

Speaker 1 ([00:05](#)):

Good morning, everyone. First, I want to thank Dr. Shaw and Lillian for their conversation about the importance of collaboration and partnership to improve economic opportunity. My name is Lisa Nelson, and I lead and manage the research team in the Community Development Department at the Cleveland Fed. Now I have the pleasure of introducing the first plenary of the Policy Summit, Closing the Gap: Tackling Housing Supply Crisis to Boost Affordability.

([00:30](#)):

The plenary is being moderated by Theresa Singleton, Senior Vice President and Community Affairs Officer at the Philadelphia Fed. Theresa is responsible for overseeing the research and outreach initiatives in the Community Development and Regional Outreach Departments. Theresa and her team has partnered with the Cleveland Fed on the Policy Summit since 2013. We greatly appreciate this partnership over these many years. Beyond the Policy Summit, the community development teams in the Cleveland and Philadelphia Feds have a long history of working together on research, tool development, and engagement efforts. Prior to joining the Fed, Theresa was the director of research and information at the Housing Assistance Council in D.C. with Lance, and Theresa has a PhD in Political Science from Temple University. With that, I'm going to turn it over to Theresa, introduce the rest of the panel, and lead the discussion on this timely and important topic.

Speaker 2 ([01:25](#)):

Lisa, thank you so much, and thank you to you all. Thank you to the Federal Reserve Bank of Cleveland for hosting this important event. Cleveland never disappoints, and I'm looking forward to this conversation.

([01:39](#)):

You heard it earlier today from Tracey, and you heard it from President Hammack. One of the most critical things that we do in the community development function in the Federal Reserve System is listen. We go out, we engage with bankers, we engage with nonprofit organizations, workers, employers, small businesses, in urban, suburban, and rural communities. And we talk and we listen to better understand how they are all experiencing the economy, and we contribute those insights to help inform our consideration of monetary policy and the other functions across the Federal Reserve System. And I can say without hesitation that across all of these geographies, across all of these stakeholder groups, no issue has been more resonant than the issue of housing affordability. Bankers, community, workforce initiatives, philanthropy, they're all laser-focused on the challenges that communities are experiencing in this space.

([02:39](#)):

Just this past Tuesday, we were hosting a conversation of community bankers and credit unions, and one banker said, and I want to quote him, that, "We cannot have economic vitality in our communities if we don't have affordable housing. If people cannot afford to live near where they work, we cannot have the growth we need, and if they are spending too much on housing, they cannot afford the other things in life." And that really stuck with me as I'm coming into today's conversation.

([03:09](#)):

It's clear that housing markets are critically important to our personal economies, our local regional economies, and to our national economy. And it's also very clear that both in the rental and homeownership markets, we are experiencing some unprecedented affordability challenges. And so, if listening is our primary responsibility in the community development function, the second thing we do, and we do it very well, look around you, is convene. We bring people together. We bring them together

so that we can share information, data, and solutions, things that are working that can be taken back to the communities and tested to see if they would work there as well.

(03:46):

So today, we really want to better understand dynamics across the rental and homeownership markets to explore what's working and what's not working in terms of affordability, and I cannot think of two better people to have that conversation. So, these are the people that I just enjoy listening to and talking to about housing, but they also happen to be the foremost experts in their field. Jenny Schuetz, who is vice president of infrastructure and housing at Arnold Ventures, as well as a former Federal Reserve Board colleague, and a noted author of the book Fixer-Upper, is going to talk to us about the larger housing space. And then we'll turn it over to Lance George, my former colleague at the Housing Assistance Council, national nonprofit rural CDFI. Lance leads the research and information unit there, and is really one of the nation's foremost experts on rural housing and rural demographics, so I think you're in for a really interesting conversation.

(04:47):

We are going to reserve time for you all to engage in this discussion, because if we are getting questions when we're out in the field, I know you all have questions, and so I encourage you to be thinking of those and we're going to have time to do that. But before we jump into the conversation, I've asked both Jenny and Lance to provide us with some high points on where they see the nation's housing market right now. I know there are many different housing markets that make up the larger picture, but they're going to give you the big picture from their perspectives, and then we'll jump into a conversation and dig more into the affordability issues as well as some of the solutions that they are seeing working around the country. So Jenny, we'll start with you.

Speaker 3 (05:27):

Great. Thank you so much for inviting me to be here. It's always lovely to come back to Cleveland. It's always lovely to rejoin the Fed family. I like to joke that the Fed is sort of like the Mafia. Once you've been in it, you never truly leave, but on the side of the angels.

(05:42):

So, if we think about what the problem is that we're dealing with, housing in the US is expensive because we haven't built enough homes to keep up with demand. Going back 15 years now to the Great Recession, the US hasn't built enough homes to keep up with the demand created by population growth and job growth. And in particular, we haven't built enough homes in the places where people most want to live, the places that have the strongest job markets, within our metro areas, the places that have the best public schools, the best transit, the healthiest environment.

(06:15):

So, if I had one of my favorite graphs with me, shows our housing production, going back to about the 1970s, we've actually been building less housing per capita for several decades now. But of course, during the Great Recession, we just stopped building homes altogether for about four or five years. Those of you who are in the real estate industry or the housing industry remember that. The construction industry just shut down and took a very long time to start climbing back up, so we are about 4 million homes short nationally of where we need to be just to keep up with household growth.

(06:48):

That looks different in different parts of the country. Unfortunately, in some of the places with the strongest job markets, places like New York and Boston, Seattle, most of the California coastal

communities, haven't been building enough homes for more like 30 to 40 years, so they have particularly acute affordability problems, because there just aren't enough homes to go around. If we think about what that does to the demand for housing across our cities, if you stop building enough housing in the highest demand places, some people get priced out of New York and San Francisco, they move to places like Austin and Nashville and Denver.

