Infrastructure and Rural Housing

Affordable rural housing is essential to any infrastructure proposal or discussion. If you build roads, factories, and community facilities they are all there solely to support the rural residents who travel, work, and live-in rural communities. Housing rural residents in decent housing must be the goal and the destination. While we hear more about homeownership, which is important, rural rental housing provides an oversized impact in per unit construction jobs, allows residents mobility to move as needed for work and family, and creates ongoing operating and maintenance jobs.

In multifamily rental housing, the one-year impacts for building 100 apartment units is the creation of 161 local jobs, while $11.7 million in local income and $2.2 million in local taxes and government revenue are created over that one year. In addition, there are 44 local recurring jobs with $2.6 million and $503,000 in estimated local taxes and government revenue, generating more than $3.3 million in federal, state, and local revenue. *The Economic Impact of Home Building in a Typical Local Area, Income, Jobs and Taxes Generated*, National Association of Home Builders (NAHB) (April 2015). Substantial rehabilitation provides analogous impacts to new construction. According to an earlier NAHB study, **100 apartment units of typical low-income housing tax credit construction generates 116 jobs (about half are in construction sector), $8.7 million in income locally and $3.3 million in local, state, and federal taxes**.

Creating more infrastructure jobs in rural rental housing requires increased access to credit, consistent revenues, and job supporting tax code. Rural areas, however, have a built-in credit barrier since rural areas are always small market areas for local business providing mortgage loans locally.

CARH has been pleased to be part of the Rebuild Rural Coalition which was organized in order to bring focus to the infrastructure needs of rural America. We agree that infrastructure legislation by Congress should specifically address the unique needs of agriculture and rural communities. We applaud efforts to increase broadband in rural America. Broadband will do much to increase rural American's access to healthcare and business opportunities. However, during this past year, an overlooked aspect of broadband development was how it also increased the livelihood of residents by allowing them to work from home and allowing school aged children access to the internet for virtual schooling. Roads and other infrastructure needs that have been identified are vitally important. CARH believes a very needed ingredient to the infrastructure bill is affordable housing for rural Americans. Congress needs to put forward, as an infrastructure priority, affordable housing funding and program assistance for rural communities.

Affordable rental housing issues affect residents and a vast array of local government, non-profit, and limited-profit participants working together in partnership. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. Housing instability has well-documented effects on the education and health of this country's greatest asset, our children. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership.

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The United States Department of Agriculture's (USDA) Rural Development (RD) Multifamily Preservation and Revitalization (MPR) demonstration program has shown preservation can be successful but the number of properties able to be preserved with current resources will not save most of the portfolio. It is simply moving too slowly and too few are preserved each year. The latest statistics from RD indicate that the 514 and 515 portfolios consist of 13,348 apartment complexes containing 413,885 rental homes. This is a large portfolio, but it is also a staggering decrease of more than 14,400 properties and over 111,000 apartment homes since the programs' inception in 1963 – an approximate 51% reduction in the housing stock. The Section 515 properties are geographically dispersed across all rural America.

In 2002, RD estimated that 4,250 Section 515 properties with 85,000 units "will physically deteriorate to the point of being unsafe or unsanitary within the next 5 years." At that time, RD estimated it would need $850 million to maintain just this portion of the portfolio, and that as much as $3.2 billion will be required for portfolio-wide rehabilitation. Due to the lack of funding for RD from 2002 to today, little progress has been made on portfolio-wide. Adjusted for inflation, the 2002 $3.2 billion estimate is now approximately $5.6 billion. **CARH supports efforts to include in the Build Back Better Act funding for this important housing stock in rural America. As recommended by the House Financial Services Committee there would be:**

- A total allocation for RD multifamily would be **$4.74 billion,** of which **$4.3 billion** would be for the purpose of conducting new construction, improvements to energy and water efficiency or climate resilience, the removal of health and safety hazards, and the preservation and revitalization of the RD's existing Section 515 portfolio. The proposal would also provide language outlining terms and conditions for preservation that track language from prior Multifamily Preservation and Revitalization (MPR) *Federal Register* Notices of Funding Availability. Funding could be used for Section 514/516 Farm Labor Housing.

- Currently, RD has a five to six year waiting period before an application that has been submitted and approved for revitalization is actually funded. The **$4.3 billion** that would be allocated, while also going for new construction, would also be used for preservation and revitalization, thus helping to clear the pipeline of approved applications waiting for funding. In order to reduce the debt service on a property, other sources of funding are used when revitalizing and preserving a property – to tell these other financing entities that RD funding will not be forth coming for five to six years is not the right way to go about preservation of a needed portfolio.

- Rural residents who live in multifamily housing administered by RD are low-income and extremely low-income families and seniors with incomes of about $13,640 per household. Approximately 70% of RD's rural rental housing households receive rental assistance from the RD's Section 521 Rental Assistance (RA) program. At the same time, almost 66,900 households do not receive rental subsidy. RA, like project-based Section 8, pays the difference between 30 percent of a resident's income and the basic rent required to operate the property. Rural renters are unable to benefit from the funding provided for many of HUD's programs since the rural programs are administered through USDA, not HUD.

- Congress did not provide funding in either the **CARES Act (P.L. 116-136)** or the **Emergency Coronavirus Legislation and Omnibus Appropriations (P.L. 116-260)** for this vulnerable segment of the rural population. While $100 million was provided in the **American Rescue Plan of 2021 (P.L. 117-2)** for current non-RA residents, CARH continues to believe that there needs to be additional funding for the Section 521 program that can be used for existing RA recipients, as well as to assist those renters who do not currently receive RA. RD's current budget cannot cover the existing portfolio plus RA to previous non-RA recipients. The House Financial Service's proposal would provide an additional **$200 million** for the Section 521 program which could then be used for providing rental assistance for current non-RA recipients.

- Finally, **$240 million** would be made available for substantial upgrades to RD's existing technology systems, which are desperately needed. Funds can also be used for administering and overseeing the implementation of up-to-date financial reporting, research and evaluations, and other costs in support of RD's housing programs. CARH has consistently advocated for the agency to upgrade its existing technology systems and hope that there will be further direction that the agency should emphasize those improvements.