Finance and Economics Discussion Series
Divisions of Research & Statistics and Monetary Affairs
Federal Reserve Board, Washington, D.C.

Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas

Andrew M. Dumont

2018-077

Please cite this paper as:
Dumont, Andrew M. (2018). "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas," Finance and Economics Discussion Series 2018-077. Washington: Board of Governors of the Federal Reserve System, https://doi.org/10.17016/FEDS.2018.077.

Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas[*]

Andrew Dumont[†]

July 19, 2018

Abstract

Recently, there has been significant interest in the high levels of rental cost burden being experienced across the United States. Much of this scholarship has focused on rental cost burdens in larger urban areas, or at the national level, and has not explored differences in the prevalence of rental cost burden in urban versus rural communities. In this paper, I find that rental cost burdens are a challenge facing both urban and rural communities. However, despite the need for affordable rental housing in rural communities identified, I find the amount of resources made available by the federal government to address this challenge are at a low point relative to recent history. My analysis of federal resource availability also finds one program has been an important and resilient tool for the development and preservation of affordable housing in urban and rural communities: the Low Income Housing Tax Credit (LIHTC) program. Congress delegated much of the LIHTC program's implementation to the states, whereby states choose many of the factors to prioritize when allocating LIHTCs to specific projects. Therefore, I explored each state's qualified allocation plan to identify whether specific factors make it more or less likely rural areas will receive a "fair share" of LIHTC allocations based on their need relative to non-rural areas. My analysis did not identify a specific factor or set of factors that systematically increased or decreased the likelihood of allocations being proportionate to the relative needs of a state's rural communities. However, I did identify a number of factors that by their very design appeared to affect positively or negatively the likelihood that specific types of projects or project locations would receive allocations. Interviews with industry stakeholders confirmed that many of these factors are affecting developer decisions and may be unintentionally disadvantaging smaller, more remote rural projects.
JEL Codes: H53, I31, I32, I38, R10, R21, R31, R38
Keywords: Government expenditures (federal), housing affordability, housing supply, rural, tax credits

Acknowledgements

I want to thank Ann Carpenter, Emily Cadik, John Cromartie, Daniel Gorin, Heidi Kaplan, David Kaufmann, Barbara Lipman, Raven Molloy, Michael Spotts, and PJ Tabit for reading earlier versions of this article and providing valuable feedback. I also want to thank Tahir Alberga and Tiffany Tran for research assistance. Finally, I would like to thank all of the industry stakeholders who spoke with me about rural affordable rental housing and how current state and federal policies affect its development and preservation. This article would not have been possible without every one of the individuals who offered their support throughout the process. Any remaining errors or omissions are my fault alone.

[*] The analysis and conclusions set forth are those of the author and do not indicate concurrence by other members of the staff or the Board of Governors of the Federal Reserve System.
[†] Board of Governors of the Federal Reserve System.

Introduction

The recent financial and housing market crisis has had a lasting impact on the U.S. housing market. Various factors—including recent delays in major life events like household formation and home purchases,[1] demographic changes,[2] and tight mortgage credit conditions for certain populations,[3] among others—have combined to result in the U.S. reaching the lowest rate of home ownership since 1965.[4] This has resulted in a surge in the number of households renting their homes, which has put significant upward pressure on rents and led to high rates of housing cost burdens, defined as a household paying more than 30 percent of their income on housing costs, among renters (see Figure 1). A recent report by Gallup shows that this trend is not just a statistic to be debated by researchers and policymakers, but something that more and more American renters are acutely feeling, and something about which they are very concerned.[5]

This increase in renter housing cost burden is a trend that has received a great deal of attention from the media as well as housing researchers and policymakers. In many instances, the story is about astronomically high rents in San Francisco, Washington, D.C., or other high-cost urban markets that carry with them a significant shock value. As will be shown below, the increasing prevalence of housing cost burdens and corresponding need for more affordable rental housing in urban markets is real and significant. However, there is another largely silent, out-of-the-headlines rental housing affordability crisis underway in our nation's rural communities. While not quite at the same magnitude as the rental affordability crisis in the nation's urban communities, it is nonetheless significant and has received less attention than its urban counterpart and therefore warrants further exploration.

This report seeks to fill this relative gap in attention by exploring three related questions:

- What is the need for affordable rental housing in rural communities?
- What federal resources have been made available to address this need, and how have those changed over time?
- How has the Low Income Housing Tax Credit (LIHTC) program been used in rural communities and are there any potential improvements to how it is implemented that would make it a more effective tool for those communities?

The analysis conducted below identified a significant need for affordable rental housing in rural communities and a decreasing amount of resources at the federal level to address that need. The analysis also highlighted the importance of being able to pair two or more subsidy programs together to provide rental housing that will be affordable to the full spectrum of renter households.

---

[1] Goodman, L., Pendall, R., & Zhu, J. (2015). *Headship and Homeownership: What Does the Future Hold?* Retrieved on 9/22/2016 from http://www.urban.org/research/publication/headship-and-homeownership-what-does-future-hold.

[2] The most relevant demographic change impacting the home ownership rate is the increasing diversity of the younger generation, whereby nonwhite households tend to have lower rates of home ownership. See the following report for a more fulsome discussion: Joint Center for Housing Studies. (2016). *State of the Nation's Housing: 2016*. Retrieved on 2/14/2017 from: http://www.jchs.harvard.edu/research/state_nations_housing.

[3] Goodman, L., Zhu, J., & George, T. (2015). *The Impact of Tight Credit Standards on 2009-13 Lending*. Retrieved on 9/22/2016 from: http://www.urban.org/research/publication/impact-tight-credit-standards-2009-13-lending

[4] Not Seasonally Adjusted Homeownership Rate [Percent], Current Population Survey/Housing Vacancy Survey, Series H-111, Bureau of the Census, Washington, DC 20233.

[5] Gallup. (April 27, 2016). *U.S. Renters Worry More Than Homeowners About Housing Costs*. Retrieved on 9/22/2016 from: http://www.gallup.com/poll/191102/renters-worry-homeowners-housing-costs.aspx.

The analysis also found that while the LIHTC program in the aggregate appears to allocate an appropriate share of low-income units to rural areas, there are considerable differences on a state-by-state basis with some allocating a disproportionately high share of their LIHTC units to rural areas and some allocating a disproportionately low share of their LIHTC units to rural areas. An extensive review of all 50 states' Qualified Allocation Plans (QAPs) did not identify specific elements of those plans that appeared to be determinative regarding whether a state would allocate LIHTC units to rural areas in proportion with their need relative to urban areas. Many states include similar elements in their QAPs, include both elements that are advantageous and disadvantageous for rural areas, and achieve very different results.

However, the QAP reviews conducted did identify several provisions that appear subjectively important and likely impact the siting of LIHTC projects, either through the state's allocation process or by affecting where developers decide to propose developments in the first place.

Methodology

Much of the analysis included in this paper relies on the 5-year estimates of the American Community Survey (ACS), which was required to have reasonably reliable estimates for smaller rural communities. However, in order to reduce confusion when comparing one period to another and to make the paper generally more readable, when referencing this dataset the paper uses just the last year of the five years used to produce the ACS estimates. For example, instead of labeling the header of a chart 2010–2014, the chart is labeled "2014" and the associated discussion and analysis would just reference the year 2014. The exact source for each table, chart, and statistic is cited to facilitate understanding of the underlying data that were used for each component of the analysis, and readers should be aware of this important distinction.

The analyses in this paper are based on the 2010–2014 ACS data. While more recent ACS data became available subsequent to the paper being started, including the 2012–2016 ACS data, I decided it was appropriate to continue to base the analysis on the 2010–2014 ACS data. I made this choice for two primary reasons: First and foremost, the "fair share"[6] analysis in section 3 of the paper was based on comparing rental housing cost burdens rates from the 2010–2014 ACS data to LIHTC project data through 2014, including an analysis of LIHTC project data for the five-year period between 2010 and 2014. Updating the ACS data to a later period without updating the corresponding LIHTC project data to that same period would have made this analysis no longer meaningful, and a reliably complete dataset of the corresponding LIHTC project data was not available at the time this paper was being finalized. It is my belief that the fair share analysis conducted over the LIHTC program is more important and central to the paper's purpose than ensuring that the housing cost burden data was the most up-to-date as possible. Second, I developed and reviewed an updated set of the tables and figures found in section 1 using the 2012–2016 ACS data. My review of those data revealed that, while there were material changes in cost burden rates between the 2010–2014 and 2012–2016 periods, the overall story of elevated levels of housing cost burdens and an increasing rental population in urban and rural areas continued to hold true and did not, in my opinion, materially alter the analysis laid out below. These updated tables and figures can be found in Appendix A should any readers wish to review them and conduct that comparison themselves.

Throughout this paper, I define "rural communities" as nonmetro counties, unless specified otherwise. I classified counties as nonmetro using the Office of Management and Budget's (OMB) Metropolitan Statistical Area (MSA) delineations. Unless otherwise specified, figures for the year 2014 are based on a metro/nonmetro classification using OMB's February 2013 delineation files, while figures for the years 2000 and 2009 are based on a classification using OMB's June 2003 delineation files. Where I make a comparison across years, all figures are based on classifying counties using the OMB MSA delineations for the earliest year displayed to ensure the same counties are included in both periods. There were a handful of census areas in Alaska whose boundaries changed between 2000 and 2014. All of these census areas were classified as nonmetro based on both the 2000 and 2010 census areas and corresponding 2003 and 2013 MSA delineations, and so these changes had no impact on the results and were classified as nonmetro for all periods presented.

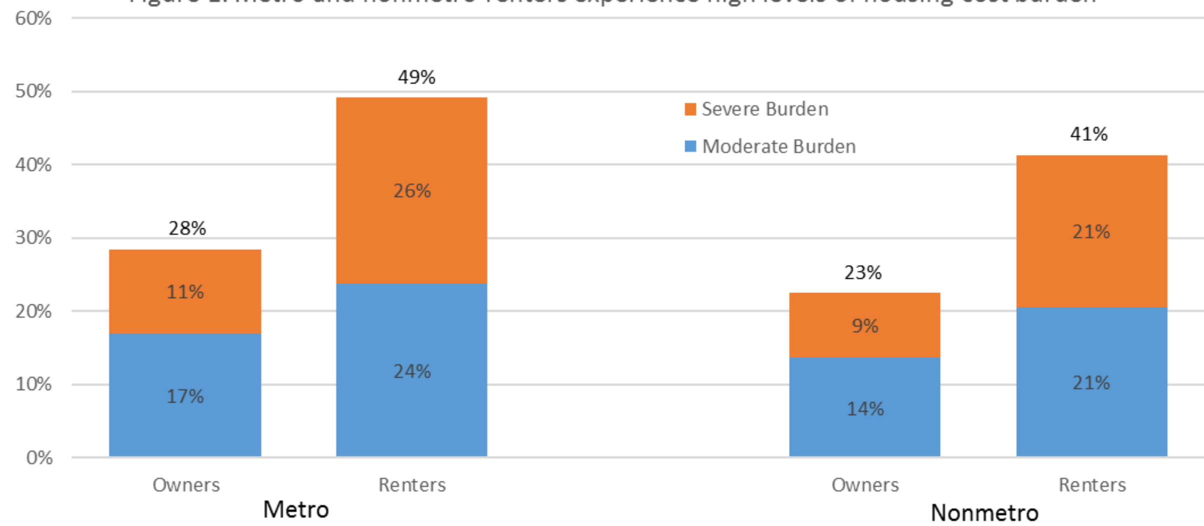
This paper classifies households as being housing cost burdened if they spent more than 30 percent of their income on housing costs. Households are considered to have a moderate housing cost burden when paying more than 30 percent of their income on housing costs, and severely housing cost burdened when paying more than 50 percent of their income on housing costs.

[6] The "fair share" analysis compared the share of each state's cost-burdened renters that live in nonmetro areas to the share of LIHTC projects and units that have been placed in-service in nonmetro areas of that state.

Section 1. The Need for Affordable Rental Housing in Rural Communities

As seen in Figure 1 below, the overall percentage of rural renters facing housing cost burdens in 2014 was lower than in urban areas (41 percent in nonmetro counties versus 49 percent in metro counties), but still impacted an estimated 2.1 million households. This included 21 percent of rural renters (or more than one million households) that were paying more than half of their incomes on rent.

Figure 1. Metro and nonmetro renters experience high levels of housing cost burden



Source: Author's tabulations of 2010–2014 American Community Survey 5-year Estimates

Table 1 shows that overall levels of cost burden have remained fairly consistent between 2009 and 2014. However, this is the result of a decline in levels of cost burden among owner occupants offsetting increases in cost burden among renters in both metro and nonmetro areas. In metro areas, renters experienced an increase in the prevalence of housing cost burden of 2.0 percentage points, while the proportion of owner occupants' experiencing housing cost burden decreased by 2.9 percentage points. In nonmetro areas, renters experienced a 2.3 percentage point increase in the prevalence of housing cost burden, whereas the proportion of owner occupants' experiencing housing cost burden decreased by 1.1 percent. In nonmetro areas, this 2.3 percentage point increase meant an additional 290,000 renter households were experiencing housing cost burden in 2014 than was the case in 2009.

Table 1. Change in housing cost burden between 2009 and 2014									
	Metro areas								
	All households			Renters			Owners		
Level of cost burden	2009	2014	Change	2009	2014	Change	2009	2014	Change
Moderate cost burden	20.6%	19.5%	-1.1%***	23.3%	23.8%	0.4%***	19.2%	17.0%	-2.2%***
Severe cost burden	16.2%	16.7%	0.5%***	24.0%	25.6%	1.5%***	12.2%	11.5%	-0.7%***
Any cost burden	36.9%	36.2%	-0.6%***	47.3%	49.3%	2.0%***	31.4%	28.5%	-2.9%***
	Nonmetro areas								
	All households			Renters			Owners		
Level of cost burden	2009	2014	Change	2009	2014	Change	2009	2014	Change
Moderate cost burden	16.1%	15.8%	-0.3%***	19.7%	20.7%	1.0%***	14.7%	13.8%	-0.9%***
Severe cost burden	11.9%	12.4%	0.5%***	19.6%	20.9%	1.3%***	9.1%	9.0%	-0.1%**
Any cost burden	28.0%	28.1%	0.2%**	39.3%	41.7%	2.4%***	23.8%	22.7%	-1.0%***
** Significant at the 95% confidence level, *** Significant at the 99% confidence level									
Totals and changes may not recalculate due to rounding									
Source: Author’s tabulations using the 2005–2009 American Community Survey 5-year Estimates, Tables B25070 and B25091; and the 2010–2014 American Community Survey 5-year Estimates, Tables B25070 and B25091									

As detailed in Table 2 below, the proportion of rural renter households experiencing housing cost burdens varies considerably from state to state; from a low of 30 percent in North Dakota to a high of 53 percent in California. In all 50 states, metro renters experience a greater level of cost burden than nonmetro renters.[7] States have also seen different rates of change in their level of nonmetro rental housing cost burden between 2009 and 2014 (see Appendix B).[8]

[7] In all 50 states but three—Maryland, New Hampshire, and Washington—the higher levels of cost burden in metro versus nonmetro areas are statistically significant at the 95 percent confidence level based on t-tests for independent groups.