[\(07:25\)](#):

And in the last several years as work from home has become much more expanded, we are seeing more demand spill over into smaller communities, into small towns and rural areas, which provide a very high quality of life, but they haven't been able to keep up with people moving into the communities. So, we're seeing affordability going from being a big city on the coastal areas problem to an almost across the country problem. And virtually every community that I have visited that you all work in, that you live in, almost every place has an affordability problem.

[\(07:57\)](#):

This is most acute for households who don't earn very much money. We know that low-income households have had a problem paying for housing and still affording to pay for transportation and healthcare and food for many decades, and this affordability problem has only gotten more acute. Tuesday, the Joint Center for Housing Studies released their latest State of the Nation's Housing report. For housing policy nerds, this is like when Taylor Swift drops a new album, right? Everybody's very excited to pick this up. The statistics are pretty grim. More than half of renters are cost burdened, paying more than 30% of their income on rent, and more than a quarter of all renters are severely cost burdened, meaning they're spending more than half of their income every month just to pay their rent, and that's very clear that this is not sustainable. People will eventually fall behind on the rent, and they're not able to pay for the other things that they need in order to keep themselves fed, in order to keep themselves clothed, and to do the other things that they're doing in their lives.

[\(08:57\)](#):

So, this is an acute problem at the bottom end of the income distribution, but it has been creeping up and up. More middle-class households are getting priced out, and we know that right now is a particularly difficult time for renters who are trying to purchase their first home. We have a historically unusual combination of very high housing prices and high interest rates, which make it particularly hard to buy a home. You have to save up more money for your down payment, and your monthly mortgage is going to be more expensive because of the interest rates. There are interactions between the homeownership and rental markets. We have more high-income renters who are staying in the rental market longer because they can't afford to buy that first home. But because they are still in the rental market, that puts more pressure on other renters, middle- and moderate-income renters, who are facing more competition for the same number of apartments. And so, we're seeing these affordability pressures really all across the country and across a wide swath of income spectrums.

[\(09:56\)](#):

I should say, one of the particular things we've noticed among homeowners recently is that the cost of being an ongoing homeowner are also going up over time. It's not just about saving up for the down payment to get into the home. It's about things like property insurance, which is going up in many parts of the country because of the increased damage from extreme weather events and natural disasters, so insurance has become more expensive and that goes up year after year. Property values are going up, which is good for people's net worth, but that also means that property taxes are going up, and so we're seeing more stress on particularly long-term homeowners to pay for those costs. Utility bills, those of you in the Midwest and the East Coast have had a particularly warm week. I come from Washington

D.C., which has been really hot, so people have to run their air conditioning longer over the course of the summer, and that means more money coming out of your pocket every month for the electricity bill.

(10:51):

So, we're seeing these pressures come from a lot of different sources, but fundamentally, in order to bring the cost of housing down, we're going to need to build a lot more housing. We're going to need to build more rental housing in high-opportunity communities so that people can afford to be close to jobs, close to good schools, close to transportation. And we're going to need to grapple with some of the underlying problems, like our insurance markets that are putting pressure on both homeowners and on landlords and getting passed along to renters. The monthly cost of living in a house has just gotten more expensive over time, and those are fundamental problems that we're going to have to deal with.

Speaker 2 (11:26):

Jenny, thank you for that. I especially appreciate how you framed the interconnectedness of rental and homeownership. I think we don't necessarily explore the tension between those two and the need to think of it more comprehensively, and so I'm going to dig into that a little later.

(11:43):

Lance, I'm going to turn to you and ask you for three to four takeaways from the rural. I think not as many people are as familiar with the rural housing market, and so I think this is an opportunity for you to help kind of shed some light on the similarities and the differences that rural housing markets experience.

Speaker 4 (11:59):

Great. Thank you Theresa, and thanks, Jenny. First and foremost, I'd really like to thank the Cleveland Fed for including the Housing Assistance Council in this important discussion. I'd really like to thank Lisa and Theresa. Theresa mentioned that the Housing Assistance Council focuses on rural communities in the US, and I call myself nominally a researcher. I'm always interested. But I would harken back to Dr. Shaw's comments that place and community is very interesting.

(12:24):

So I'd say I'm a researcher. I'm constantly interested. I want to have an informal voluntary poll. I don't have the Slido high tech, but just how many of you were, in your formative years, say age zero to 18, were reared or raised in a urban or city environment? If you could raise your hands? And then if those, same question, if you were raised in a suburban environment? Great, thank you. Trying to gauge. And then those who were raised in a rural or small town environment? That's actually a really good showing. That's neither here nor there. There's no particular correct answer there. Oh, I'm sorry, last question or last category. We live in a mobile society, increasingly less mobile, but some of you may have lived in both of those settings, so raise both your hands if you lived in both the settings. Okay.

(13:15):

So again, not overly important, other than I do think and I would reiterate that community is very important and place is very important. And I would just set the stage on the rural dynamic, and just one kind of macro, larger overview that may parlay into other elements of our discussion is that the spatial dynamics of rural America are also very different. And I'll speak about some of Jenny's comments and say, sometimes things are very similar and sometimes they're very different in rural communities, but the spatial dynamics is one area that's really different. Depending on what definition you use, and we could spend the rest, hour on that question, I often get that question of how you define rural, but we make up approximately one-fifth to one-quarter of the US population, but we're spread across 97% of

the nation's landmass. And those geospatial dynamics really impact the provision of housing and the way housing is provided and the way it's consumed as well in rural communities. So, I just want to set that stage on some of those larger geographic dynamics of rural communities.

