# RURAL COMMUNITY HOUSING: POLICY ISSUES AND DIRECTIONS

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Housing has been a subject of public policy discussion and legislative action since the 1930s. The Great Depression forced many families into bankruptcy and homelessness. With the collapse of the banking system, the federal government stepped in to provide mortgage insurance, loan guarantees and a secondary mortgage market enhancing the opportunity for American families to obtain the necessary long-term financing for homeownership. Since, then housing policy has evolved into a complex system of strategies aimed at achieving the national goal of providing a "decent home and suitable living environment for every American family" set forth in the Housing Act of 1949.

## Federal Housing Policy

In November 1990 the latest policy statement was formulated into Public Law 101-625. This law, known as the "Cranston-Gonzalez National Affordable Housing Act," represents a major policy change. Reviewing the philosophy underlying this act, its major components and related policies, provides insights into rural community housing issues and directions.

Generally, housing policy, like all public policy, reflects American values. Our public policies regarding housing represent a belief that shelter is a basic need, although not an identified legal right. Beyond shelter, housing is also symbolic of a household's status and social position. In most circumstances, home ownership is culturally preferred over renter status. Home ownership forms the financial foundation for both households and communities. For individuals and families, home ownership provides a major investment and a tangible form of transferable wealth. For communities, property ownership forms the local government revenue base for collective services such as education, sewer and water services and public amenities. Thus, housing is both an individual asset and responsibility as well as a community good. As such, it is often the source of conflicting needs and resource allocation issues. Public policies at-

tempt to meet the critical needs of both individuals and of communities, allocating scarce resources to the best possible use as defined by our cultural values.

Availability, adequacy, affordability and appropriateness of housing resources categorize the housing needs of both communities and individuals. These housing concerns provide a framework for reviewing the background of current federal housing policy. The issues and directions facing rural community housing are also more understandable using this framework.

In 1934 the first National Housing Act addressed housing affordability, adequacy and availability needs primarily by supporting the private lending system so that long-term housing financing could be provided. The policies provided loan guarantees, mortgage insurance and set up a secondary mortgage market in order to provide a more equitable distribution of capital throughout the country. These policies remain an important component of the federal housing policy today. The 1990 Affordable Housing Act extends the insurance and guarantee authority and authorizes appropriations to support that authority for fiscal years 1991 and 1992.

In addition to policies directed at housing finance, other programs focused on housing construction and rehabilitation by public housing authorities and incentives for private developers. A 1968 review of the progress toward meeting the goal of a "decent home and suitable living environment for every American" resulted in the identification of a ten-year target to increase the number of housing units by 26 million to meet the shortfall of expanding housing needs. Six million units were to be federally assisted. A few years later the Housing and Community Development Act of 1974 dramatically changed the way in which federal dollars where distributed and managed. Through a system of community development block grants to states and entitlement cities, substantial funds and the responsibility for administration of federal housing assistance were shifted from the national to state and local levels.

Ten years after the lofty 1968 goals were set, the need for additional new or substantially rehabilitated units remained unmet. Approximately one-quarter of the goal for federally subsidized or federally assisted housing had been satisfied while housing assistance needs continued to grow (Hope and Young).

Between 1970 and 1980, the median income for renters rose 66.7 percent. While this is a substantial increase in total dollars it is comparably much less than the income rise for owner-occupants, which rose 104.1 percent. The purchasing power of this increase was, however, negative when compared with a rise in the Consumer Price Index of 112.2 percent (Hope and Young). This illustration of the erosion of household's real income provides a partial explanation for the shift in public policy focus from housing availability to housing affordability.