[8] In 31 of the 50 states, these changes in nonmetro rental housing cost burden were statistically significant. Only three of the 50 states experienced declines in their level of nonmetro renter housing cost burden between 2009 and 2014, and none of those declines were statistically significant. Significance was tested using t-tests for independent groups.

Table 2. Percent of renters experiencing housing cost burdens by state and metro/nonmetro status, 2014				
	Metro		Nonmetro	
State	Cost-burdened renter households	Percent of all renters	Cost-burdened renter households	Percent of all renters
Alabama	202,536	46%	50,387	40%
Alaska	29,350	46%	9,098	33%
Arizona	398,204	47%	11,630	36%
Arkansas	106,435	44%	56,041	41%
California	3,036,071	54%	60,284	53%
Colorado	306,504	49%	36,682	44%
Connecticut	214,311	50%	7,424	43%
Delaware	45,711	48%	n/a	n/a
District of Columbia	72,261	46%	n/a	n/a
Florida	1,300,947	55%	30,421	46%
Georgia	519,849	49%	92,795	44%
Hawaii	85,726	53%	14,238	47%
Idaho	53,563	46%	26,881	43%
Illinois	690,422	48%	60,636	39%
Indiana	294,826	47%	54,484	39%
Iowa	96,144	45%	47,313	36%
Kansas	111,415	44%	42,145	37%
Kentucky	151,680	44%	85,003	41%
Louisiana	230,820	47%	36,326	40%
Maine	48,720	49%	26,378	45%
Maryland	338,833	49%	8,604	48%
Massachusetts	452,252	48%	5,308	43%
Michigan	465,997	50%	73,877	47%
Minnesota	223,044	47%	49,117	42%
Mississippi	77,053	48%	75,783	42%
Missouri	268,231	46%	73,622	41%
Montana	23,489	46%	31,484	39%
Nebraska	72,688	44%	26,012	32%
Nevada	202,855	49%	12,426	40%
New Hampshire	44,531	47%	25,808	46%
New Jersey	568,722	51%	n/a	n/a
New Mexico	82,163	48%	28,611	40%
New York	1,629,339	51%	71,225	45%
North Carolina	473,600	46%	117,156	45%
North Dakota	23,829	40%	12,687	30%
Ohio	585,622	47%	108,336	42%
Oklahoma	142,508	43%	58,738	37%
Oregon	257,335	52%	42,051	47%
Pennsylvania	643,628	47%	58,885	40%
Rhode Island	79,357	49%	n/a	n/a
South Carolina	226,016	47%	35,352	43%
South Dakota	19,420	40%	19,240	35%
Tennessee	309,094	47%	66,294	41%
Texas	1,405,837	46%	111,614	37%
Utah	113,066	46%	10,423	39%
Vermont	14,176	52%	22,176	47%
Virginia	422,032	47%	47,780	41%
Washington	427,459	48%	43,400	47%
West Virginia	53,669	40%	24,529	36%
Wisconsin	273,700	47%	63,181	40%
Wyoming	8,520	38%	16,382	35%
Total	**17,923,560**	**49%**	**2,088,267**	**41%**

Source: Author's tabulations using the 2010–2014 American Community Survey 5-year Estimates, Table B25070
n/a Not applicable.

While metro areas overall have higher rates of housing cost burden than nonmetro areas, several factors may mean that spending such a high proportion of income on housing may have a larger impact on those living in rural communities than their peers in urban communities. Included in those factors are the following:

- Rural renters start out with less income to begin with ($26,248 median income for renters in nonmetro counties versus $35,992 for renters in metro counties),[9] leaving even less for other expenses once more than 30 percent of that amount has been spent on housing expenses.[10] For example, if you have two renters, one living in an urban area and making the median renter income and one living in a rural area and making the median renter income, and both spend 40 percent of their income on rent (and therefore are both "equally" cost-burdened), the urban renter would have $21,595 remaining for other living expenses while the rural renter would have just $15,749. Given this disparity in gross income, a lower proportion of income than 30 percent may be more appropriate for determining whether rural renters are similarly cost burdened than their urban counterparts.[11] If a lower proportion were used for rural renters, it would increase the proportion of renters that are deemed cost burdened, potentially over that of urban areas.
- Cost-burdened rural renters have less ready access to other important support services that may reduce the impact of being housing cost burdened, such as close proximity to food pantries that can help low-income individuals access more or healthier food than they are able to afford.
- Rural areas are more remote and generally have lower levels of public transportation availability, meaning access to a vehicle that is costly to purchase, fuel, and maintain is critical even for lower income households whose urban peers may be able to get by without a vehicle. Indeed, the U.S. Department of Housing and Urban Development's Location Affordability Index indicates that, on average, transportation costs consume 28.4 percent of household income for moderate-income renter families in nonmetro areas versus 20.2 percent for that same group in metro areas. While the Location Affordability Index also indicates that moderate-income renter families in nonmetro areas spend a lower share of their income on housing than their metro peers (26.8 percent versus 30.7 percent versus respectively),[12] it also indicates that nonmetro moderate-income renter families spend a greater share of their income on combined housing and transportation costs than their metro peers (55.1 percent versus 50.9 percent, respectively).[13]

---

[9] 2010–2014 American Community Survey, 5-year Estimates. Author's calculations using Table: B25119, Median Household Income the Past 12 Months by Tenure. Calculated as a proportional weighted average of the median income of renter households in nonmetro or metro counties, respectively.

[10] A review of the Bureau of Labor Statistics' Consumer Expenditure Survey for 2014-15 indicates that consumers outside of urban areas spend an equal or greater amount of their income than their urban peers on food (12.2 percent versus 11.5 percent), healthcare (8.8 percent versus 6.9 percent), and entertainment (5.6 percent versus 4.5 percent). It also indicates that consumers outside of urban areas spend a consistent proportion of their income on other items such as apparel (2.6 percent versus 3.2 percent), personal care products (1.0 percent versus 1.1 percent), and miscellaneous expenses (1.5 percent versus 1.4 percent), and slightly less on education (1.4 percent versus 2.3 percent). As such, the cost of living in rural areas does not appear to be considerably less than in urban areas once lower rural incomes are taken into consideration.

[11] See Pelletiere, D. (2008). *Getting to the Heart of Housing's Fundamental Question: How Much Can a Family Afford?* for a further discussion of alternative approaches to determining housing affordability. Available at: http://nlihc.org/sites/default/files/AffordabilityResearchNote_2-19-08_0.pdf.

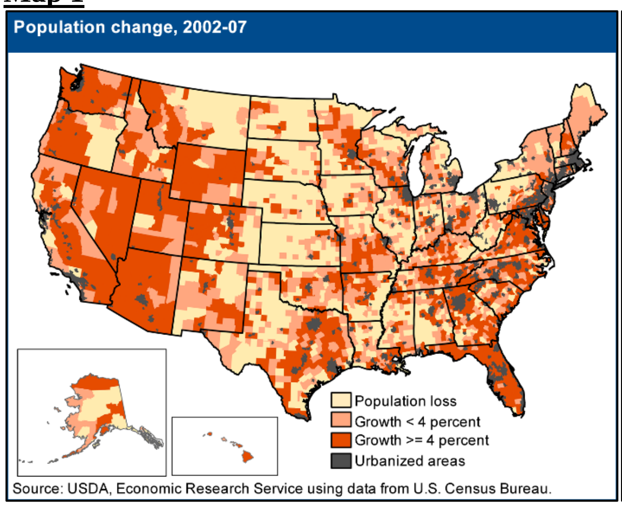
[12] The Location Affordability Index (LAI) would therefore indicate that on average moderate-income families living in nonmetro areas are not housing cost burdened. The LAI is a statistical estimate of a typical moderate-income family's likely housing costs at the level of the census block (metro areas) or county (nonmetro areas). Moderate-income families are defined as a family with household income equal to 80 percent of the area median income. Version 2.0 of the LAI was based on ACS data for 2008–12.

[13] Author's calculation of a proportional weighted average using v2.0 of HUD's Location Affordability Index data, retrieved on 12/4/2017 from https://egis-hud.opendata.arcgis.com/datasets/c1c32742599a42c9a45c95be50ed2ab6_0

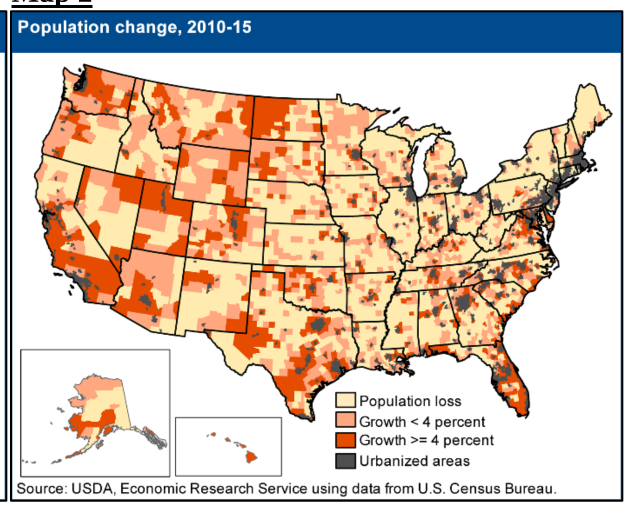
Potential Causes of the High Levels of Rental Housing Cost Burden in Rural Communities

An increase in millennials and high-income professionals migrating to urban areas in recent years,[14] among other factors, has been put forward as one of the causes of increasing rental housing cost burdens in urban areas. The same cannot be said of rural communities. In fact, a historically high 1,320 nonmetro counties lost population between 2010 and 2015, primarily as a result of the net outmigration of younger households outpacing gains occurring through natural increases (births minus deaths). The outmigration that occurred between 2010 and 2015 resulted in the first-ever period of absolute (rather than relative) population decline in rural communities.[15] While the counties experiencing population decline in the 2002 to 2007 period were relatively concentrated in the Midwestern Great Plains and in the high poverty areas of the Mississippi Delta and Appalachia, during the 2010–15 time period they were more geographically dispersed, including much of the Northeast, Southeast, and large parts of the West.[16] However, as shown in Map 1 and Map 2 below, some rural communities have indeed experienced an influx of population that has put pressure on housing markets.

Map 1



Map 2



With fewer people living in rural areas, the natural inclination is to think this would decrease demand and make housing cheaper, which would show up in lower levels of housing cost burden. However, as noted above, this relationship does not appear to bear out in rural communities, potentially due to a variety of offsetting factors that housing practitioners and researchers believe are at play in the high levels of rental housing cost burdens observed in rural areas today. Two of those factors include (1) a shift of some households from home ownership to rental as a result of the foreclosure crisis, as well as from delays in home purchases by first time homebuyers, both of which result in those households staying in the rental market for longer periods and (2) the stagnation or decline of rural renter incomes. I explore each of these potential factors below.

---

[14] Mallach, A. (2014). *Who's Moving to the Cities, Who Isn't: Comparing American Cities*. Center for Community Progress Research Brief. Retrieved on 3/24/2017 from http://www.communityprogress.net/filebin/Whos_Moving_to_Cities_Who_Isnt_Research_Brief_Mallach_September_2014.pdf.

[15] Cromartie, J. (2016). *Shifting Geography of Population Change*. Retrieved on 9/22/2016 from: https://www.ers.usda.gov/topics/rural-economy-population/population-migration/shifting-geography-of-population-change/.

[16] Cromartie, Shifting Geography of Population Change.

Shift from Home Ownership to Rental: The Foreclosure Crisis and Delayed First-time Home Buying

While the vast majority of households in rural areas are still homeowners, the number of renter households in nonmetro counties, and the share of all nonmetro households they represent, has grown significantly in recent years consistent with trends observed in the rest of the country (see Table 3).

Table 3. Change in renter households between 2000 and 2014

	Metro areas		Nonmetro areas	
	Number of renter households	Percent of all households	Number of renter households	Percent of all households
2000	30,789,966	35.5%	4,873,622	26.0%
2014	35,840,406	37.1%	5,583,226	28.4%
Change	5,050,440	1.6%	709,604	2.4%

Source: Author’s tabulations using the 2000 Decennial Census, Summary File #3, Table H014; and the 2010–2014 American Community Survey 5-year Estimates, Table B25007

A recent report by the Urban Institute projected that renters will comprise a large share of the net growth in rural households that is expected between now and 2040. Indeed, the report estimated that an additional 1.1 million new renter households will enter the rural rental market between 2010 and 2040, putting added pressure on an already strained housing stock. Importantly, the report projects an increase of 20 percent in the number of low- and moderate-income rural renters specifically, a group earning less than 115 percent of the area median income and that already faces disproportionately high incidents of housing cost burden. This research also identified that much of the increase in the number of renter households between 2010 and 2040 is expected to be among senior headed households, a population that is particularly vulnerable to rent increases due to the large decreases in earnings that occur later in life.[17]

The Impact of the Foreclosure Crisis

In conducting research on rural communities, data availability and precision are constant concerns, as is the dearth of other research focused specifically on rural areas that can be used to triangulate or provide important context for one’s findings. I found this to be true when trying to identify the impact of the foreclosure crisis on rural communities. However, there has been a variety of research conducted—some of which is explored below—that can give us a sense of the potential magnitude of this population. In combination, the research findings discussed below indicate that many of those foreclosed on in the crisis did indeed ultimately end up contributing to rental demand in their communities.