[NEW_PARAGRAPH] I'll really go over maybe two or three very quick elements that I think are salient to this conversation and will help the discussion on rural communities, the first of which is not really related to housing itself. We know that housing doesn't exist in a vacuum, and some of the social demographic and economic characteristics of rural America. And I would really just point to kind of vibrance and vitality in all the communities. We've had this discussion about urban communities, but particularly in rural communities, I think vibrance and vitality is an issue.

[\(14:49\)](#):

One issue is population loss and population change, and I want to give an example here. There are two counties, rural counties, in the Fed's footprint in eastern Kentucky. One of them is named Lewis County, and the other one's name is Clark County. I know Theresa is looking me and saying, "You couldn't come up with a more hip example than Lewis and Clark." They haven't made a Hamilton-style Lewis and Clark yet. And I also just say, there's some very uncomfortable and controversial elements of that period of our history and that expedition, so it's not, this is entirely random. But these two communities, they're both Appalachian communities in eastern Kentucky. They're both predominantly rural, although one has some suburban influence. Both of them really relied on agriculture as their primary economy for most of their existence up until the late 2000s or the early 2000s, when they largely produced tobacco, when there was ending of price supports, and those two communities, that really took away the tobacco in both those communities.

[\(15:52\)](#):

But in their demographics, they've really gone in different directions. Clark County has gained population, and largely due to its proximity to a large metropolitan area, or relatively large for Kentucky, Lexington, whereas Lewis County, Kentucky, has lost population basically every decade for the 20th and 21st century. And there are fewer people now in Lewis County, Kentucky, than there are right around the Civil War. Similarly on the economic dynamic, the economy is relatively strong in Clark County. Lewis County, Kentucky, has close to 30% poverty and some of the highest unemployment in the United States. And I only present that example to say, rural America, to harken back, is very big and very diverse, and those are two counties that are relatively close. So I want to talk about some of the between, but also as a researcher, we would like to talk about the within and say it's not monolithic. I often say if you've been to one rural community, you've been to one rural community, so there's a lot of variation within that.

[\(16:52\)](#):

So, just to quickly transfer into a couple of housing dynamics in these communities, and again, I'll reiterate what Jenny said, most of those issues are highly salient and relevant in rural areas, but some of them manifest themselves slightly differently. One of those is just housing tenure. Homeownership is much higher in rural communities. It is June. It's homeownership month. And another really good, positive dynamic in rural communities is that rural areas have a much larger share of what we call true homeowners, those homeowners who are free and clear of debt. They are absolute true homeowners. But at the same time, we're seeing some of the exact same pressures that Jenny mentioned around the lack of production and construction in many rural communities.

[\(17:39\)](#):

Now, just harken back to Lewis and Clark County, Clark County has grown substantially in its population over the last few years, but you wouldn't know that by looking at the housing production numbers or

just the mortgage activity in some of those communities. It's often harder to tease out some rural data. That's another area where our life is just a little more challenging. The data are not always available or suppressed. And we'll also talk about affordability. Both of those communities have affordability pressures, even at the ownership spectrum, but maybe for different reasons. In Clark County, there's a lot of population in-migration, as Jenny noted, but in Lewis County, there's been population out-migration, but stagnant and low incomes, which causes pressure when the housing prices increase and incomes simply haven't increased, or actually, decreasing in communities like that.

(18:25):

But what I really wanted to focus on was what I think is an often overlooked element of the rural housing marketing trends and conditions, and that is rental housing in rural communities. And it's often just the predominance of homeownership overshadows rental housing. Rural residents want and need rental housing. They do, and we all need that in our communities, but many rural communities just have lack of continuum, or in some communities there's a dearth of good quality rental housing in many rural communities. And this is another element where rural areas are just different. The dynamic, particularly in the rental markets, look much different. The stock itself is different. Largely, the stock of rental housing in rural communities are single-family detached homes. They're much shorter level, or much shorter rate of multifamily structures in rural communities, but we also see acute or relatively acute affordability pressures also. This is a similarity among rural renters where it's very close to 50% of rural renters are housing cost burdened.

(19:28):

So what I might like to do, and I just want to highlight one particular element of rural communities is, not only is there a dearth of good quality rental housing in some rural communities, and that's not to say all of them. There are some communities that have high quality and good rental housing. But this is particularly an element that I think is lacking in many rural communities. I want to illustrate one particular program or dynamic in rural communities, and not only is there a dearth or a lack of rental housing and a lack of rental production, but it is declining. The affordable rental housing stock is declining in many rural communities.

(20:04):

So if Bo could pull up the slides on ... I want to highlight one particular program or resource that's very important to rural communities. And I might also ask another informal poll, so some of you may be housers in the room. There's a vibrant and very important stock of federally assisted or federally sponsored or federally supported in some way, housing in the United Nations ... I mean, the United States. I keep saying the UN. I'm globalizing this issue today. But one particular element that oftentimes I think is overlooked is USDA Section 515, Rural Rental Housing Program.

(20:45):

Another informal poll. How many people have of or are aware of USDA Section 515 program? So a spattering, and I think that is consistent. Sometimes we talk to housers who are not really overly familiar with this, but this is an extremely important source of housing, and it's been a dramatic success in a public-private partnership over the last 50 or 60 years in the United States. But it's very similar to other dynamics in the federally assisted stock in that there are pressures, and some of that stock is leaving. And this is simply a bar chart to show, with the anticipated removal, many of the ... Basically, it's relatively complicated, but these are mortgages made by the federal government to induce the development of low-income housing in rural areas. But there hasn't been much production, and virtually no production in the last century, so most of the units were built over the last few decades.