In the 1980s, tenant-based assistance programs were initiated. Vouchers or certificates were issued to low-income renters. The tenant contributed a fixed percentage of income to the rent and the difference between that amount and a predetermined "fair market rent" was provided to the landlord through the public housing authority. Certificates are tied to new construction or major rehabilitation projects insuring that construction subsidies will provide units affordable for low-income families based on their ability to pay. Vouchers, on the other hand, are issued directly to the tenant who then must locate housing on the open market. The expansion of the housing voucher system is based on the assumptions that there are sufficient housing units available and that households are not adequately sheltered because they cannot afford appropriate units. For these assumptions to hold there must be a free and open housing market (e.g., no discrimination); housing units must be available that meet specific household needs (e.g., appropriate number of bedrooms for large families); and the dwellings must be distributed in areas where housing needs exist.

The Fair Housing Act of 1988 extended the Civil Rights Act to provide protection to families, persons with disabilities and single individuals from discrimination in the housing market. Under this legislation it is against the law to deny housing; refuse to rent, sell or negotiate; or offer different terms or conditions because of race, color, religion, sex, national origin, handicap or familial status. It is also illegal for landlords to refuse tenants permission to make reasonable modification to housing at their own expense. Housing for the elderly is not required to serve families with children if all the occupants are over age 62 or 80 percent are 55 years of age or older.

It has often been stated that there are sufficient dwelling units in the United States for every American to be adequately sheltered. The problem, of course, is that while that may be correct in the aggregate, people do not live in the national housing market. Housing is a local issue and concern. Just as individuals have special needs, so do communities. Recognizing that addressing housing needs is best accomplished at the local level, the 1990 Housing Affordability Act transfers much of the authority and responsibility for housing assistance from the federal to the state and local level.

A key element of the 1990 Housing Affordability Act is the requirement of a Comprehensive Housing Affordability Strategy (CHAS). Each jurisdiction (state and entitlement city) must have a Housing and Urban Development (HUD)-approved five-year affordability strategy which is to be updated annually. This document provides the basis of priority allocation decisions for housing assistance. There are fifteen CHAS requirements, and because this document forms the basis for allocation decisions, it is of critical importance that the needs of rural residents and rural communities be represented:

1. Housing needs identified by income categories, tenure and household types (very low-income, low-income, moderate income, elderly persons, single persons, large families, nonmetropolitan residents, persons in self-sufficiency programs and persons with AIDS and HIV+).
2. Nature and extent of homelessness.
3. Significant characteristics of the housing market.
4. Cost of housing and public policy incentives/disincentives such as tax policies, land use regulations or growth limits impacting the availability of affordable housing.
5. Number of public housing units, their physical condition and restoration needs.
6. Plans for use of funds available under the act.
7. Strategies to encourage public housing tenants to become homeowners.
8. Institutional structure through which the strategy will be carried out.
9. Public and private resources to be leveraged.
10. Means of cooperation and coordination among state and local governments.
11. Strategies to coordinate use of low-income housing tax credits with housing provision.
12. Certification that fair housing will be affirmatively furthered.
13. Certification of compliance with a Community Development Block Grant anti-displacement and residential relocation plan.
14. Standards and procedures for monitoring activities.
15. An estimation of the number of low- and moderate-income families who will receive affordable housing using the funds under the act.

The Act does provide some particular elements directed at rural community housing needs. Two specific requirements are: 1) the state must fund rural housing in proportion to objective measures of rural housing needs contained in the state's CHAS; and 2) Farmers Home Administration (FmHA) is required to designate one hundred counties in each fiscal year as "targeted underserved areas." These target areas are defined as those that have 20 percent or more people living in substandard housing and whose average per capita housing assistance has been substantially lower than other areas in the state.

Preference is given to counties with a poverty rate of 28 percent or

more and a substandard housing rate of 13 percent or more. FmHA is to implement an outreach program and set aside funds for housing assistance in these areas. The one hundred counties included in the new program are in Alabama, Alaska, Arizona, Arkansas, Georgia, Idaho, Kentucky, Louisiana, Mississippi, Montana, New Mexico, North Carolina, North Dakota, Puerto Rico, South Dakota, Tennessee, Texas, Utah, Virginia and West Virginia.