One analysis that attempted to measure the number of rural households foreclosed upon during the crisis found that up to 380,000 rural homeowners had lost or were on their way to losing their homes between June 2009 and July 2010. This same analysis calculated the foreclosure rate in rural areas as a percent of all housing units in 2007, estimating that these 380,000 foreclosures represented 1.37 percent of all rural housing units. This compared to 2.8 million foreclosure starts or completion for urban areas or 2.82 percent of housing units (over twice the rate in rural areas), over this same period.[18]

---

[17] Pendall, R., Goodman, L., Zhu, J., & Gold, A. (2016). *The Future of Rural Housing.* Retrieved on 10/21/2016 from http://www.urban.org/research/publication/future-rural-housing.
[18] Housing Assistance Council. (2011). *Foreclosure in Rural America: An Update.* Retrieved on 9/22/2016 from http://www.ruralhome.org/storage/documents/rcbiforeclosurebrief.pdf.

Research suggests that as many as 80 percent of individuals subject to foreclosure became renters after their foreclosure and therefore add to rental demand.[19] This research also estimated that, in the three-year period from the year prior to a foreclosure start to the second year afterward, nearly half of these post-foreclosure individuals had moved compared to only one quarter in a comparison group that did not experience foreclosure. The researchers also noted that this greater propensity to move following a foreclosure start was higher for those experiencing a foreclosure during the foreclosure crisis than previously. Furthermore, of those individuals who experienced foreclosure during the crisis and subsequently moved, an estimated 14 percent moved to another state, 20 percent moved to another county within the same state, and the remaining 66 percent continued living in the same county as they did pre-foreclosure. It is important to note that this research did not explore potential differences in the post-foreclosure experiences of those in rural versus urban areas, and there is the possibility that those experiences were materially different. However, if these findings hold for rural communities, the suggestion is that many of the individuals foreclosed upon in rural communities remained in the same housing markets as renters and thus contributed to rental housing demand in those communities.[20]

The research cited above appears to support the hypothesis that the foreclosure crisis helped contribute to a large increase in rental housing demand in rural markets in recent years. Some of this increase may have been offset by the conversion after the crisis of a portion of these foreclosed homes from owner occupancy to rental. While it is not a direct estimate of the level of owner-occupancy to rental conversion that took place after the foreclosure crisis, recent research estimated that by the end of 2012 business investors were purchasing approximately 6.5 percent of single-family homes, up from less than 1 percent in 2004.[21] Many of these homes were likely converted to rental units and absorbed some of this increase in rental demand. It is important to note, however, that this research also found that many of these business investor purchases were concentrated in certain metropolitan areas, and so the investor purchase-to-rental conversion experience of nonmetro areas is likely different than the figures cited above. I am unaware of research that has been conducted to assess the proportion of foreclosed homes that were converted to rental in rural areas specifically.

The Impact of Delaying Home Ownership and the Decline of First Time Homebuyers

Recent research by the Urban Institute's Housing Finance Policy Center found that the national share of GSE and FHA loans that went to first-time homebuyers was down to 54 percent in 2014 from 57 percent in 2011.[22] This decline in the share of loans going to first-time homebuyers coincides with an overall decline in the home ownership rate among younger households. As can be seen in Table 4 below, this trend is more pronounced in nonmetro than metro areas, albeit from a higher starting point.

---

[19] Molloy, R., & Shan, H. (2013). The Post-Foreclosure Experience of U.S. Households. *Real Estate Economics, 41*(2), 225–54. doi:10.1111/j.1540-6229.2012.00344.x
[20] Ibid.
[21] Molloy, R., & Zarutskie, R. (2013). Business Investor Activity in the Single-Family-Housing Market. *FEDS Notes*, December 5, 2013. Retrieved on 5/10/2017 from https://www.federalreserve.gov/econresdata/notes/feds-notes/2013/business-investor-activity-in-the-single-family-housing-market-20131205.html.
[22] Bai, B., Zhu, J., & Goodman, L. (2015). *A Closer Look at the Data on First-Time Homebuyers*. Retrieved on 9/22/2016 from http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000210-A-Closer-Look-at-the-Data-on-First-Time-Homebuyers.pdf.

Table 4. Home ownership rates by age of householder									
	All counties			Metro counties			Nonmetro counties		
Age of householder	2000	2014	Change*	2000	2014	Change*	2000	2014	Change*
15 to 24 years	17%	13%	-4%	15%	12%	-3%	27%	19%	-7%
25 to 34 years	45%	39%	-6%	43%	38%	-6%	57%	48%	-9%
35 to 44 years	66%	60%	-7%	65%	59%	-7%	73%	66%	-7%
45 to 54 years	75%	70%	-5%	74%	69%	-4%	81%	75%	-5%
55 to 59 years	79%	75%	-4%	78%	74%	-4%	84%	80%	-4%
60 to 64 years	80%	78%	-2%	79%	77%	-2%	85%	83%	-2%
65 to 74 years	81%	81%	0%	80%	79%	0%	86%	85%	0%
75 to 84 years	77%	79%	3%	75%	78%	3%	81%	84%	3%
85 years and over	65%	69%	3%	63%	67%	4%	72%	74%	1%
All households	66%	64%	-2%	65%	63%	-2%	74%	72%	-2%
* Change displayed may not recalculate exactly due to rounding.									
Source: Author's tabulations using the 2000 Decennial Census, Summary File #3, Table H014; and the 2010-2014 American Community Survey 5-year Estimates, Table B25007									

There are many factors that have contributed to this decline in younger households entering the home ownership market, including tight credit conditions,[23] increasing student debt,[24] low levels of personal savings,[25] higher levels of racial and ethnic diversity among young people[26] (including in rural communities),[27] and delays in the age at which young people are getting married.[28]

In order to get a sense of how much the decline in home ownership rates among households of different ages may be affecting rental demand in nonmetro areas, I applied the home ownership rates by age of householder from the year 2000 to the total nonmetro household figures from 2014. This gave me an estimate of what the breakdown between renters and owner-occupants would have been in the year 2014 if the home ownership rates in 2014 had remained constant with those observed in the year 2000. The results of these calculations are included in Table 5 below.

---

[23] Goodman, L. et al (2015). *The Impact of Tight Credit Standards on 2009-13 Lending*.

[24] Mezza, A.A., Ringo, D.R., Sherlund, S.M., & Sommer, K. (2016). *On the Effects of Student Loans on Access to Homeownership.* FEDS Paper 2016-010. Retrieved on 9/23/2016 from https://www.federalreserve.gov/econresdata/feds/2016/files/2016010pap.pdf.
Brown, M., Haughwout, A., Lee, D., Scally, J., & van der Klaauw, W. (2014). *Measuring Student Debt and Its Performance.* Federal Reserve Bank of New York Staff Reports 668. Retrieved on 3/30/2017 from https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr668.pdf.

[25] Fannie Mae (2014). *Fannie Mae National Housing Survey: What Younger Renters Want and the Financial Constraints They See.* Retrieved on 9/23/2016 from http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/nhsmay2014presentation.pdf.
Larrimore, J., Schuetz, J., & Dodini, S. (2016). *What are the Perceived Barriers to Homeownership for Young Adults?* Finance and Economics Discussion Series 2016-021. Washington: Board of Governors of the Federal Reserve System. Available at: http://dx.doi.org/10.17016/FEDS.2016.021.

[26] For a discussion of the causes behind differential home ownership rates between white households and households of color, see Herbert et al. (2005). *Homeownership Gaps Among Low-Income and Minority Borrowers and Neighborhoods*. Retrieved on 1/29/2018 from https://www.huduser.gov/portal/Publications/pdf/HomeownershipGapsAmongLow-IncomeAndMinority.pdf.

[27] Johnson, K. (2012). *Rural Demographic Change in the New Century: Slower Growth, Increased Diversity.* Carsey Institute Issue Brief 44.

[28] Goodman, L. et al (2015). *Headship and Homeownership: What Does the Future Hold?*

Table 5. Estimated impact of the decline in nonmetro home ownership rates on the number of nonmetro renter households			
	Number of renter households, 2014		
Age of householder	Actual	Assuming 2000's home ownership rates	Difference
15 to 24 years	665,691	606,159	59,532
25 to 34 years	1,290,339	1,073,576	216,763
35 to 44 years	1,019,587	817,287	202,300
45 to 54 years	957,702	751,760	205,942
55 to 59 years	409,185	325,527	83,658
60 to 64 years	332,558	286,191	46,367
65 to 74 years	439,401	429,202	10,199
75 to 84 years	290,090	338,205	(48,115)
85 years and over	178,673	188,260	(9,587)
Total	5,583,226	4,816,167	767,059

The comparison detailed in Table 5 above indicates that there were an estimated 767,000 more renters in nonmetro communities in the year 2014 than there would have been if the home ownership rates in those communities had remained consistent with the year 2000. Many of the renter households in the younger age groups that comprised a large proportion of these higher rental rates may otherwise have been first time homebuyers.

The overall impact of the factors discussed above has been to put upward pressure on rental rates in rural communities. As shown in Table 6 below, median gross rents in nonmetro areas increased by 3.8 percent between 2009 and 2014, while metro areas experienced a 2.5 percent increase. As is discussed below, these rent increases came at a time when the median incomes of rural renters was on the decline.

Table 6. Change in median gross rent				
	2009	2014	$ Change	% Change
Metro	979.91	1,003.93	24.02	2.5%
Nonmetro	658.22	682.92	24.70	3.8%
Total	934.57	960.66	26.09	2.8%
Source: Author's calculations[29] using the 2005-2009 American Community Survey 5-year Estimates, Table B25064; and, the 2010-2014 American Community Survey 5-year Estimates, Table B25064. Figures for 2009 have been adjusted to 2014 dollars using the CPI-U.				

Stagnation and Decline in Rural Renter Incomes

Recent declines in renter incomes and a corresponding increase in the incidence of housing cost burden is a topic that has been explored by others at the national level.[30] The overall trend in renter incomes holds

[29] Calculated as a proportional weighted average of the median gross rent of occupied rental housing units in nonmetro, metro, or all counties.
[30] See Larrimore, J., & Schuetz, J. (2017). Assessing the Severity of Rent Burden on Low-Income Families. *FEDS Notes.* Retrieved on 2/28/2018 from https://www.federalreserve.gov/econres/notes/feds-notes/assessing-the-severity-

true when exploring the data on metro and nonmetro areas separately. As shown in Table 7 below, between 2009 and 2014 the inflation-adjusted median income of renter households decreased by 3.3 percent in metro areas and by 3.0 percent in nonmetro areas. This decrease in renter incomes is not doubt a meaningful contributor to the increase in rental housing cost burdens in recent years.

Table 7. Change in the median income of renter households

	2009	2014	$ Change	% Change
Metro	37,239	35,992	(1,247)	(3.3%)
Nonmetro	27,073	26,248	(826)	(3.0%)
Total	35,806	34,678	(1,128)	(3.1%)

Source: Author's calculations[31] using the 2005-2009 American Community Survey 5-year Estimates, Table B25119; and, the 2010-2014 American Community Survey 5-year Estimates, Table B25119. Figures for 2009 have been adjusted to 2014 dollars using the CPI-U.

The Composition of Rental Housing in Rural Communities

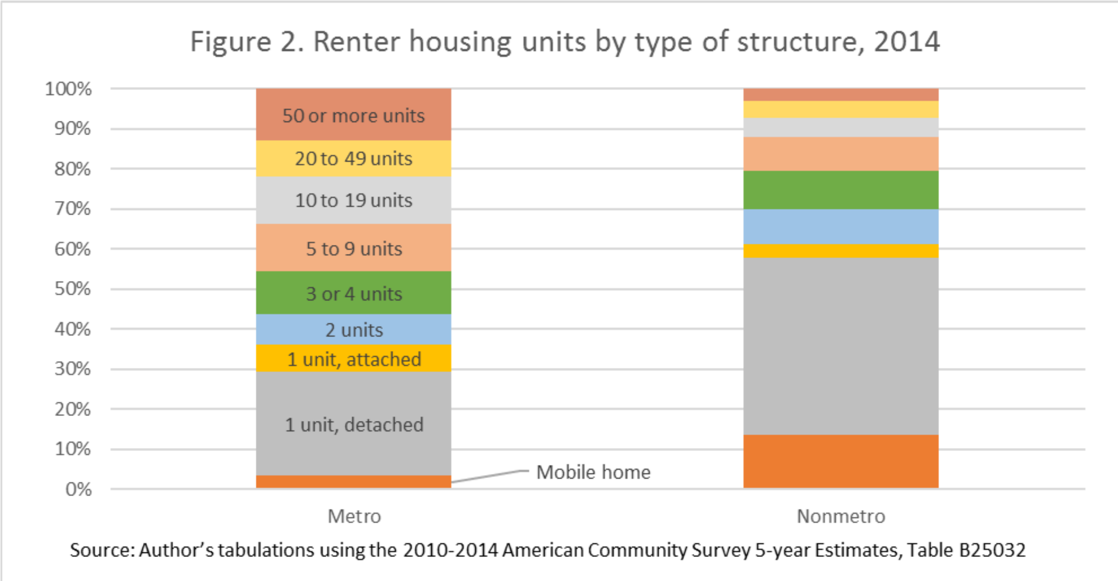
Before discussing strategies and resources to alleviate the rental housing cost burdens identified above, I provide a breakdown of the composition of rental housing in rural communities to lay out the context in which these strategies and resources are deployed. This context is important because strategies and tools that may work in metro areas may not work in nonmetro areas with a very different housing stock that is serving a population that may have different needs and desires when it comes to their rental housing.[32]

As shown in Figure 2 below, a significant plurality of rental housing units in nonmetro counties are single-unit detached structures. The second largest category of rental units are mobile homes, which are also one-unit structures. Overall, just under 88 percent of rental housing units in nonmetro counties are in structures with fewer than 10 units. This compares to just 66 percent of rental housing units in metro counties that are in structures with fewer than 10 units. The concentration of rental housing stock in single or few unit structures in rural areas potentially calls into question the effectiveness of affordable housing programs at delivering the type and scale of housing that is aligned with the needs in rural communities. The last section of this paper will assess one of those Federal programs, the LIHTC program, in detail.

of-rent-burden-on-low-income-families-20171222.htm, as well as Charette, A., Herbert, C., Jakabovics, A., Marya, E.T., & McCue, D.T. (2015). *Projecting Trends in Severely Cost-Burdened Renters: 2015-2025*.

[31] Calculated as a proportional weighted average of the median household income of renter occupied housing units in nonmetro, metro, or all counties.

[32] For a discussion of some of these differences, see Zillow. (2017). *Consumer Housing Trends Report 2017*, pages 133-138. Retrieved on 1/30/2018 from https://wp.zillowstatic.com/31/ZG_CHTR_2017_FINAL-53c1e5.pdf.