(21:36):

And the bar chart, the blue bars indicate the number of units that will leave that portfolio over the next 20 or so years, and I just want to highlight what that looks like geographically. Now, this, another very important element. It's a relatively large stock. There are roughly 400,000 units and about 14,000, a little less than 14,000, properties, and about 87%, the dots here indicate the properties, of all US counties have at least one Section 515 property. Very important stock. But you'll see what we look like, and these are going in six-year increments. This is the estimation of when properties will leave the portfolio in rural communities that's already suffering limited supply. So by 2030, this is what the stock would look like. 2036, 2042, 2048, and by 2054, we and the others estimate there would be no 515 units left, available affordable units, in rural communities.

(22:43):

I'll end on this dynamic, that this is both an opportunity and a challenge to come. Our issue, or one of our issues at HAC, is to raise the clarion call to say, "We're losing this affordable stock." And I honestly don't think Congress would let that happen, but there are many stakeholders in this particular dynamic in rural rental housing. There's Congress, there's the US Department of Agriculture, there's the federal government. There are the owners of the property that most of the owners are private, for-profit owners. There are the residents and then the communities that they live in, and then ultimately the stakeholders, the taxpayers as well. And I do think this is an opportunity where almost every one of those constituencies wants to save and understands the value of those resources in rural communities, and want to save them, and we're working with many of those entities across those sectors to help preserve that stock. I'll maybe give some examples later, but again, another example of a challenge, but particularly also an opportunity to help improve or bolster the rural housing stock, so thank you.

Speaker 2 (23:47):

Lance, I appreciate that. We're going to definitely dig into the issue of preservation of the 515 and other affordable and naturally occurring affordable housing. Before we dig into the conversation a little more, I just want to really hone in on the affordability challenge that's confronting us now, and both of you provided some numbers.

(24:08):

Jenny, you highlighted the Joint Center's release of where we stand with cost burden. Half of all renter households, I think a quarter, almost a quarter of all homeowners, are now cost burdened. We know that while housing prices are coming down, they are historically high, and while rent increases have stalled, they are still at an all-time record high. And so, I want you to talk a little bit more specifically about ... You opened up your remarks talking about the lack of construction, but can you talk a little bit more about the factors feeding into that? I think before we have a conversation about solutions, we need to have a conversation about what are the driving factors behind that. So, if you could talk to us a little bit more about, what is driving the affordability challenges that we see?

Speaker 3 (24:58):

Sure. This is largely a self-created problem. We have made it very difficult to build homes in this country, and we've made it particularly hard to build smaller, lower-cost homes that would provide rental housing and affordable entry-level homeownership.

(25:15):

Most of you are probably familiar with some of the state and local tools that we use to regulate the housing development process, things like zoning laws, building codes, review processes. More than

three-quarters of the land in US cities is reserved for single-family detached homes in suburbs and rural areas. That's more like 90% to 95%. So, we've set aside most of the land in this country for single-family detached homes with yards, which are the largest home. They use the most land, and they are the most expensive type of home either to rent or to buy. We have done that by just making it illegal to build everything from townhouses and duplexes to large apartment buildings. So, particularly if you work in the rental housing space, the kinds of homes that are most typically rented are illegal to build almost everywhere.

(26:03):

We have also created layers of review processes. We have a very sort of ad hoc and discretionary process for approving new development, again for everything except for a single-family subdivision in a greenfields area. So if a developer wants to buy, say, an empty parking lot in downtown Cleveland and put an apartment building on it, they generally have to go through a process of getting it rezoned from one type of use to another. They will often have to go through an environmental review process that asks them to estimate how many cars are going to be needed, and how many more kids are going to go to school, and is this a historic district? Cleveland has a lot of really beautiful historic buildings, and so you have to make sure that the new buildings are in context.

(26:47):

All of these individual rules have reasons. They came often from a very good place, providing the community with some control over development that happens in their neighborhood. And we know that in many cities, for instance, the legacy of urban renewal is still felt, and so people really want to have some say in changes to their neighborhood and whether housing is added, where it's added, what it looks like, how big it is. Completely understandable that people want to have that voice and that weight-in, but what we've done is create these layers and layers and layers of review that gives an enormous amount of power to people who currently live in a community who often don't want any change at all. And so what that means is that people who are moving into a city for the first time to get a new job, who are moving from another part of the country would benefit from having more housing, but they're not part of the political process that allows that housing to get built.

(27:40):

In practice, one of the biggest divides that I see around this is by age. Older households who bought their homes when housing was a lot cheaper, a lot more affordable, tend to want to keep their neighborhoods as they are and freeze them in amber. Younger households who are more likely to be renters who aren't earning as much money yet and who are more mobile generally want to have more housing. They want more apartments. They want apartments near transit and in walkable communities, and very often they aren't part of the political process, and so their needs aren't getting carried out, and we wind up with not enough housing of the right type in the places that people want to live.

Speaker 2 (28:16):

Can I just ... Another demographic factor, household sizes are changing, and so those land use patterns, or those land use standards, are not reflective of the type of households people are building now.

Speaker 3 (28:28):

Absolutely, and I hear often people saying, "Well, we should be building more family-sized housing. Why are we building all of these studio and one-bedroom apartments?" We have a lot of family-sized housing, four- or five-bedroom houses, that are occupied by one- and two-person households, older households whose kids have moved. So, we have a lot of empty bedrooms, and at the same time, the

younger households with kids aren't able to buy those because those are too expensive. So, we have locked in our housing stock in a form that doesn't really fit with our households, including these are not often great neighborhoods for people to age in place. They're in a big house that's expensive to maintain in a very car-dependent neighborhood that at some point, people are not going to be able to navigate. And we're just not allowing our neighborhoods to adjust either to changes in household size, to changes in incomes, to changes in preferences of how people want to live their lifestyles. We've made this very rigid system of rules that just doesn't work.