In addition, the Housing Affordability Act provides some new housing assistance including programs directed at providing supportive services for elderly persons. The supportive services will be available to persons served under the Section 202 program and are designed to promote independence and continued residence-in-place. A range of services are eligible and are tailored to the needs of the residents including meal services, transportation, housekeeping aid, personal assistance and health-related services. Funding for these housing support services are to be cost shared with federal funds covering 40 percent, the local housing authority providing 50 percent (cash or in-kind services), and 10 percent covered by the client.

Finally, the Housing Affordability Act focuses on improving home ownership opportunities for first-time buyers and low-income households. Included are incentives for public housing tenants to become owners of their dwelling units and to help families not owning a home save for a down payment for the purchase of a home.

Housing is also impacted by policy decisions in other related areas. For example, environmental legislation such as the Clean Water Act includes Wetland Protection requirements that impact development costs for new construction. Banking regulations, such as the Community Reinvestment Act and the Home Mortgage Disclosure Act, also play a role. The Community Reinvestment Act requires, as part of the regular bank examinations, a review of the institution's performance in meeting the credit needs of their communities for housing and other purposes, particularly in neighborhoods of families with low or moderate incomes, while maintaining safe and sound operations (Federal Reserve System).

The Home Mortgage Disclosure Act requires FDIC depository institutions to disclose the geographic distributions of their mortgage and home improvement loans. This Act is to provide depositors and others with information regarding whether institutions in metropolitan areas are meeting the credit needs of their communities (Federal Reserve System). To assist lenders in meeting these obligations, the Federal Home Loan Banks have pooled funds to provide housing for very low-, low- and moderate-income households through the use of subsidized advances, direct subsidies and other assistance.

## Local Housing Concerns and Policies

The shifting of responsibility, from federal to state and local entities, to provide housing assistance funding and management places a strain on many local communities. In some cases the local capacity to resolve housing problems is limited. There may be a basic lack of awareness of the nature and extent of "housing problems" within the community. Local officials tend to narrowly define their housing concerns and fail to address the complex problems of housing availability, affordability, adequacy and appropriateness. Housing as a part of rural revitalization efforts tends to focus on programs targeted at housing investors and may fail to address the integration of housing with overall community development objectives. Also, the matching requirements for funding require substantial local financial commitments. The communities with the greatest needs are frequently less able to meet this obligation given the competitive nature of limited local resources.

For communities at any given point in time, existing housing stock is a fixed resource. This resource may represent an asset or a constraint for local economic development. Local business expansion or firm relocation requires an appropriate labor force and the ability of a community to supply that may, in fact, be influenced by the housing stock within the labor market area. Furthermore, when attempting to recruit relocating firms, communities may find that "image" is a major factor. The condition of the existing housing stock, the availability of affordable housing for potential employees, the quality of the neighborhoods, schools and public services are factors that are used in relocation decisions by firms as well as households.

The link between the labor market and affordable housing is a key point. Communities work toward recruiting employers, business expansion and retention. Individuals acquire skills and seek jobs. The link between the two is the local labor market. This labor market is a geographical location within which people work and live. While much of our economic analysis is conducted on the community level (e.g., number of jobs created) or the individual level (e.g., average wages, unemployment figures) almost all consumer decisions are at a household level. Housing is a primary example of this household level decision making. The proportion of a family budget spent for housing expenses is significant, averaging 40 percent. The cost of living or the idea of housing affordability is not simply one of the dollar cost of the housing expense, but the ratio of that amount relative to total *household* income.

Communities successfully obtaining major economic growth may then find housing availability and affordability to be critical concerns. These economic development and housing linkages are not limited to the specific community experiencing change, but affect the entire surrounding area. Again, the local labor markets viewed as

the geographic area within which people work and live, are not bound by political division of cities, towns or counties, but are determined by the commuting patterns of workers. Thus, economic development, population trends and housing situations in one community can dramatically impact the housing market in other places.