In addition to differences in the scale of rental housing structures between urban and rural communities, there is a difference in the age of those structures. As shown in Table 8 below, nonmetro areas have a higher share of rental housing units in buildings constructed between 1970 and 1999, and fewer rental housing units in buildings that were constructed after the year 2000, than is the case for metro counties.

Table 8. Renter housing units by year the structure was built, 2014

	Metro counties		Nonmetro counties	
Year built	**# of housing units**	**Percent of total**	**# of housing units**	**Percent of total**
2000 or later	5,175,110	14.2%	570,419	11.3%
1970 to 1999	15,774,782	43.4%	2,369,592	46.9%
1969 or earlier	15,419,601	42.4%	2,114,128	41.8%
Total	36,369,493	100.0%	5,054,139	100.0%

Source: Author's tabulations using the 2010-2014 American Community Survey 5-year Estimates, Table B25036.

Another critically important characteristic of an individual's housing beyond its affordability is its quality. After all, one way to address the housing affordability challenges facing the country could theoretically be to simply construct a significant amount of cheap, low-quality housing. However, few people would consider this an appropriate solution, and it would likely carry significant externalities in terms of negative impacts to the health and well-being of the residents of those housing units. As such, it is important to assess alongside the affordability of housing the quality of that housing to ensure some minimum standard of quality is not being sacrificed to achieve affordability.

To do so I reviewed data contained in the American Housing Survey (AHS). The AHS is a biennial survey sponsored by the Department of Housing and Urban Development and conducted by the Census Bureau. The AHS constitutes the most comprehensive housing survey in the U.S. and provides up-to-date information on the size and composition of housing in the U.S.[33] The AHS measures housing quality using a variable called "housing adequacy" with three categories: severely inadequate, moderately inadequate, and adequate. The classification of housing units into one of the three categories is based on

[33] https://www.census.gov/programs-surveys/ahs/about.html.

the existence of certain conditions related to the housing unit's bathroom(s), heating equipment, electricity, wiring, kitchen facilities, structural integrity (i.e., leaks, holes in the floor, peeling paint), and the presence of rats.[34] Table 9 below summarizes the adequacy of owner-occupied and rental housing units in metro and nonmetro communities from the 2015 AHS.

Table 9. Housing conditions by tenure and metro/nonmetro status, occupied housing units

	All households			Renters			Owners		
Count (in 000s)	Metro	Nonmetro	All	Metro	Nonmetro	All	Metro	Nonmetro	All
Severely inadequate	1,256	247	1,503	758	71	829	498	176	674
Moderately inadequate	4,210	967	5,177	2,573	365	2,938	1,637	601	2,238
Adequate	94,443	17,167	111,610	35,465	4,757	40,222	58,978	12,409	71,387
Total	99,909	18,381	118,290	38,796	5,193	43,989	61,113	13,186	74,299
	All households			Renters			Owners		
Percent	Metro	Nonmetro	All	Metro	Nonmetro	All	Metro	Nonmetro	All
Severely inadequate	1.3%	1.3%	1.3%	2.0%	1.4%	1.9%	0.8%	1.3%	0.9%
Moderately inadequate	4.2%	5.3%	4.4%	6.6%	7.0%	6.7%	2.7%	4.6%	3.0%
Adequate	94.5%	93.4%	94.4%	91.4%	91.6%	91.4%	96.5%	94.1%	96.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Author's tabulations of 2015 American Housing Survey data retrieved on 4/18/2018 using the American Housing Survey – Table Creator at https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html.

The data in Table 9 show that most households living in both metro and nonmetro communities reside in adequate housing. It also shows that a greater prevalence of renter households tend to live in inadequate housing than homeowners. Additionally, while metro and nonmetro renters tend to live in inadequate housing at similar rates overall, a greater proportion of metro renters are likely to be living in severely inadequate housing than nonmetro renters. This is consistent with a recent report published by the Department of Housing and Urban Development, which showed that the quality of assisted rental housing in central cities is worse than that in suburban or rural areas.[35]

[34] For a detailed description of how housing units are classified into these three categories, readers can review the subject definitions technical guide for the 2015 AHS at this website: https://www2.census.gov/programs-surveys/ahs/2015/2015%20AHS%20Definitions.pdf.

[35] U.S. Department of Housing and Urban Development. (2017). *The Quality of America's Assisted Housing Stock: Analysis of the 2011 and 2013 American Housing Surveys.* Retrieved on 4/18/2018 from https://www.huduser.gov/portal/sites/default/files/pdf/Quality-Assisted-Housing-Stock.pdf.

Section 2: Strategies and Resources to Address the Need for Affordable Rental Housing

The first section of this paper identified a large population of rural renters that face significant burdens in meeting their housing costs and explored some of the potential drivers of changes in the rental population in rural communities and their level of cost burden. As discussed above, part of this increase in housing cost burden is a result of stagnant incomes and part is a result of a larger number of renters competing for a limited stock of rental housing, which pushes up rental rates. How these factors come together to drive the increase in rental housing cost burdens in rural areas differs from community to community.

For example, in high amenity rural areas or other rural areas experiencing economic booms (such as those with large, accessible oil and gas reserves), increases in rental housing cost burdens may be caused by the influx of high income households and the lower-income service workers required to service their needs. Both of these populations increase rental demand and therefore put upward pressure on housing costs.[36] However, in other rural areas where employment opportunities and incomes are stagnating, absolute rent levels may not be changing significantly but the capacity of the local rental population to afford those rents may be declining, creating greater cost burden for renters even at what may be relatively low rent levels.[37]

The specific drivers of rental housing cost burdens in rural communities must be understood in order to craft strategies that will address the needs of each individual community. In areas where incomes are stagnant or declining, workforce development and other strategies to help raise renter incomes so they have more resources available to pay rent will be needed to make significant, long-term, sustainable progress on this issue. A discussion of those demand-side income strategies is outside the scope of this paper but is certainly a very important consideration. Even if earnings can be strengthened in these communities, however, there will always be populations for whom an earnings-based strategy will not be relevant, including those on a fixed income such as seniors and individuals receiving disability benefits. For these sub-populations, a housing-based strategy that brings down the effective cost of housing will ultimately be needed. Likewise, in communities where incomes may be rising but are still not keeping pace with rents—or are not keeping pace for certain populations in the community, such as low-wage workers—a housing-focused solution that makes the available housing more affordable is also likely to be needed.

While the private sector is stepping in to construct more rental housing in many rural areas where it is needed, the rental housing cost burden trends explored above clearly indicate that efforts to-date have been insufficient, or are related to market failures that the private sector is ill-equipped to address. Such market failures include stagnant or declining incomes or the existence of construction and other development costs that are at such a level as to push rents higher than local low-wage renters can sustainably afford.

Furthermore, annual average employment in the construction sector was only 6.1 million in 2014, down by more than 19 percent from 7.6 million in 2007 before the housing crisis led to a contraction in the

---

[36] For an overview of the relevant literature on this phenomenon, see Gosnell, H., & Abrams, J. (2011). Amenity migration: Diverse conceptualizations of drivers, socioeconomic dimensions, and emerging challenges. *GeoJournal*, *76*(4), 303–322.

[37] Hertz, T., Kusmin, L., Marre, A., & Parker, T. (2014). *Rural Employment Trends in Recession and Recovery.* USDA Economic Research Report #172. Retrieved on 1/5/2016 from https://www.ers.usda.gov/publications/pub-details/?pubid=45261.

housing construction sector.[38] With significant competition coming from a robust rental housing market in urban areas where economies of scale are more readily available, rural areas are at a disadvantage in attracting a sufficient proportion of the housing construction capacity that does exist, limiting their ability to construct the level of housing necessary to address the affordability crisis.

As such, the section below explores the federal government's existing strategies and resources that can be used and are being used to address the variety of affordable rental housing needs that exist, including those that employ the use of the Federal Home Loan Banks. My discussion below focuses on federal programs that reduce the cost of rental housing for low-income households because, as discussed above, the private sector cannot address all of the needs that exist. I also focus on these policies because our charge in the Federal Reserve's Community Development function is to highlight economic and financial services challenges and opportunities for low- and moderate-income households and communities[39] that have less income and therefore an even more difficult time affording market-rate housing.

Rural Affordable Rental Housing Production, Preservation, or Rental Subsidy Programs

There are a number of federal and government-sponsored enterprise (GSE) programs that support the production, preservation, or rental subsidy of affordable rental housing in rural communities. Many of these programs have received significantly lower levels of funding in recent years than in the past, resulting in a large drop-off in the number of units being produced each year. The programs reviewed for this article include

- USDA Rural Development (RD): Section 515, Section 514, Section 516, Section 538, the Multi-family Housing Preservation and Revitalization (MPR) program, Section 521, and Section 542;
- U.S. Department of Housing and Urban Development (HUD): HOME Investment Partnership Program (HOME), the state-run portion of the Community Development Block Grant (CDBG) program, the Section 202 and Section 811 Programs (Supportive Housing for the Elderly and Supportive Housing for Persons with Disabilities, respectively), the Public Housing Program, and the Section 8 project-based rental assistance and housing choice voucher programs;
- Community Development Financial Institutions (CDFI) Fund: Capital Magnet Fund, and the New Markets Tax Credit Program;[40]
- Government-Sponsored Enterprises (GSEs): Federal Home Loan Banks' (FHLB) Affordable Housing Programs (AHP);[41] and
- U.S. Department of the Treasury, Internal Revenue Service (IRS): LIHTC program.

A more complete description of these programs and what activities they support can be found in Appendix C. A summary of recent funding levels for these programs, and changes in those levels compared to 5 and 10 years ago, is included in Table 10 below.

---

[38] Figures cited represent the annual average employment in the construction industry as reported in the Bureau of Labor Statistics' Quarterly Census of Employment and Wages for the respective years.
[39] Defined as those households earning less than 80 percent of the median income for the area in which they live.
[40] A detailed discussion of these programs and their activity was not included in the paper due to their relatively small scale in rural areas.
[41] This paper does not attempt to quantify or otherwise address Fannie Mae and Freddie Mac's Duty-to-Serve or Affordable Housing Goals as they are not direct subsidy programs and therefore are not comparable to the other programs described. However, both are expected to be important tools in serving the affordable rental housing needs of rural communities.

Table 10. Summary of federal and government-sponsored enterprise programs that support rural affordable rental housing					
Agency / Organization	**Program**	**Description**	**Funding (2015 or latest) in millions of 2015$**	**Change from 2010[a]**	**Change from 2005[a]**
U.S. Department of Agriculture (USDA)	Section 515	Loans to provide affordable multifamily rental housing for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities. Loans may be used to purchase buildings or land, construct or renovate buildings, and provide necessary facilities such as water and waste disposal systems.	28.3[b]	-62%	-77%
USDA	Section 514/516	Low interest loans (Section 514) or grants (Section 516) for the construction, improvement, repair, and purchase of housing for domestic farm laborers.	25.8[b]	-9%	-68%
USDA	Section 538	Loan guarantees of up to 90 percent for loans made by private-sector lenders to developers of multifamily rental housing for low- and moderate-income tenants in rural areas.	113.9[b]	-19%	-5%
USDA	Multi-family Housing Preservation and Revitalization (MPR) program	Restructures loans for existing Section 515 and Off-Farm Labor Housing (Section 514/516) projects to preserve the availability of safe affordable rental housing for low-income residents.	105.6[b]	782%	n/a
USDA	Section 521	Provides payments to owners of Section 515 or Section 514/516 projects on behalf of low-income tenants unable to pay their full rent.	1,088.5[b]	2%	53%
USDA	Section 542	Provides a short-term rental voucher to low-income tenants of any property financed through Section 515 where the mortgage is paid off prior to the maturity date in the promissory note.	15.6[b]	97%	n/a
U.S. Department of Housing and Urban Development (HUD)	Section 8 Project-based Rental Assistance program and the Housing Choice Voucher program	Section 8 Project-based Rental Assistance provides rental subsidies for eligible tenant families (including single persons) residing in newly constructed, rehabilitated, and existing rental and cooperative apartment projects. Housing Choice Vouchers are a housing subsidy paid by local public housing agencies to landlords on behalf of participating low-income families. The families pay the difference between the actual rent charged by the landlord and the amount paid by the program.	28,999.0[e]	-3%	2%
HUD	Public Housing Program, Operating Fund	Provides decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. The operating fund provides financial assistance to help PHAs make up the shortfall between their operating costs and the amount they are allowed to charge tenants, which is capped as a percentage of a family's adjusted income.	4,404.0[e]	-12%	1%
HUD	Public Housing Program, Capital Fund	The capital fund provides financial assistance to PHAs to carry out certain capital and maintenance activities on their public housing stock.	1,928.0[e]	-66%	-50%
HUD	HOME Investment Partnership Program (HOME)	The HOME program provides formula grants to states and localities that are used to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or home ownership, or providing direct rental assistance to low-income people.	901.6[c]	-54%	-60%

Table 10. Summary of federal and government-sponsored enterprise programs that support rural affordable rental housing					
Agency / Organization	**Program**	**Description**	**Funding (2015 or latest) in millions of 2015$**	**Change from 2010[a]**	**Change from 2005[a]**
HUD	State Community Development Block Grant program	The State CDBG Program is the state-run CDBG program for non-entitlement communities. It provides formula-based grants to states that may be used at their discretion (within program rules). Housing production, preservation, and rental assistance are permitted uses under the program.	909.7[d]	-29%	-40%
HUD	Section 202 and Section 811 Programs	The Section 202 program provides rent subsidies for projects that will serve as supportive housing for very low-income elderly persons, including the frail elderly, to help make them affordable. The Section 811 programs provides rental assistance for rental housing properties with supportive services for persons with disabilities. These payments cover the difference between HUD-approved operating costs and the amount the residents pay: usually 30 percent of adjusted income	959.0[e]	-32%	-35%
Federal Home Loan Banks	Affordable Housing Program	Provides interest rate subsidies on advances to FHLB members engaged in lending for long term, low- and moderate-income, owner-occupied and affordable rental housing.	35.7[f]	-28%	-23%
Internal Revenue Service	Low Income Housing Tax Credit (LIHTC) program	The LIHTC program gives State and local LIHTC-allocating agencies annual budget authority to issue Federal tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.	7,597.8[g]	-13%	11%

[a] Change calculated in constant 2015 dollars.