Speaker 2 ([29:22](#)):

Thanks for that. Lance, I think that there is some perception that housing costs are just cheaper in rural America, and so therefore the affordability challenge doesn't present itself in the same way. Can you convince me otherwise?

Speaker 4 ([29:36](#)):

I will not convince you otherwise.

Speaker 2 ([29:38](#)):

All right.

Speaker 4 ([29:39](#)):

Well, I will convince you otherwise, but to say that you're right, there is a perception that because nominal housing costs are lower, that affordability is just not as big an issue in rural areas. I'll actually probably try to rely on another graphic. I'm almost nothing without my maps, so I'll maybe ask Bo to pull up a map, and just the second series of maps, and illustrate this particular issue, maybe as it relates to rural areas.

([30:07](#)):

Now, there are no doubt that some of the affordability challenges are more acute in suburban and urban and higher-cost markets, particularly in urban higher-cost markets, but there has been a dramatic expansion in affordability. I used to say, and I'll kind of correct, I have to correct myself, I went back many years ago when Theresa and I were working together, and wrote somewhere that, "Housing affordability has now eclipsed housing quality, or substandard housing is the largest housing challenge in rural America." And I went actually back and looked at the data where we could, back to 1940, 1930, and I was wrong. Housing affordability has always been the largest housing challenge in rural areas. It was just the perception and specter of substandard housing in rural communities.

([30:53](#)):

Now, we ameliorated much of that substandard housing. There's still problems, believe me, but now affordability has clearly moved to the front. So, I just want to illustrate this potentially geographically and look. So this map is a county-level map of the United States, and any county shaded in orange or red, orange or higher, in 1980, and this is really when we can go back and assess uniformly across the United States. It's the first time we can kind of do this assessment. Any county shaded in orange or red had at least one-fifth of its population as housing cost burdened, paying more than 30% of their monthly income towards housing costs, and the red areas indicate a more acute level of that housing cost burden.

([31:37](#)):

I just want to fast-forward to some of the more recent data, and show you how it's grown, but also how it's spread across the entire United States and in many rural communities. And I'll somewhat leave it at that, other than to note, to reiterate, and this was a finding from the Joint Center studies the other day, that increasingly, homeowners are becoming housing cost burdened, and this is often overlooked. We do focus on renters, and I think we should focus on renters particularly in the rural context, because they often get overlooked, but the largest share of housing cost burdened individuals are those with affordability problems in rural areas are actually owners.

Speaker 2 ([32:19](#)):

That's interesting. So, just to remind us, as people cannot afford their homes, and whether it's a homeownership or a rental, they can't afford to live near where they need to work, they can't afford other things in their life, and so we really need to be mindful of this whole dynamic around affordability. So, I want to revisit the preservation issue, because I think the aspiration of building more units given the history that we've had, I think it's something that we need to dig in on. How do we develop more supply? But I think we need to have a more focused conversation on how do we preserve. What have you both seen in terms of preservation activities at the state and local level that could help us to preserve the units that we have?

([33:11](#)):

So Jenny, Lance provided that really striking picture of rural America. What have you seen on the state and local level, in terms of preservation activities that folks could potentially take back home and think about as opportunities to preserve either subsidized units or naturally occurring affordable?

Speaker 3 ([33:29](#)):

I think it's really helpful to kind of pull out the different ways that we lose homes, and particularly affordable homes, because the solutions are a little different depending on what the cause is. One of the problems is just that a lot of homes are old. The median house in the US is more than 40 years old. This is true in both urban areas and rural areas, that we have a lot of older homes that are just deteriorating and becoming less habitable.

([33:52](#)):

Philadelphia is a good example. There are a lot of older townhomes that just have extremely sort of backed-up maintenance needs. And so in that case, what you really want to do is provide ways to maintain the quality of the house and maintain it livable. Philadelphia is actually a great example. The city has put a lot of efforts into helping existing homeowners access funds to do the repairs to make sure that you still have working heating and cooling systems, that you don't have leaks in the roof, so keeping them physically in good condition so that the existing homeowners can stay in those, and they're not constantly [inaudible 00:34:26] on the maintenance problems.

([34:28](#)):

In areas that have really tight housing supply, one of the threats to low-cost housing is that an older Class B or C apartment building may get bought, got renovated, they put in new kitchens and baths and upgrade the electrical and the plumbing, and then the rents are going to go up by a lot, right? And fundamentally that's happening because it's often very difficult to build ground-up new housing in neighborhoods that are really desirable, and so the older apartments become targets to be renovated and invested because there's not enough competition, and those are in great locations. So in that case, what we need to do is make it possible to add new construction so that the existing Class B and C apartments stay affordable and don't rise up, filter up in the income spectrum.

(35:14):

Then of course, we also have severe challenges from many of the affordability programs. Lance was talking about the USDA programs, but the programs that have time-limited subsidies or time limits on the income restrictions of who can live in those, and so that requires additional subsidy when they get to the end of the point. This is an area that I do not have a magic wand, because fundamentally, most of these are federal subsidies, and if we don't renew the federal subsidies, then things like expiring tax credit properties are going to go out of affordability.

(35:45):

I will say that there is more attention by philanthropy, by some of the larger corporations, so in the Washington D.C. region where I live, Amazon has invested a lot of money in their housing affordability fund. It's one of the sites of their major headquarters, and they have partnered with a group called the Greater Washington Conservancy that purchases older apartment buildings, renovates them, but not to raise the rents, renovates them to keep them habitable and puts long-term affordability restrictions. And so, it's really a partnership between private capital and a nonprofit that can do the acquisition, the rehab, and then the property management to keep those going. This model of marrying private capital and philanthropic capital to do preservation, I think, is a great model, and often stretches your dollars farther than doing ground-up new construction.

