homeowners with very low incomes remove health and safety hazards. The Build Back Better Act provides $90 million in new funding for the Section 504 programs and would eliminate existing age restrictions on eligible homeowners.

Increased Affordable Housing Program Investment

The BBBA would require the Federal Home Loan Banks to contribute 15 percent of their preceding year's net income for the Affordable Housing Program (AHP), which is an increase from the current 10 percent requirement. The AHP supports both affordable single-family and multifamily projects and in 2020, 21 percent of the awards went to towards projects in rural areas.

Fair Housing Enforcement

In 2020 alone, organizations funded by the Fair Housing Initiatives Program (FHIP) investigated 74 percent (21,809) of reported housing discrimination complaints, and local and state government agencies that participate in the Fair Housing Assistance Program (FHAP) handled 20.5 percent (5,883) of reported complaints. Together, FHIP- and FHAP-funded organizations investigate and handle nearly 95 percent of reported instances of housing discrimination, each playing an indispensable role in making whole individuals and families who have felt the destabilizing effects of housing and lending discrimination. These organizations and agencies often serve entire states, often assisting families with children who cannot find rental units that accept children, and people with disabilities—often veterans or retirees—who are denied requests for reasonable accommodations or modifications that would significantly increase their quality of life.

First Generation Down Payment Assistance

The BBBA provides $10 billion in targeted Down Payment Assistance (DPA) for first-generation homebuyers largely based on a policy proposal developed by the National Fair Housing Alliance and the Center for Responsible Lending. Rural households typically have less net worth than urban households, earn less income than urban households, and are less likely to be covered by an employer-sponsored pension or retirement savings plan. This makes planning for a secure retirement a daunting task for rural families. The Build Back Better Act's first generation DPA program investment would help rural families that have never owned a home begin to build wealth, and ensure that older homeowners looking to sell their homes have more potential buyers, helping them afford a secure retirement.

Lead Hazard Control and Healthy Homes

The Build Back Better Act includes $5 billion for lead-based paint hazard control and housing-related health and safety hazard mitigation in housing for families with low incomes. This funding would support the identification, control, and abatement of lead-based paint hazards in addition to the identification and repair of other health and safety issues such as mold, radon, indoor asthma triggers and other injury hazards. It would also support coordination of services with the Weatherization Assistance Program.

Housing quality has a significant impact on health, and rural populations report more health-related disparities than urban populations. Over 1.4 million homes in the rural U.S. are severely or moderately inadequate, and over 10 million rural homes have deficiencies including health and safety hazards such as pests, peeling paint (which may contain lead hazards), holes in the floor, and exposed wiring; an estimated 646,000 rural homes contain mold.

Increased appropriations over the past few years have enabled HUD's Office of Lead Hazard Control and Healthy Homes to offer additional and more varied grant opportunities, such as the Healthy Homes Tribal Production grants (since 2018), the Healthy Homes and Weatherization Cooperation Demonstration grants (2021, where 1 of 5 grantees is serving a primarily rural area), and the Older Adults Home Modification Program grants (2021, where half of grantees are serving substantially rural areas). Support for lead and healthy homes issues through the Build Back Better Act will allow for continued growth in the number, scope, and type of communities able to access this funding.

Low Income Housing Tax Credit

Between the creation of the program in 1987 and 2015, communities utilized the Low Income Housing Tax Credit (LIHTC) to build or preserve about 236,000 homes in nearly 1,600 rural counties. LIHTC has been critical for preserving USDA Section 515 homes in rural areas and has overall expanded rental options in rural areas and small towns across the country. The Build Back Better Act includes changes to the program that would lead to increased production of affordable homes and make it easier to use LIHTC in rural areas and better target people with the lowest incomes in all communities.

Neighborhood Homes Tax Credit

The Build Back Better Act would authorize a new Neighborhood Homes Tax Credit (NHTC). The NHTC would provide federal tax credits to support the development and rehabilitation of single-family homes in distressed urban and rural communities, where the cost of developing or rehabilitating a home is often higher than the value of the completed home. The tax credits would cover the gap between the cost of building or renovating homes and the price at which they are sold, mobilizing private investment to build and substantially rehabilitate homes, while also supporting construction jobs and the local economic tax base. The NHTC would also help existing homeowners in these neighborhoods to rehabilitate their homes. Rural communities are well-represented within the segment of qualifying communities (i.e., 27 percent of non-metro census tracts qualify nationally, vs. 22 percent of metro census tracts), and state agencies can also use up to 20 percent of their allocation authority to target additional non-metro census tracts.

The Campaign for Housing and Community Development Funding (CHCDF) is an education, strategy and action hub for national organizations dedicated to adequate federal housing and community development funding for lower income families and communities. CHCDF's members represent a full continuum of national housing and community development organizations, including more than 70 faith-based, private sector, financial/intermediary, public sector and advocacy groups. For more information, contact Kim Johnson, senior policy analyst, at kjohnson@nlihc.org.