[b] Housing Assistance Council. USDA RD Historic Activity through FY 2015. Retrieved 9/21/2016 from http://www.ruralhome.org/sct-information/usda-housing-program-data/rd-annual-obs/189-historic-activity.

[c] HUD PR20 HOME - Production Report, National. Retrieved on 10/26/2016 from https://www.hudexchange.info/programs/home/home-national-production-reports/.

[d] Represents 2014 data, which is the latest available, from HUD's "CDBG Allocation History by Grantee 1975-2014" Table. Retrieved on 10/26/2016 from https://www.hudexchange.info/programs/cdbg/cdbg-reports-program-data-and-income-limits.

[e] President's Budget for Fiscal Year 2017, Supplemental Materials, Public Budget Database, Outlays. Retrieved on 2/14/2017 from https://obamawhitehouse.archives.gov/omb/budget/Supplemental.

[f] Data provided to the author by the Federal Housing Finance Agency on 11/29/2016. Represents the amount of AHP funding used to support rural rental housing projects.

[g] Author's calculations using Internal Revenue Bulletins and relevant provisions of the Internal Revenue Code.

USDA RD Programs

The largest of the rural affordable rental housing production programs, from a historical perspective, is the USDA Section 515 program. This program resulted in the construction of over 533,000 affordable rental units since its inception, with approximately 416,000 still in the program as of the writing of this report.[42] The section 538 guaranteed loan program, another significant USDA RD program aimed at facilitating the production or preservation of affordable housing units, had 789 active loans in July 2016 for properties containing about 39,000 units.[43] Lastly, the Section 514 program for Farm Labor housing had about 600 active projects in July 2016 containing around 16,500 units.[44]

However, as seen in Figure 3 below, funding for these production and preservation programs are at historically low levels. Thus, the 515 program has produced virtually no new units since 2011, with all current funding going to support existing units. Additionally, the 514, 516, and 538 programs have only created on average about 2,000 units between them each year since 2011 (see Figure 4 below). Furthermore, over the next 20 years there will be an estimated reserve deficit of $5.6 billion in the USDA RD multifamily portfolio, including the Section 515, 514 Off-farm, 538, and MPR programs, indicating that many of these properties could fall into disrepair and be lost as viable rental housing units.[45]

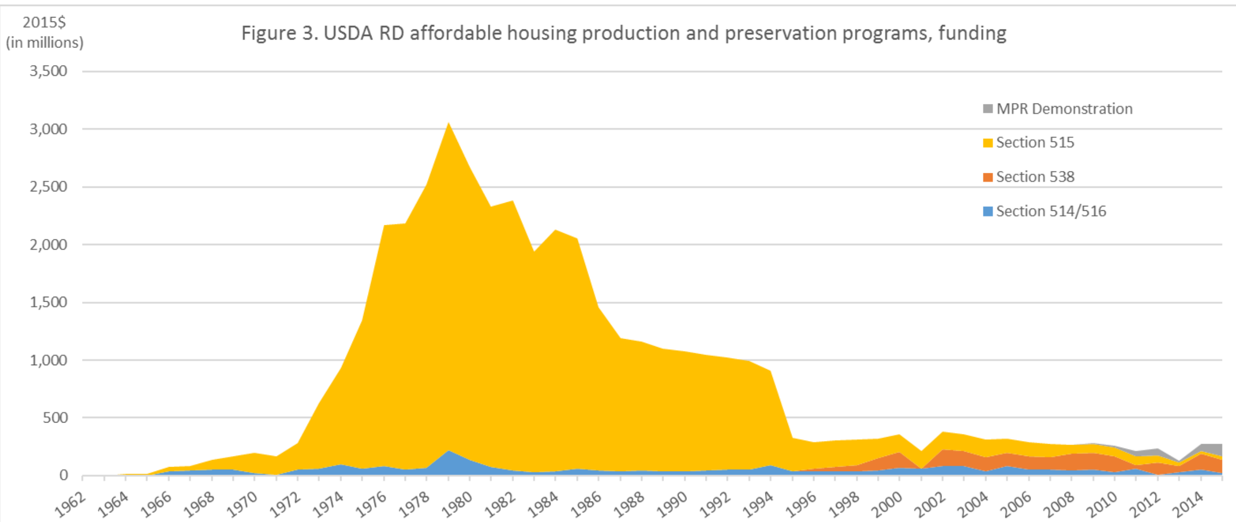
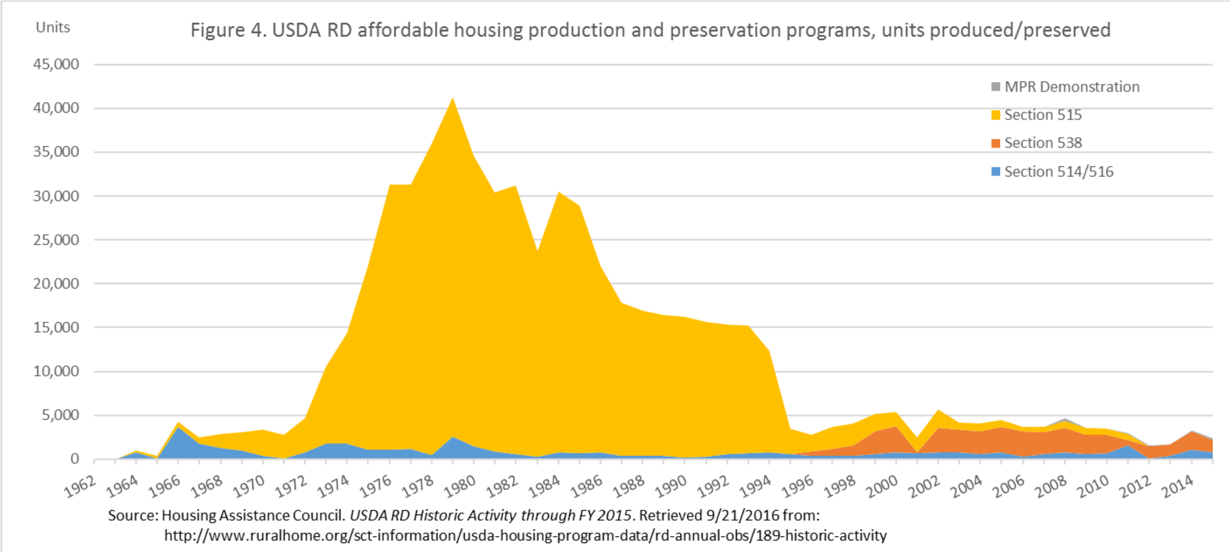


Figure 3. USDA RD affordable housing production and preservation programs, funding

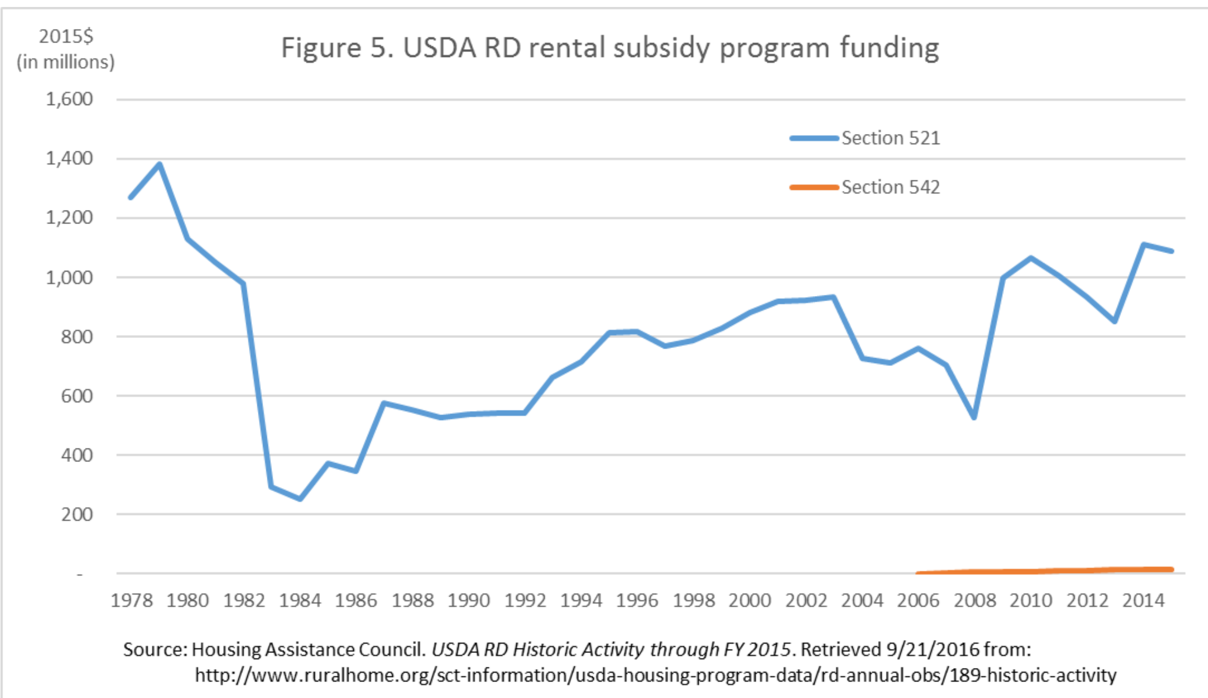
Source: Housing Assistance Council. *USDA RD Historic Activity through FY 2015*. Retrieved 9/21/2016 from: http://www.ruralhome.org/sct-information/usda-housing-program-data/rd-annual-obs/189-historic-activity

---

[42] Housing Assistance Council. (2016). *Maturing USDA Rural Rental Housing Loans: An Update*. Retrieved on 9/26/2016 from http://www.ruralhome.org/storage/documents/policy-notes/rpn_maturing-mortgages-usda-2016.pdf.
[43] Author's tabulations of USDA RD program data downloaded on 9/26/2016 from https://catalog.data.gov/dataset/usda-rd-section-538-multifamily-guaranteed-loans-as-of-7-13-2016.
[44] Author's tabulations of USDA RD program data downloaded on 9/26/2016 from https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-f2dd4.
[45] RSM US LLP, & CoreLogic, Inc. (2016). *USDA Rural Development Multi-Family Housing Comprehensive Property Assessment*. Prepared under contract with USDA Rural Development. Retrieved on 3/28/2017 from https://www.rd.usda.gov/files/reports/USDA-RD-CPAMFH.pdf.



While USDA RD funding for the production or preservation of affordable rental units in rural communities has largely dried up, funding for rental assistance through the section 521 program has seen increases in recent years (see Figure 5). Additionally, the Section 542 rental voucher program began in 2006 to subsidize properties financed through section 515 whose mortgages have been paid off.



The importance of this rental assistance funding cannot be overstated due to its role in maintaining the viability of the 515 housing stock (Section 521 rental assistance) and in helping assist those residents that can no longer access Section 521 rental assistance because of the complete payoff of a Section 515 mortgage (Section 542 vouchers). However, while the 515 portfolio is an important resource, it is also a limited source of affordable rental housing in rural communities and is in decline due to the maturing of the associated mortgages that impose the affordability requirement on the property.[46] Therefore, this rental stock cannot accommodate increases in rental demand. That being said, seven of the 10 states experiencing the largest increases in renter households between 2000 and 2014 were represented in the top 10 states with respect to prevalence of 515 units. This indicates that the 515 portfolio is more heavily concentrated in the areas of the country where the largest increases in rental demand are taking place (see Table 11 and Table 12). Thus, preserving this portfolio may prevent a further exacerbation of the rental crises these states are facing.

Table 11. Top 10 states experiencing nonmetro renter household increases between 2000 and 2014

	Nonmetro renter households			
State	2000	2014	Change	% of change in nonmetro renters nationwide
North Carolina	260,561	332,290	71,729	10.1%
Georgia	168,450	219,917	51,467	7.3%
Tennessee	152,513	186,022	33,509	4.7%
Texas	269,789	303,181	33,392	4.7%
Kentucky	173,165	203,159	29,994	4.2%
Alabama	121,163	149,563	28,400	4.0%
Ohio	212,207	239,466	27,259	3.8%
South Carolina	92,076	117,276	25,200	3.6%
Florida	82,091	105,911	23,820	3.4%
Missouri	162,940	186,608	23,668	3.3%

Source: 2000 Decennial Census, Summary File #3, Table H007; 2010-2014 American Community Survey, 5-year Estimates, Table B25003

Table 12. Top 10 states by number of units in USDA 515 properties as of September 2016

State	Number of 515 Projects	Percent of All 515 Projects	Total Number of 515 Units	Percent of all 515 Units
California	514	3.8%	26,535	6.5%
North Carolina	599	4.4%	22,090	5.4%
Texas	606	4.5%	21,730	5.3%
Florida	409	3.0%	18,342	4.5%
Michigan	580	4.3%	17,040	4.2%
Georgia	407	3.0%	14,802	3.6%
Missouri	570	4.2%	13,788	3.4%
Ohio	343	2.5%	12,863	3.2%
New York	427	3.2%	12,848	3.1%
Alabama	393	2.9%	12,694	3.1%

Source: Author's tabulations of USDA 515 Property Data retrieved on 9/26/2016 from https://catalog.data.gov/dataset/usda-rural-development-multi-family-housing-september-2016.

[46] For a more complete discussion of the Section 515 maturing mortgage issue, see Housing Assistance Council. (2016). *Maturing USDA Rural Rental Housing Loans: An Update*. Retrieved on 9/12/2016 from http://ruralhome.org/sct-information/mn-hac-research/rpn/1379-rpn-usda-matruring-mortgages-2016.