Speaker 2 (36:35):

That's super helpful. And thinking about the public-private partnerships, Lance, I'm going to ask you to talk a little bit about how capacity challenges in rural America impact the ability to address the preservation challenges that you all see in communities.

Speaker 4 (36:51):

Thanks, Theresa. I would say that's at the core of our work at the Housing Assistance Council, so I really appreciate the question. That's an easy one for me, I think.

(36:58):

We don't build or develop housing at the Housing Assistance Council. We work with local community-based entities, municipalities, tribal entities, and some for-profit developers who build, develop, preserve, maintain any element of housing in their community. We just try to provide them a suite of services to help them. They know what's best for their community, and that's a key element. They have the trust. They don't trust us coming from Washington D.C. or other communities, and many of the communities have varying needs.

(37:24):

But I will say at the capacity level, sometimes ... And I know this was part of the Joint Center study, that it's looking a little dour. I want to say the narrative in rural communities over my career and over the past few decades has not looked great, if you look at it, if you're a researcher like me, if you looked at it from the statistics or those dynamics. But one of the joys and redeeming elements of my work is being able to work with community-based entities in rural communities. I've never met a more resourceful, ingenious group of people who are incredibly dedicated. But it looks slightly different in the rural context, where I'll harken back to some of those geographic dynamics. Sometimes they serve ... Theresa, you're from Philadelphia. There are blocks that have their own CDC. Many of the entities we work with work in multi-county service areas or half of an entire state, and that just looks very different on how you supply and provide housing in that geographic dynamic.

[\(38:23\)](#):

Secondly, I would just say there's some interesting dynamics on just the out-migration and population. Some nonprofit organizations and community-based organizations that we work with have difficulty retaining staff, younger, educated working staff, or attracting them or retaining them. But on the positive side, just an amazing entity of a national network of organizations that are really committed and doing amazing work every day. And I know many of you in the room are doing that work, and I applaud you. You are true housers, and you're doing that difficult work, oftentimes without the recognition or without the rewards that you deserve. I think it really is incumbent upon all of us to understand the value and the importance of those networks, because they do have the trust.

[\(39:13\)](#):

I will say, I think that sometimes there is a trust issue in rural communities. There's sometimes a moniker I've heard that rural communities say, "People are trying to answer questions that none of us are asking," and I think that's an important dynamic is to look at rural communities and involve the trusted entities. But they also desperately, definitely need the support and those resources. We need all the housings, but particularly the gamut that they work in from private, all the philanthropic, all the way up to federal.

Speaker 2 [\(39:44\)](#):

So Lance, I'm going to stick with you, because I think the innovation that you see in rural communities that is just by design and by need is where I think I want to end our conversation. And just warn you all, we're going to take about five minutes and then we're going to open it up to you for questions, so get your questions ready.

[\(40:01\)](#):

I want to talk more about where you see opportunities for innovation to address the challenges that we've laid out. We talked about increasing costs, challenges, incomes. We've talked about capacity in the rural space. I know one of the topics that you are very passionate about and you see opportunity is around manufactured housing. So, as we talk about supply and addressing the supply challenges that we have specifically, can you talk to us a little bit about what you see as opportunities in rural places that folks can learn from?

Speaker 4 [\(40:33\)](#):

Sure. I really appreciate you raising manufactured housing. Manufactured housing is a very important source of housing across the United States, but particularly in rural areas. It is also very maligned and overlooked, I think. Oftentimes people see the older, outdated aluminum box type structures. It has a unique evolution into the US housing market.

[\(40:53\)](#):

I would say this is a burgeoning, and even at the Housing Assistance Council, area of collaboration and new work. So, in my perception, for many years there was what I would call an oil and water between the manufactured housing industry and the affordable housing nonprofit industry, where they were really oftentimes competing for the same customer, and it's hard to say compete, but they were. And oftentimes the nonprofit communities were seeing how not-well-served many of their customers and clients were being ... not well-served by this particular product. In many respects, the structures themselves are a very high quality. It's all the peripheral elements, how they're sold, financed, appraised, warrantied, cited, insured, where a consumer has a foot in both worlds. They have a very

high quality house, but those elements are oftentimes vestiges of the 1950s automobile market. It's a very complicated topic, a very dynamic topic. It's one of those issues everyone has an opinion about.

(41:51):

I will say where we're seeing some of the innovation is, what I like to think of is thinking beyond the old 1976 HUD code. And for those of you who don't know, manufactured housing is the only type of housing in the US that follows a federal preemptive code. It preempts any local codes. It was needed when it was invoked in the 1970s. People were literally dying in these homes, and there were some interstate commerce issues as well. But I think we need to move beyond that, because it's become the least common denominator, and there are many nonprofit organizations who are working with, I think, a next iteration of not-so-traditional manufactured home, but a variation of factory-built housing.

(42:29):

Traditional HUD code manufactured housing is built in a factory. Many elements of all the housing that's developed are built in factories, but we are working with several organizations and entities. And we have a great case study and a great experience working in North Carolina, in Wadesboro, North Carolina, with a nonprofit housing organization who was once very suspect of the manufactured housing industry, but is working with Cardinal Homes, a developer of modular homes, to build homes at a much more efficient and affordable rate in their community, especially with labor costs and the increasing costs, even in a rural community. So, we've seen some innovations in that particular space. I would say that is, to me, the next frontier is looking past what's the future of factory-built housing in this area, because it has so many inherent deficiencies. We just need to leave behind a lot of the vestiges that hold that type of housing back.

Speaker 2 (43:23):

Super helpful. Jenny, what are you seeing on the housing supply side? What innovations do you see at the state and local level?

