REGIONAL ECONOMICS

Confronting Rental Affordability Shortages in the Rural Southeast

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Even as poorer residents of rural areas across the Southeast are seeing their rents rise, the amount of affordable housing available to accommodate them is drying up.

Recent research from the Federal Reserve shows that funding cuts to many programs designed to produce affordable rural housing and assist low- and moderate-income residents have blunted the programs' effectiveness. The question of how to expand affordable housing has no easy answers.

The growing lack of housing affordability has critical implications for the Atlanta Fed's district, which includes Georgia, Alabama, and Florida, and parts of Tennessee, Louisiana, and Mississippi. A 2018 report by the Urban Institute says some of the nation's most severe need for affordable rural rental housing exists in parts of the Mississippi Delta region and the persistent poverty zones of the Southeast including Alabama, Florida, and Georgia.

In a recent discussion paper, Andrew Dumont, a senior community affairs analyst with the Federal Reserve Board of Governors, reviews a number of government programs that provide or support affordable rural rental housing. These programs include the Section 515 program from the U.S. Department of Agriculture, which provides mortgages for affordable multifamily rental lodging, and the State Community Development Block Grant program of the U.S. Department of Housing and Urban Development (HUD), which uses a formula to allocate money for states to use for housing production, restoration, or rent subsidies. Dumont also examines the Low Income Housing Tax Credit program from the Internal Revenue Service, which allows state and local agencies to issue federal tax credits to build, refurbish, and preserve rental lodging for lower-income households.

As need goes up, assistance declines

Dumont points out that although funding for programs that provide project- and tenant-based rental assistance (such as HUD's Section 8) has been fairly consistent over the past decade, outlays for programs that construct and preserve affordable lodging have gone down (see the table). For example, funding for HUD's HOME program, which provides grants used to buy, build, and renovate housing for renting and owning, declined 54 percent between 2010 and 2015.

U.S. Affordable Housing Programs

Agency	Program	Program funding (millions, 2015 or latest)	Change from 2010	Change from 2005
U.S. Department of Agriculture (USDA)	**Section 515** provides loans for multifamily rental housing for low-income and elderly people and those with disabilities.	$28.3	–62 percent	–77 percent
USDA	**Section 538** provides guarantees for loans made by private lenders to developers of multifamily rental housing.	$113.9	–19 percent	–5 percent
U.S. Department of Housing and Urban Development (HUD)	**Section 8** and the **Housing Choice Voucher** programs provide rental subsidies to landlords on behalf of low-income families.	$28,999.0	–3 percent	2 percent
HUD	**Public Housing Program, Capital Fund** provides financial assistance to public housing agencies to maintain public housing.	$1,928.0	–66 percent	–50 percent
HUD	**HOME** program provides grants to states and cities used for building, buying, and refurbishing housing for rent or home ownership.	$901.6	–54 percent	–60 percent

Note: Funding indicates millions of 2015 dollars. Figures represent 2015 or most recent funding data.
Source: "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas," discussion paper by Andrew Dumont

"Affordable units have been decreasing since the 1980s, and they are not getting replaced at a one-to-one ratio," says Ashley Kerr, director of programs with Collaborative Solutions, a Birmingham, Alabama-based organization that assists vulnerable populations.

What's more, many U.S. housing initiatives are not attuned to the realities of rural living. Rural rental properties largely consist of single-family and manufactured homes rather than the multifamily complexes seen in bigger markets. For example, Dumont's discussion paper notes that most rental housing units in nonmetro counties—just under 88 percent—are in developments with fewer than 10 units, compared with 66 percent of rental units in metro counties. Additionally, Dumont's examination of U.S. Census data shows that a larger share of rural rental housing is older than that found in urban areas.

Many lower-income, elderly, and disabled residents rely on a host of affordable housing programs to pay rent in the private market. A November 2017 report from the Center on Budget and Policy Priorities states that half of households receiving federal rental assistance live in rural areas or suburbs. Housing choice vouchers are primarily administered locally by public housing agencies, which receive HUD funds.

"We have really pushed vouchers and working with public housing authorities" to provide stable lodging for lower-income residents, Kerr says, adding that the rural residents her organization has helped typically earn 30 percent or below of an area's median income and need some level of subsidy to obtain housing. "We continue to see, even in places where you would think rents shouldn't be high, that fair market rents are out of reach by $200 and $300 from what our folks can afford," Kerr says.

Is greater scarcity on the horizon?

Could the nationwide pool of affordable lodging dwindle even further as tax credits expire? The National Low Income Housing Coalition states in an October 2018 report that federal affordability covenants governing nearly 500,000 housing units will expire between 2020 and 2029. Data from the National Housing Preservation Database indicate that about 59,255 rental units in the Atlanta Fed's district that were built with subsidies are at risk of converting to market rates over the next five years if their affordability mandates are not preserved.

In its report, the low-income housing coalition calls for establishing a "housing safety net" that expands subsidies for lodging production to markets and populations where the subsidies are most needed. The report also made other suggestions to improve housing assistance, including a federal law that would prohibit landlords from refusing to rent to voucher holders—an important proviso given Dumont's observation that funding for housing is more likely to be directed toward rental subsidies than unit production and preservation.

"There is still a lot of source-of-income discrimination, and landlords who won't accept a housing voucher," said Ann Carpenter, senior adviser in community and economic development at the Atlanta Fed. “We need more education of landlords for acceptance of this program.” Currently, 14 states and the District of Columbia outlaw housing discrimination based on a person’s source of income, according to the Poverty & Race Research Action Council.

The Urban Institute’s October report recommends a host of actions to expand affordable housing, including boosting public-sector resources to produce new rental units in rural areas, promoting more flexible building types for rental properties, reducing barriers that make the Section 515 program cumbersome to use in financing housing, and giving impoverished households more financial assistance so they can afford their rent.

“Now is the time to take stock and seek innovative solutions to spur new public and private investments through deeper subsidies, streamlined products, thoughtful development plans and building designs, and strengthened partnerships that leverage local expertise,” the report concludes.

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