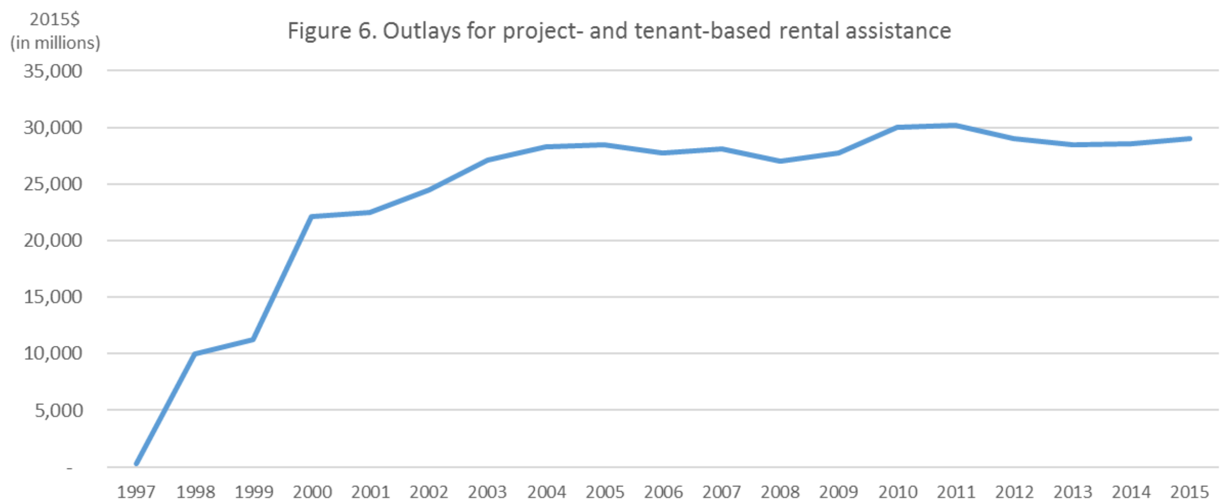
HUD Programs

Due to limitations in the data available from HUD and other federal agencies and the frequency with which individual projects use multiple different subsidies to achieve financial viability, it is not possible to develop an accurate assessment of the number of unique housing units located in rural communities that have been assisted through many of the production-support aspects of these programs. However, it is possible to review the level of expenditures made by these programs over time to assess the trend in the availability of support for affordable rental housing.

Project-based and Tenant-based Rental Assistance

Funding for project- and tenant-based rental assistance has remained fairly consistent over the last decade, averaging $28.5 billion per year (see Figure 6). Of the approximately 3.7 million units that were assisted through Housing Choice Vouchers or Project-based Section 8 rental assistance in 2015, just over 428,000 (or 12 percent) were located in nonmetro areas.[47]

Figure 6. Outlays for project- and tenant-based rental assistance



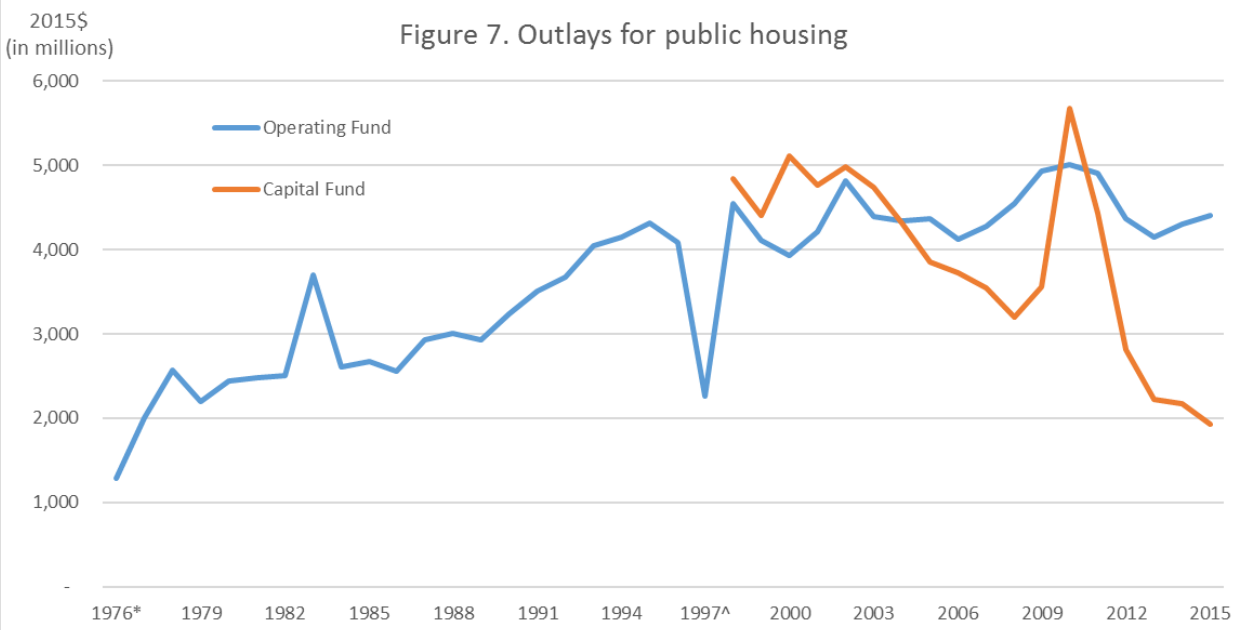
Source: President's Budget for Fiscal Year 2017, Supplemental Materials, Public Budget Database. Retrieved on 11/10/16 from https://obamawhitehouse.archives.gov/omb/budget/Supplemental.

Public Housing Program

In 2015, there were over 1.1 million units of subsidized public housing, of which more than 189,000 (or 17 percent) were located in nonmetro counties. These nonmetro units served approximately 180,000 households containing more than 350,000 individuals.[48]

[47] Author's calculations using the county-level dataset of the Picture of Subsidized Households Database. Retrieved on 10/18/2016 from https://www.huduser.gov/portal/datasets/assthsg.html.

[48] Author's calculations using the county-level dataset of the Picture of Subsidized Households Database. Retrieved on 10/18/2016 from https://www.huduser.gov/portal/datasets/assthsg.html.

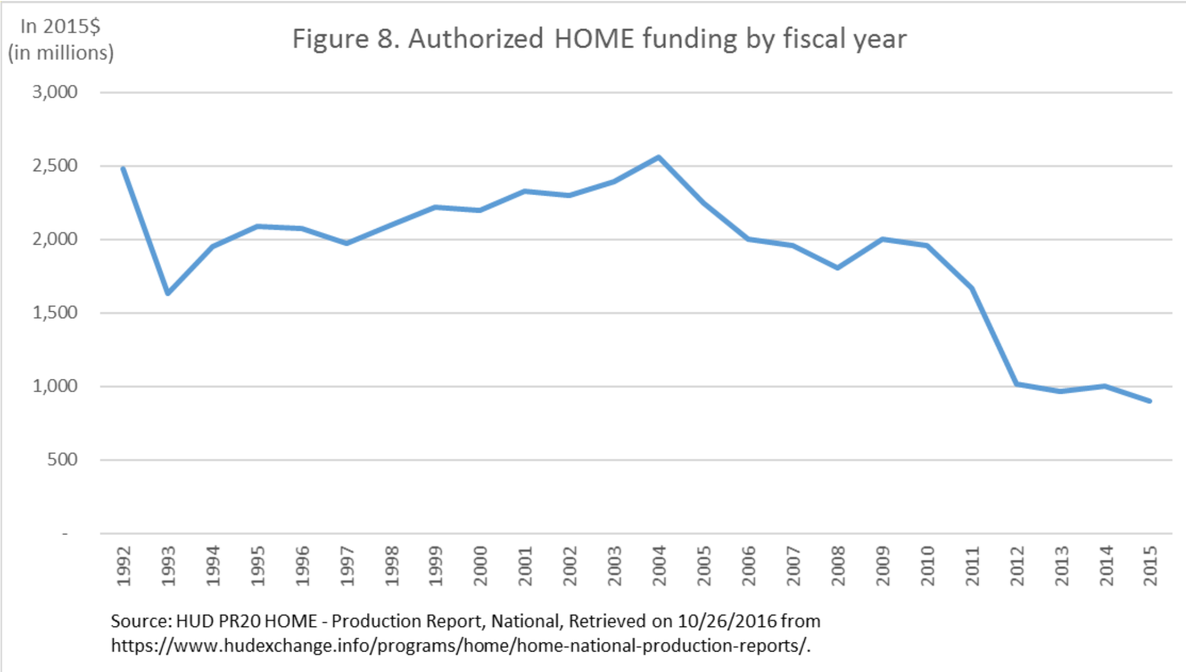


Source: President's Budget for Fiscal Year 2017, Supplemental Materials, Public Budget Database. Retrieved on 11/10/16 from https://www.obamawhitehouse.archives.gov/omb/budget/Supplemental.
* Includes figures for the Transition Quarter
^ Represents the portion of the amount from the President's Budget file titled "Preserving Existing Housing Investment" that relates to public housing, based on an analysis of the appropriations language of Title II of P.L. 104-204.

Federal operating support for public housing has remained fairly constant since the early-2000s, fluctuating around $4.4 billion per year (in 2015 dollars: see Figure 7). However, capital support for the maintenance and upkeep of public housing has steadily declined over that time period, with the exception of some temporary additional funding that was provided in 2010 and 2011. In 2015, capital outlays for public housing represented just 38 percent of their level in 2000. Some of this decline has likely been offset by the institution of the Rental Assistance Demonstration (RAD) Program in FY 2012, which converts public housing assistance contracts to project-based assistance contracts that allow them to access private capital to address their deferred maintenance needs. It has been estimated that the RAD program has allowed public housing authorities to access around $3.8 billion in capital since its inception.[49] However, this funding still falls well short of the estimated $26 billion in capital needs within the public housing stock.[50]

[49] Davis, T. (2017). *Rental Assistance Demonstration Update*. From a presentation retrieved on 2/24/2017 from https://www.ncsha.org/system/files/resources/RAD+Revolution+Catalina+Vielma.pdf.
[50] Abt Associates. (2010). *Capital Needs in the Public Housing Program.* Prepared for the U.S. Department of Housing and Urban Development under Contract # C-DEN-02277-TO001. Retrieved on 2/24/2017 from https://portal.hud.gov/hudportal/documents/huddoc?id=PH_Capital_Needs.pdf.

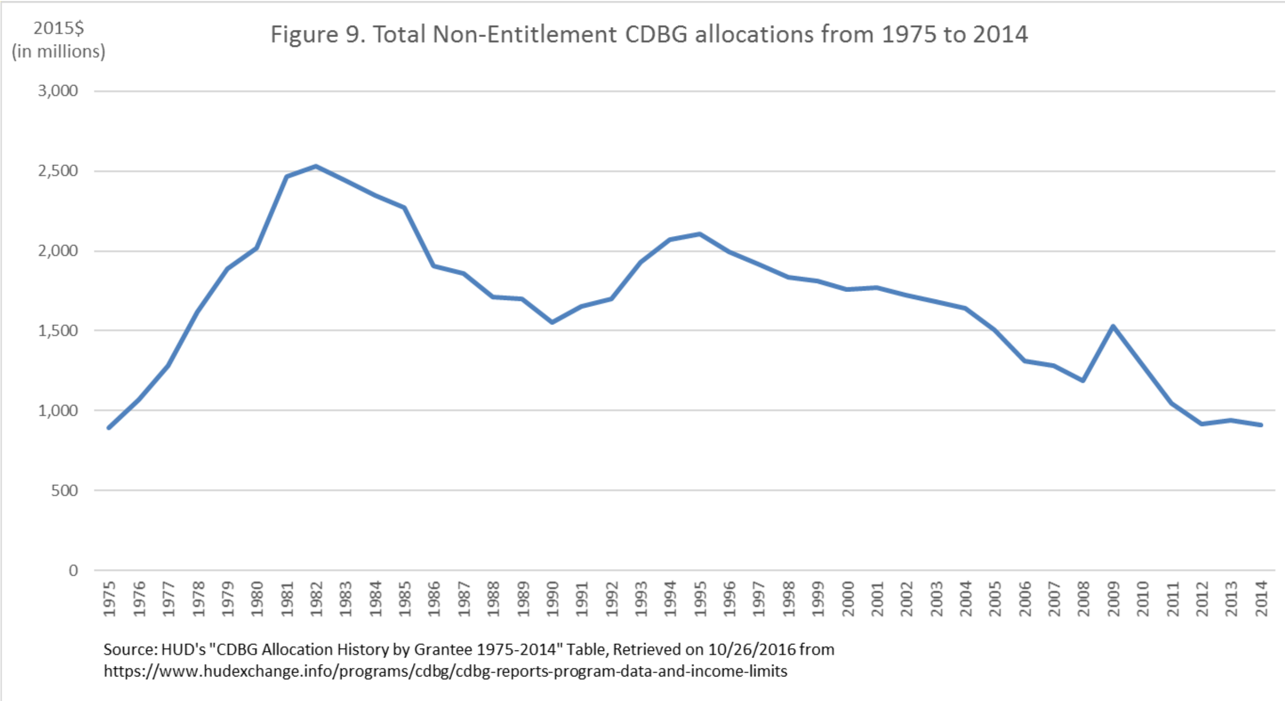
HOME Program



As seen in Figure 8 and Table 10, federal funding for the HOME program has been cut by more than 50 percent in recent years. While generally not the sole or even the largest source of funding for rural rental housing development projects, HOME funding is often used to fill gaps in funding sources so projects can become financially viable. As of October 2016, approximately 56 percent of HOME funds that went into completed activities nationwide had gone to support rental housing.[51] Thus, the recent decrease in funding likely represents the loss of approximately $560 million per year of support for affordable rental housing projects nationwide, some portion of which was used to support projects in rural areas.

[51] U.S. Department of Housing and Urban Development. (2016). PR20 HOME – Production Report. Retrieved on 10/26/2016 from https://www.hudexchange.info/programs/home/home-national-production-reports/.