Speaker 3 (43:30):

I want to talk about two kinds of innovation. One is in the policy side and one is actually in communications and outreach. On the policy side, we have seen an enormous amount of experimentation at the state and local level, all across the country. Many of you are probably familiar with the example of Minneapolis, which legalized duplexes and triplexes in all of their residential neighborhoods, so expanding the range of homes that can be built everywhere. They also did quite an ambitious upzoning around their new light rail station, so sort of this package of make it easier to build large apartment buildings in commercial corridors or along transit, and then smaller homes, but something that's more diverse housing choices across the residential neighborhoods. Those two patterns we're seeing across a wide number of states.

(44:14):

This year alone, we saw bills passed in Arizona, in Texas, Montana, Washington State. North Carolina is still in process. Rhode Island. Across the country, we are seeing a lot of states push on this, make it easier to build homes of all shapes and sizes, particularly in high-demand communities, and reduce some of the procedural hurdles that just make it very long and expensive and slow to build housing.

(44:39):

One other thing that's really important is that we're seeing better use of communication strategies to get awareness of housing affordability and housing supply out of just the policy-wonk community and into the conversation that people are having in their city councils, in their planning boards, at their state

legislatures. So, we're in Ohio. There's a fantastic group based in Columbus, the Affordable Housing Alliance of Central Ohio, that has just made a documentary about duplexes where they interview people talking about their choice of where to live, and how they've lived in different kinds of homes over their life. This is a great way to humanize this and show people that rental housing and duplexes and apartment buildings are just part of the life cycle, and they make this more human so people understand, what's the problem with the rules that we have now? How can we change that in order to make our neighborhoods more affordable in lots of different kinds of communities?

(45:34):

Some of the work we've been doing at Arnold Ventures is doing message testing. So for instance, I would ask you, please, never use the phrase "end single-family zoning." This is very confusing and scary to most people, because they think it means that you're banning single-family homes, when in fact what we are doing is legalizing a more diverse set of structures. And so, we want to say things like, "Make it easier to build homes of all shapes and sizes," which is exactly what the policy change is doing, and it's a more friendly and accessible kind of language. We're seeing a lot more attention in the general media to this issue, which also brings it out of kind of this wonky technical area, and just makes this something that is accessible to people that they know how to talk about, understanding the problems and being able to talk about the solutions in a way that people can relate to it in their daily lives.

Speaker 2 (46:23):

Super helpful. We're going to open it up to questions. I have a bunch more, but I know we have an online audience and we have a full room here. If folks have any questions that you want to ask of our panelists, we'd open it up for questions now. Someone's asking for it. There you go.

Speaker 5 (46:50):

Hi. Lance, your charts and maps about the preservation properties and what we'd be losing were really striking. One of the things that I've noticed recently is, while it's been great to see the conversation around housing affordability take more part of the stage in politics and policy and whatnot, it does seem like a lot of the new funding, or prioritization of existing funding, especially in terms of either new programs or federal and state tax credits, are focused on new construction. And obviously that's incredibly important, but preservation of affordable housing is a lot of times not as sexy or visible or all that stuff for politicians and policymakers. So, how do we make sure that the preservation of those existing affordable properties are not lost in this discussion and continue to be prioritized?

Speaker 4 (47:57):

Thank you. Dr. Chalmers, I don't have all the answers. My crystal ball is notoriously cloudy and I've often said, "I'm big on problems and short on solutions." But I would present one particular element around that conversation on preservation. I couldn't agree with you more on the focus on, or trying to focus more on, preservation.

(48:20):

One element of preservation, and I would say this in two specific rural buckets, important types of housing in rural communities, notably the USDA's rental housing stock, and also manufactured home communities, which are an iteration of manufactured home, is to look at not the demand side, which is very important, it's what we likely focus on at the Housing Assistance Council, but on the supply side. And I think articulating that particular message, there are a lot of owners of that stock who are ... We've tried to understand the ownership structure and it's not as easy to discern, but they are, and if anybody has a better term, I've always wanted to have a more economic term around mom-and-pop, or a small

owner, but there are a lot of mom-and-pop owners of those type of housing and/or manufactured home communities, and they really just want to get out of it, right? Or they say, "I've dealt with the government for 30 years. I'm done." And sometimes the ne'er-do-well son doesn't want to move back from Chicago to Iowa to manage those properties.

(49:16):

So, I do think there could be a whole set of incentives to help transfer those properties from the existing for-profit owners to nonprofit ownership. That's what we've been working on. What are some of the incentives? Sometimes there are tax liabilities involved in some of these that are inhibiting the transfer. We're running through a big tax bill. So I think incentivizing nonprofit ownership, we have a very similar dynamic. You have the same, I think, supply demographic among manufactured ... I mean, among manufactured home community owners, and transferring those to either cooperative or nonprofit ownership. So, incentives on the owner's side, which I think is a less orthodox alternative or solution, but needs to be considered. And it's a way to resonate, I think, with certain entities politically, across the political spectrum, on the current existing owners of those properties. Thank you.

Speaker 3 (50:03):

Do you have anything to add on the presentation?

Speaker 2 (50:05):

I'm going to do something unorthodox. I'm going to ask you to ask your question really quickly, and you to ask your question really quickly, and then we're going to see if we can get multiple questions in our last five minutes.

Speaker 6 (50:14):

Okay. I appreciate the conversation, but what I'm struggling with a little bit is, one, I have a parent aging in place, 93 in a house, and she takes care of it. It's her house, right? But what I see is a clash between generationals who want to own homes and who don't want to own homes, and the decision to do that. They don't want all the things we have with traditional homeownership, and it's kind of changed almost overnight. So, how is the industry, how are policymakers going to address the preferentials of a new generation with the large existing housing market in our areas?

Speaker 2 (50:57):

The tension between what we have now and generational changes between what the upcoming generation is looking for in terms of housing. Our next question?