Stable and declining communities frequently struggle with concerns regarding appropriateness and quality of existing housing. In many cases these communities are defacto elderly communities with a high ratio of older to younger residents and existing housing stock that is aging as well. As structures designed for young families are occupied by older individuals with completely different physical capacities and space needs, the functionability of those structures, as it relates to assisting occupants to remain independent, may decline. Housing strategies in these declining communities are particularly difficult to identify. For example, as residents relocate out of existing housing into more appropriate housing—within the community, if available, or in other communities—locating buyers for their previous homes may be difficult. For potential buyers, residential financing can be scarce. An oversupply of housing can also result in declining home market values reducing the equity for owners. The difficulty with vacant and deteriorating structures owned by non-community residents creates another problem.

The concept of a "viable size" for communities has been explored by planners as one way to allocate resources to those communities most likely to have successful housing programs. This may mean that for smaller towns or open areas, allocations through programs such as the Community Development Block Grants are unavailable. Creative communities have accepted and recognized this problem and have redefined "community" beyond the political subdivision to one of function. In this way a number of multi-community clusters have been formed to successfully address the challenges in rural areas.

## Extension's Role in Rural Community Housing

Extension, as a research-based educational institution designed to link the university knowledge base with the people, has a unique opportunity to bring new information to local communities dealing with housing concerns. Extension also has a unique position within most communities. Janet Fritchen, a cultural anthropologist from Cornell University, has identified three advantages extension has in assisting rural communities deal with local issues: (1) A history of involvement in helping people work together to deal with change has resulted in extension's reputation as a problem solver. (2) Extension agents are aware of the differences and local uniquenesses of communities. (3) Extension's nonprofit status assists agents in serving as neutral facilitators bringing together agencies and organizations to address community concerns.

Extension staff can serve a unique role as coalition builders and housing advocates. Here is a starter list of possible roles extension could play in rural community housing:

1. Collecting information regarding housing needs in the local area, especially the needs of the homeless and near homeless.
2. Identifying resources to help families meet housing needs such as weatherization assistance programs, available emergency shelters and financial assistance.
3. Providing decision-making assistance for renters considering home ownership on the financial aspects of home ownership, qualities to look for when purchasing a home and ongoing home ownership responsibilities.
4. Assisting local communities identify priority needs and assess their local housing situation.
5. Facilitating multi-community and multi-agency collaboration to meet local housing goals.
6. Providing educational materials for young adults on housing decisions and opportunities.
7. Working with decision makers to implement the state and local Comprehensive Housing Affordability Strategy.
8. Increasing the awareness of the requirements of housing laws such as the Fair Housing Act and the Community Reinvestment Act.
9. Participating in collaborative programs which provide direct housing or housing support assistance.
10. Identifying barriers to affordable housing in the local area.

However, in order to meet these potential roles, changes will be required. Agents and specialists will need to "retool" and acquire the necessary knowledge base. An upgrading of the research base of information regarding rural housing and local labor market linkages is critical as is a reevaluation of extension priority programs and delivery methodologies.

## Future Housing Policy Directions Impacting Rural Communities

Public policy issues are certainly not stagnant as the area of housing policy illustrates. The policies, however, do tend to have evolutionary changes and consistently reflect the context of the larger society situation within a framework of time and economic conditions. Anticipating the policy directions based on an "environmental scan" of general trends impacting American society and a review of the previous trends in housing policy provides a future direction.

Using the background presented here, future housing policy directions can be anticipated. Policies are likely to continue which address the traditional dwelling-specific and dwelling-use problems that previous programs have considered (e.g., renovation programs to address occupants' special needs such as wheelchair accessibility). Maintaining existing housing stock and providing sufficient affordable housing stock are basic and ongoing needs. In meeting these needs, efficiency and accountability for use of public resources will be emphasized, given the trend toward declining federal financing for housing assistance. Future policies will of necessity address the demographic reality of population trends (Struyk, et al.).

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