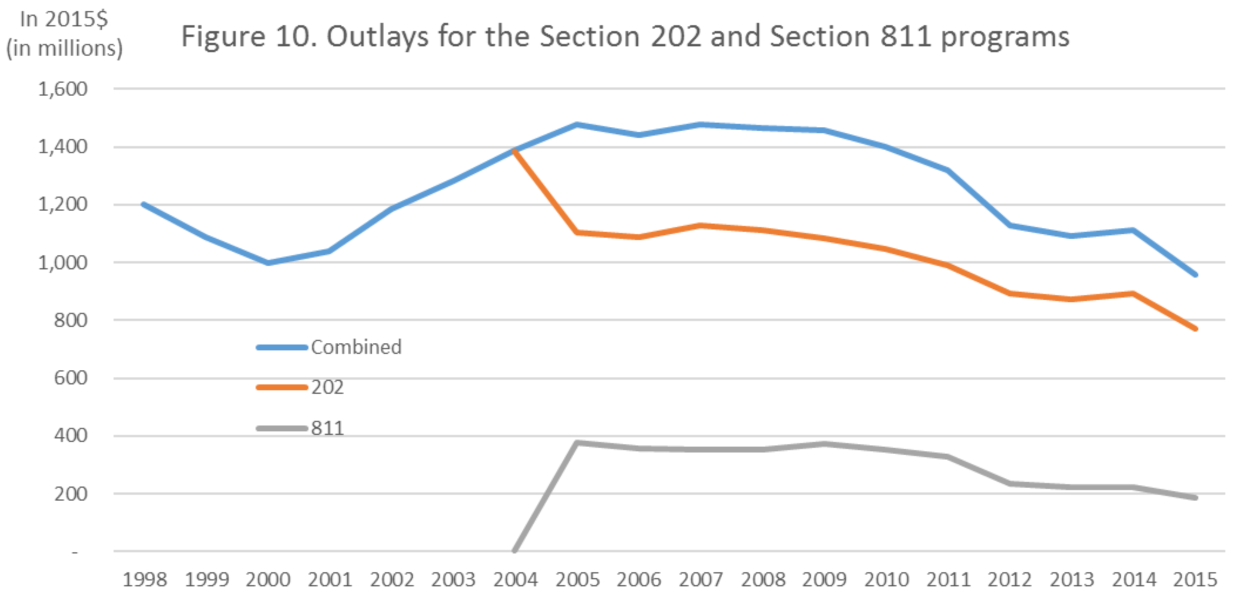
CDBG Program



Federal funding allocated to the CDBG program for non-entitlement communities was cut by nearly 30 percent between 2010 and 2014 (see Figure 9 and Table 10). While not frequently used for rural rental housing projects (approximately 1 percent of non-entitlement CDBG funding went to multi-unit residential or public housing modernization projects between 2001 and 2015),[52] CDBG funding in non-entitlement communities is often used to provide infrastructure critical to the development of rental housing, such as water and sewer, streets, sidewalks, and other public facilities and improvements.

[52] U.S. Department of Housing and Urban Development. CDBG National Expenditure Reports (FY 2001–2015). Retrieved on 10/26/2016 from https://www.hudexchange.info/onecpd/assets/File/CDBG_Expend_NatlState.xlsx.

Section 202 and Section 811 Programs



Source: President's FY17 Budget, Supplemental Materials, Public Budget Database, Outlays. Retrieved on 2/14/2017 from https://obamawhitehouse.archives.gov/omb/budget/Supplemental.

Combined funding for the Section 202 program (housing for the elderly) and Section 811 program (housing for the disabled) was cut by more than 30 percent between 2010 and 2015. Additionally, all of the funding appropriated for these two programs since 2012 has been for rental assistance rather than production capital. Therefore, these programs no longer support the production of new affordable rental housing in rural communities, nor do they meet the capital maintenance or recapitalization needs of the existing portfolio.

Government-Sponsored Enterprise (GSE) Programs

Federal Home Loan Bank Affordable Housing Programs

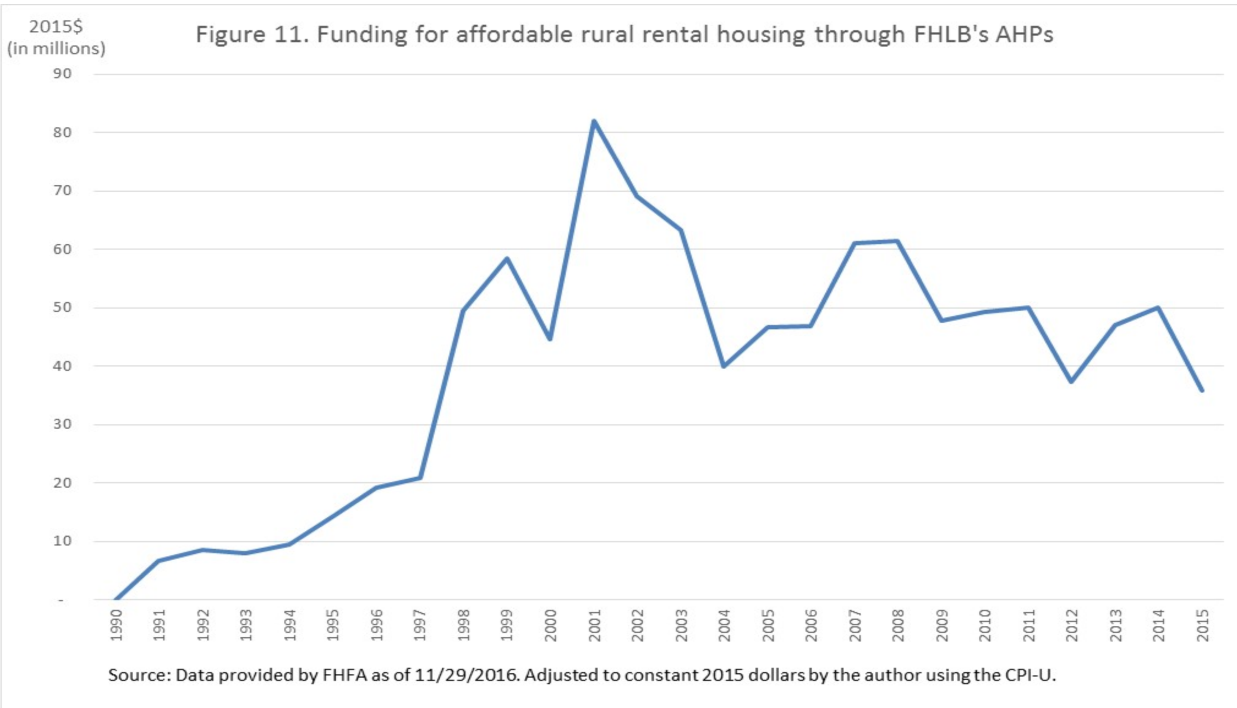
In addition to directly funding the production, preservation, and rental subsidy of affordable rental housing, the federal government has also required certain entities to provide support for affordable rental housing through various acts of Congress. One group of entities with such a requirement is the Federal Home Loan Bank (FHLB) System. Specifically, the Federal Home Loan Bank Act requires each FHLB to establish an Affordable Housing Program (AHP) to subsidize the interest rate on advances to FHLB members engaged in lending for long term, low- and moderate-income, owner-occupied and affordable rental housing.[53]

From 1990 through 2015, the AHP program has provided more than $4.2 billion in funding for affordable housing projects, of which $3.2 billion has gone to rental housing (or over $3.8 billion in constant 2015 dollars). Of that amount, nearly $849 million has gone to support rental housing projects in rural communities ($1.0 billion in constant 2015 dollars). See Figure 11 below. The $849 million that has gone to support rental housing projects represents approximately 62 percent of all AHP funding that has gone

[53] See 12 USC 1430(j).

to rural communities. The percentage of AHP funding deployed in rural communities that has been used for rental housing projects has increased significantly over the years, with an average of 78 percent of such funds being used for rental projects between 2011 and 2015 versus an average of just 46 percent between 1991 and 1995.[54]

Between 1990 and 2015, the funding provided to rural rental housing through the FHLB AHP's has gone into 3,066 projects consisting of 105,656 units for an average of 34 units per project. This compares to 6,902 rental housing projects in urban communities consisting of 367,789 units for an average of 53 units per project.[55]



While AHP funding has proven to be somewhat more consistent from year to year than other federally appropriated or mandated funding sources, the AHP program is often paired with funding from other programs as a gap-filling resource rather than a primary funding source. This is likely due to the limited amount of funding available through this program. In fact, between 2011 and 2015, on average 36 percent of AHP funding that went into rural rental housing projects went into a project that had also received HOME funding, and 38 percent went into projects that received LIHTC allocations (note that these are not mutually exclusive and therefore there may be overlap between these two categories).

Low Income Housing Tax Credit Program

Between the time the LIHTC program was created under the Tax Reform Act of 1986 and 2014, the number of projects placed in-service in nonmetro areas has been just over 8,000, containing over 272,000 low-income units. In the 10 years between 2005 and 2014, projects supported by the LIHTC program have placed in-service just under 10,000 low-income units in rural communities each year.[56]

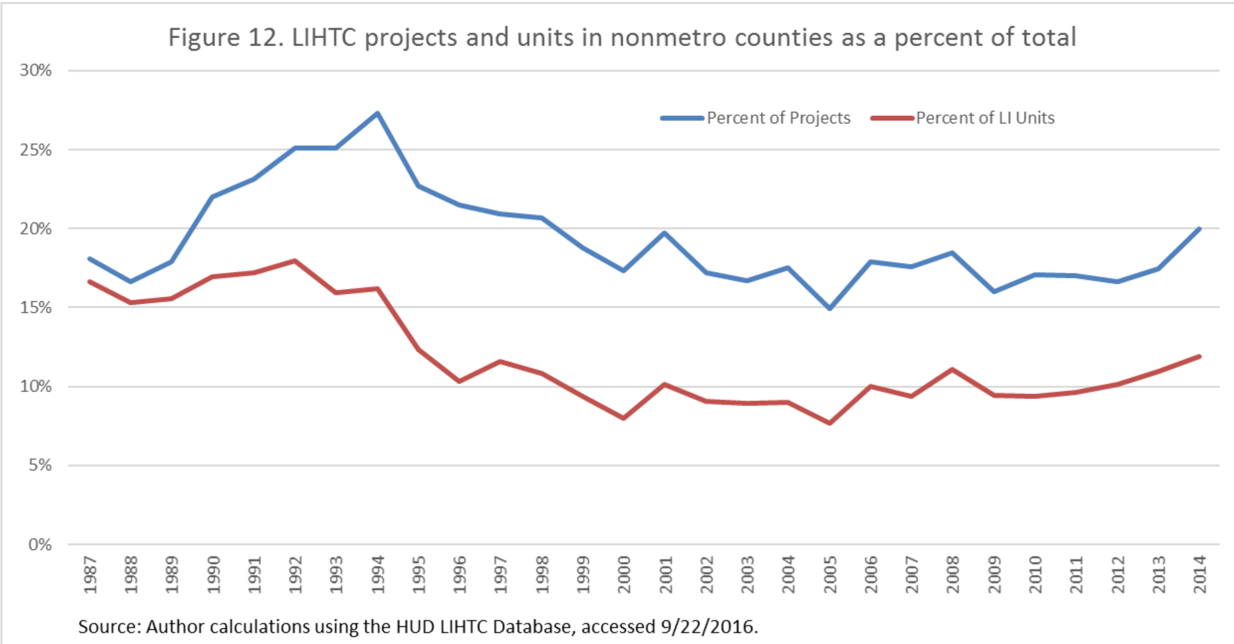
---

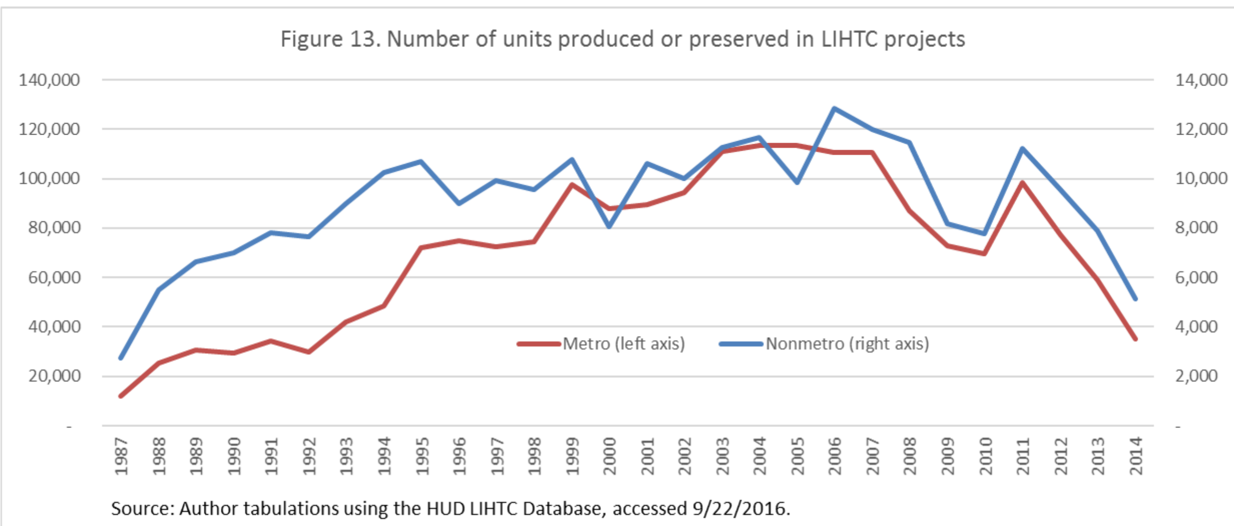
[54] Author's calculations using data provided by FHFA. Represents data as of 11/29/2016.
[55] Ibid.
[56] Author's calculations using the HUD LIHTC Database, Accessed 9/22/2016.

As noted in Appendix C, the LIHTC program gives state and local LIHTC-allocating agencies annual budget authority to issue Federal tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. The LIHTC program results in the allocation of tax credits to specific projects, which sold to investors (primarily corporations) to generate equity capital. The LIHTCs give investors a dollar-for-dollar reduction in their federal tax liability. The amount of tax credits allocated to a project are equal to either 30 percent (the 4 percent credit) or 70 percent (the 9 percent credit) of the present value of the eligible costs to develop a low-income housing project, depending in part on whether tax-exempt bonds are used to finance the project.[57]

As seen in Figure 12, the nonmetro share of all LIHTC projects placed in service has fluctuated over the years but was fairly consistent between 1999 and 2013 at around 17 percent of all projects. Nonmetro areas' share of all low-income units placed in service over that same time period was consistently around 10 percent. While nonmetro areas' share of both projects and low-income units has increased recently, the large declines in units produced in both metro and nonmetro areas observed in Figure 13 below reveal that this increase is the result of rural areas seeing a somewhat smaller decline in the number of projects and units in recent years than observed in urban areas, rather than rural areas seeing an uptick in LIHTC activity. Specifically, between 2011 and 2014 the number of low-income units produced in urban projects declined by 64 percent, while the number produced in rural projects decreased by 54 percent. Over that same period, the number of projects located in urban areas declined by 58 percent, while the number in rural areas declined by 50 percent. Interviews I conducted with a variety of industry stakeholders indicated this decline in the number of units produced, even while the level of available tax credit authority is increasing (see discussion below), is the result of increasing costs to develop LIHTC properties. Additionally, these stakeholders noted that it also reflects an increased emphasis among state housing finance agencies for LIHTC projects to serve lower income households than in the past, which generally results in each project requiring more tax credits for the same number of units, all else equal. Industry stakeholders have undertaken efforts to understand the primary cost drivers that are behind these trends and methods of lowering them.[58]

[57] A more complete overview of the LIHTC program can be found here: https://fas.org/sgp/crs/misc/RS22389.pdf.
[58] See, for example, Enterprise Community Partners. (2014). *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals*, available at http://www.enterprisecommunity.org/resources/bending-cost-curve-solutions-expand-supply-affordable-rentals-13127; as well as Enterprise Community Partners. (2016). *Giving Due Credit: Balancing State Priorities in State Low-Income Housing Tax Credit Allocation Policies*, available at http://www.enterprisecommunity.org/resources/giving-due-credit-balancing-priorities-state-low-income-housing-tax-credit-allocation.