Speaker 7 (51:08):

Good morning. Our birth rates have been falling for decades, and I appreciate you guys talking about the current supply side, but I feel that in the very near future, we will have an area where ... excuse me, an era where we will have a lot more homes than we will have people, and as such, prices should naturally fall because there aren't any buyers. Do you agree with this assessment? And if so, how can community and economic development practitioners find a way to strike a policy balance, knowing that there might be bigger changes coming down the pike?

Speaker 2 (51:42):

So, two questions about demographics.

Speaker 3 ([51:44](#)):

Sure. These are complicated ones, and in part the choices that we make on the policy side and how we approach housing markets have impacts on people's decisions about when to have children and how many children to have. So, I will say that across generations, homeownership is still very much a desired goal. If you talk to younger households, they want to buy homes. They are often pessimistic about their ability to do that because prices have gone up, and they're spending so much money on rent that they can't save up for a down payment.

([52:16](#)):

I think we do need to get used to homeownership is going to look a little bit different, and especially first-time homeownership is not going to be a single-family house with a yard. It's going to be a condo in a multifamily building or a townhouse. And as older households downsize, many of them will also need to move at some point into accessible homes, which could be an apartment in an elevator building or a single-story house. So, building in this flexibility to retrofit existing homes to adapt to people's needs, and to change the number of homes in an existing structure is going to be really important.

([52:48](#)):

The demographic question is sort of, we can accept that we are just never going to have kids and that people are going to have smaller households indefinitely, or we can recognize that people are having fewer kids in part because they can't afford a place to live. They're having fewer kids because they think they can't move to a three-bedroom house, and so they'll have one kid instead. Our choices on things like immigration matter a lot too. Immigrant households have more kids. Immigrants are an enormously important part of the construction workforce, and it's going to be a large source of the overall population growth in the US. So, these aggregate macroeconomic policy decisions that we're making are going to affect household formation rates, housing demand, housing prices, and we have control over all of these, but we have to decide the direction we want to go.

Speaker 2 ([53:36](#)):

[inaudible 00:53:36]

Speaker 4 ([53:35](#)):

I'll only add to that. Maybe as a harbinger or a precursor, we've seen this to some degree in some rural communities, particularly in the Plains states in the Midwest where there are a relatively large number of vacancies. And I get calls from reporters every now and then saying, "Why can't we use those type of housing to help with the affordable housing challenge?" in communities where there are already a large number of vacancies due to some of the demand issues, some of the demographic issues that I mentioned before. And sometimes there's just a systemic mismatch on the stock of that housing, the older housing, its repair, its condition. And then also just where economic opportunity exists. Do you want to move to that particular community for the housing? And so, I think I would reiterate my statement that my crystal ball is notoriously cloudy on what the great wealth transfer looks like and what the future looks like. But I would say, there are some markets already where this is happening, and some of it is contingent on what the economic opportunity is, and what the existing stock looks like that is vacant.

Speaker 7 ([54:40](#)):

Thank you.

Speaker 2 ([54:41](#)):

I think I see somebody who was trying to ask a question. Yeah. I saw you get up and sit down, so I'm going to get your question in.

Speaker 8 ([54:50](#)):

Joelle Jones. I'm really interested in this conversation, but I'm disappointed that you haven't spoken to private equity firms and their interest into the housing market and the price of affordability. We're not talking about that when we talk about this, and that's a high ... that is contributing to this. And I just wanted to get your perspective on private equity firms and how they have entered the housing market and caused housing to go up.

Speaker 2 ([55:20](#)):

Jenny, you mentioned investors in your earlier response around preservation. Would you mind digging into that?

Speaker 3 ([55:26](#)):

Yeah, and we should say that large institutional investors have always been part of the rental housing market. Big apartment buildings are only affordable to be bought and owned and developed by large corporations, so pension companies and insurance companies have long been some of the big investors in big apartment buildings, especially in expensive urban areas.

([55:48](#)):

Private equity really got more active in this space starting in the Great Recession when they bought up a lot of the foreclosed single-family homes at a time when nobody could get a mortgage to buy a house, and so there were a lot of these going for cash. Private equity is a small share of the overall housing ownership across the country. Two-thirds of Americans own their own homes, and in the rental space, we still have a lot of these small mom-and-pop landlords. That said, there are some cities, there are some neighborhoods, the suburbs of Atlanta, where private equity is a large share of the single-family rental market, and they have tended to focus more on getting short-term returns, whereas the pension firms and insurance companies are looking for 50, 70-year holds, because that matches the term of their liabilities.

([56:31](#)):

Part of the difficulty is regulating ownership by the legal structure of the entity. It's just hard to do this, and fundamentally, private investors are in the rental market because they can earn high returns because of the lack of competition. And so, until we create more supply, make this a more competitive market, there's going to be a desire for people to earn those extra returns.

Speaker 2 ([56:54](#)):

I'm glad we got your question in, and I want to ask you all to help me in thanking our panelists for this really amazing conversation. I want to also encourage you, as President Hammack indicated early on, to pay it forward if there's something that you've heard. I was especially compelled by what you said around the innovations around communication. It's who we talk to, how we talk about it, housing issues, and how we connect it to the broader economy, I think, is going to be very important going forward. So, just encourage you all to pay what you have learned or what you've heard forward.

[\(57:29\)](#):

I had one responsibility that Lisa gave me, and it was to let you all know that you have a 15-minute break between now and the concurrent sessions, which will begin in 15 minutes. I also want to thank the virtual audience. I know we didn't get any of your questions, but I encourage you to rejoin us for our next plenary with Governor Michael Barr at 1:15 today, and I hope you all enjoy the rest of the conference. Thank you so much for your attention and participation today.