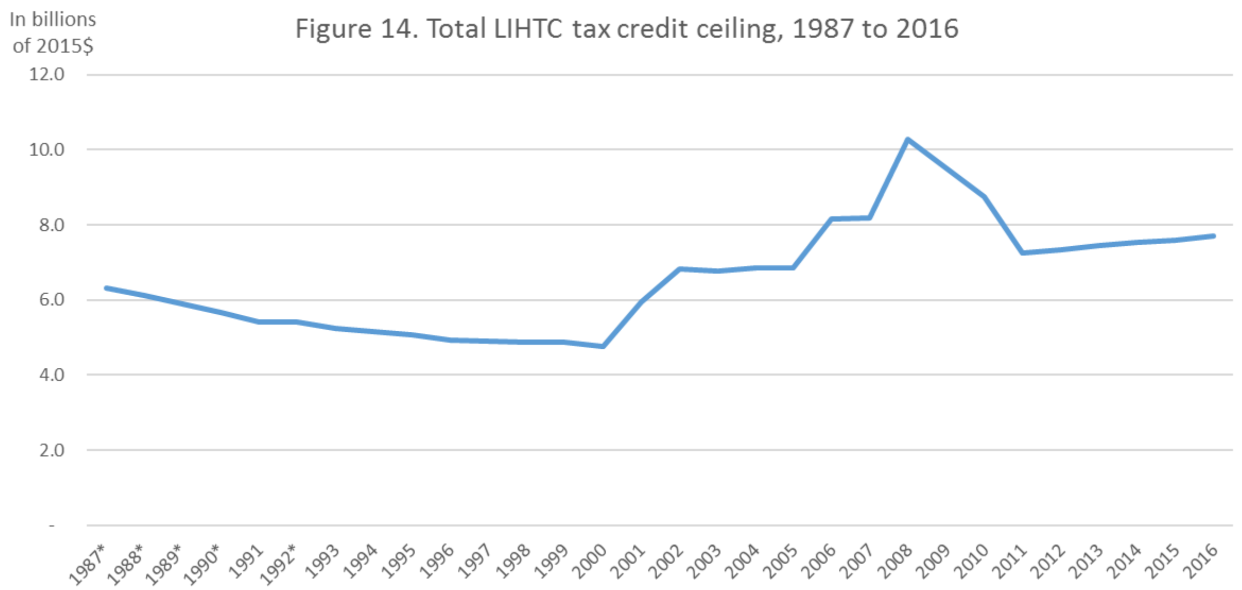




Even with the recent decrease in the number of units being produced through the LIHTC program shown in Figure 13, it remains one of the few affordable rental housing production or preservation programs (as opposed to rental subsidy programs) that have experienced increases in their funding in recent years. Indeed, the total housing tax credit allocation ceiling available to states has steadily increased from around $7 billion in 2011 to almost $8 billion in 2016, following a large recession-era decline from $10 billion (see Figure 14 below). As a result, the LIHTC program currently represents the primary tool through which affordable housing is developed in the U.S.

Since this paper was written, Congress has passed a tax-reform law, the Tax Cuts and Jobs Act (TCJA) (H.R. 1), which was signed into law on December 22, 2017. The TCJA retained the housing tax credit as well as private-activity bonds, including multifamily housing bonds used in conjunction with the 4 percent housing tax credit. The TCJA also reduced the top corporate tax rate from 35 to 21 percent, which is expected to affect the LIHTC market. It is expected to impact the LIHTC market because a lower corporate tax rate reduces the value of housing tax credits to investors, which is expected to reduce the amount they are willing to pay for those tax credits, thereby reducing the amount of equity they generate to cover housing development costs. As such, the TCJA will likely reduce the amount of low-income housing that is created using the LIHTC program relative to what would have been created had tax reform not been implemented.

Also passed since this paper was written was the Consolidated Appropriations Act of 2018, in which Congress included a 12.5 percent increase in the amount of housing tax credits that will be made available to states for the years 2018 through 2021 (H.R. 1625, Division T, Section 102). This increase in the total amount of housing tax credits will likely increase the number of projects that are awarded housing tax credits, although it will not likely affect the amount of housing tax credits any given project is awarded or otherwise affect the amount of equity capital they can raise with those tax credits.



Source: Author calculations using Internal Revenue Bulletins and provisions of the Internal Revenue Code. Adjusted to 2015$ using the CPI-U.
* Population figures used for this year's calculations based on the Census Bureau's intercensal estimates.

As noted above, the LIHTC program is structured such that the amount of tax credits allocable to any given project is set to equal less than the cost of developing the project. Thus, virtually all projects must find additional resources to fill this funding gap to become financially viable, generally including either debt or grant funds. For projects that serve the lowest income individuals, it is virtually impossible to service any debt due to the limited amount of rental income they can collect; thus, such projects are reliant on grants or heavily subsidized loans (often subordinated with limited repayment expectations) to fill their funding gaps.

The USDA, HUD, FHLB AHP, and other programs discussed above, as well as many state and local programs not addressed in this paper, represent many of the resources that have historically been used to fill those funding gaps. For example, since the implementation of the LIHTC program, 26 percent of projects placed-in-service in rural areas also used Section 515 funds, 12 percent also used HOME funds, and 2 percent used CDBG funds. Many projects used several of these programs in combination in order to achieve viability. As noted above, these resources are increasingly scarce, and so the LIHTC program may struggle to serve the lowest income individuals as these resources dry up. It is, therefore, probably not a coincidence that as these gap resources have declined in recent years, so too has the number of units placed-in-service in both metro and nonmetro areas (see Figure 13).

Even when these gap resources can be found and the developer theoretically has the funding to develop the property, in some communities the expenses associated with operating a LIHTC property on an ongoing basis can be greater than the maximum rents that can be charged for the associated rental units due to the maximum rent caps imposed under the program. The combination of these factors results in the program not being an effective way of serving the rental housing needs of all low-income households by itself. However, it can serve as an important platform that other subsidy programs (e.g., Housing Choice Vouchers, continuum of care funds, etc.) can leverage to efficiently house the lowest income households.

Section 3: Digging Deeper into How the LIHTC Program Is Deployed in Rural Markets

Given that the LIHTC program has represented a significant source of federal support for affordable rural rental housing in recent years, I wanted to explore how effectively this program serves the need for affordable rental housing in rural markets. I also wanted to explore whether there are possible areas where it could be tweaked to make it a more effective tool for the nation's rural communities. I start this assessment by reviewing in more detail the type of projects that have been developed in rural markets since the program's inception, then compare the proportion of LIHTC projects going to rural communities to those communities' share of the demonstrated need calculated in the first section of this paper. As noted in the first section of this paper, there is also a considerable need for affordable rental housing in urban areas. This paper's focus on rural markets is not meant to diminish or underplay the importance of that need but simply to fill a relative gap in scholarship dedicated to the need for rural affordable rental housing and strategies to meet that need.

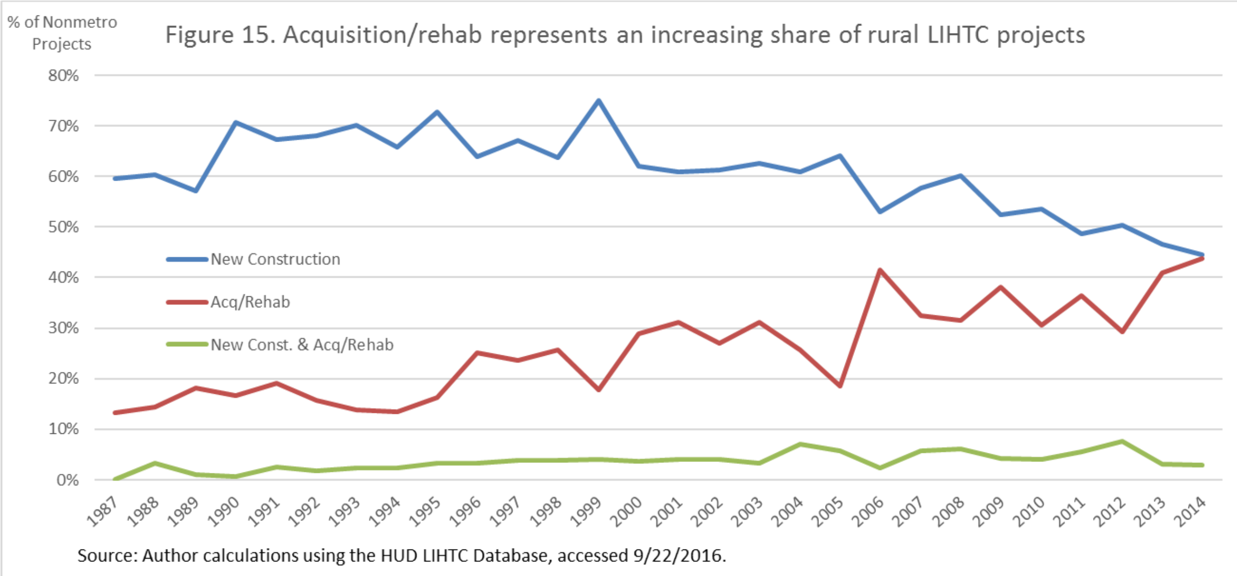
Rural LIHTC Projects

I first looked at the composition of LIHTC projects that have been developed in rural communities over the program's life along several different dimensions: project type (i.e., new construction, acquisition/rehabilitation, and both); project size; and type of credit used (i.e., 9 percent, 4 percent, both, or Tax Credit Exchange Program).

Project Type

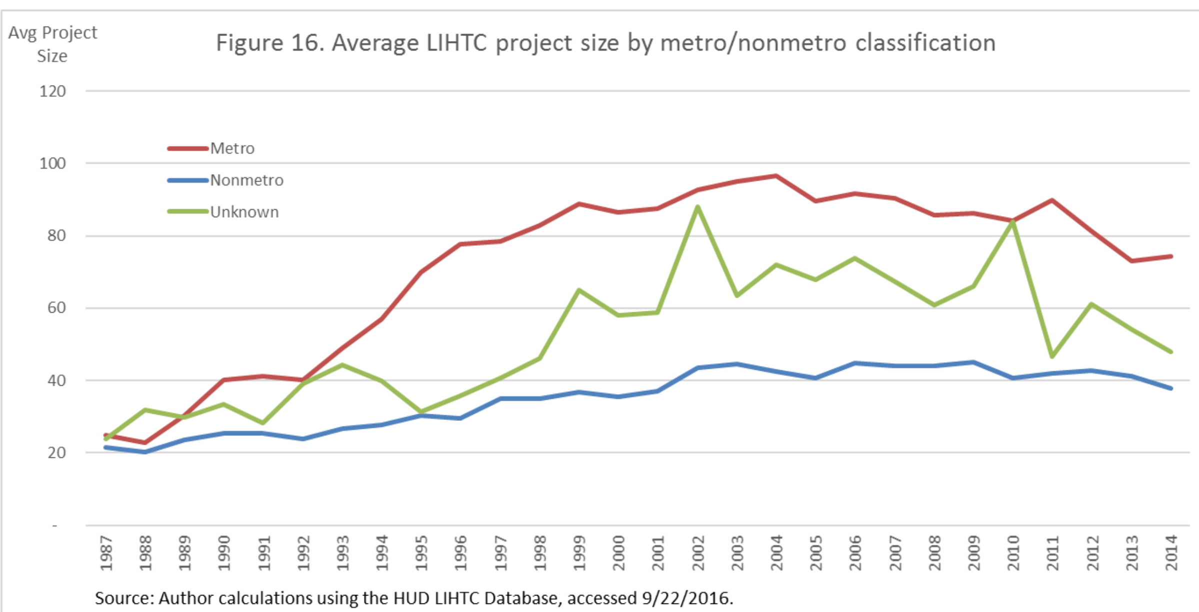
In reviewing the trends in project type (see Figure 15), the most striking finding is that the share of all nonmetro projects that are new construction has dropped from between 60 and 70 percent during 1987 to 2005, to just 45 percent in 2014. Thus, much of the resources going into these communities are preserving already existing units (including USDA 515 properties) rather than generating new units. While these projects are perhaps shifting units from market rate to affordable or preserving the existing income restrictions on units, they are not adding new housing units. While Figure 15 is based on the number of projects, the trend looks the same if you instead plot the share of units represented by each project type.[59]

[59] While there was a slight decrease in the share of new construction projects as a percent of all projects in urban areas, this shift was of a lower magnitude than in rural areas, and there was not an equivalent increase in the share of acquisition/rehabilitation projects. However, there was an increase in the share of urban projects whose type was unknown, and so this may be masking a similar increase in the share of acquisition/rehabilitation projects.



Project Size

Figure 16 below shows how the size of LIHTC projects has changed over time for projects located in metro and nonmetro areas, and those where the metro/nonmetro classification is unknown. Consistent with what one would expect to see, metro projects are considerably larger than nonmetro projects. What is perhaps most striking about Figure 16 is how little difference there was in project size between the two areas for the first five to six years of the program's history, at which point they experienced a significant divergence. However, even though metro projects have grown to a much larger average size than nonmetro projects—growing 2.4 times between 1992 and 2004 from an average of 40 units to an average of 97—nonmetro projects have also experienced a significant growth in average project size. Indeed, over the same period the average size of nonmetro projects grew 1.8 times, from 24 units to 43.



Type of LIHTC Credit Used

As Figure 17 shows, a substantial plurality of nonmetro projects have used the 9 percent credit since the mid-1990s. However, it is also apparent from Figure 17 that the number of nonmetro projects that use 4 percent credits alone has been on a consistent decline since the same period, with a larger and larger proportion of projects using both 9 percent and 4 percent tax credits. A similar trend is not observed in metro areas, where a plurality of projects also use the 9 percent credit but where the relative proportion of projects using the 9 percent, 4 percent, or both credits has been consistent since the late-1990s at about 45 percent, 29 percent, and 10 percent for projects, respectively.

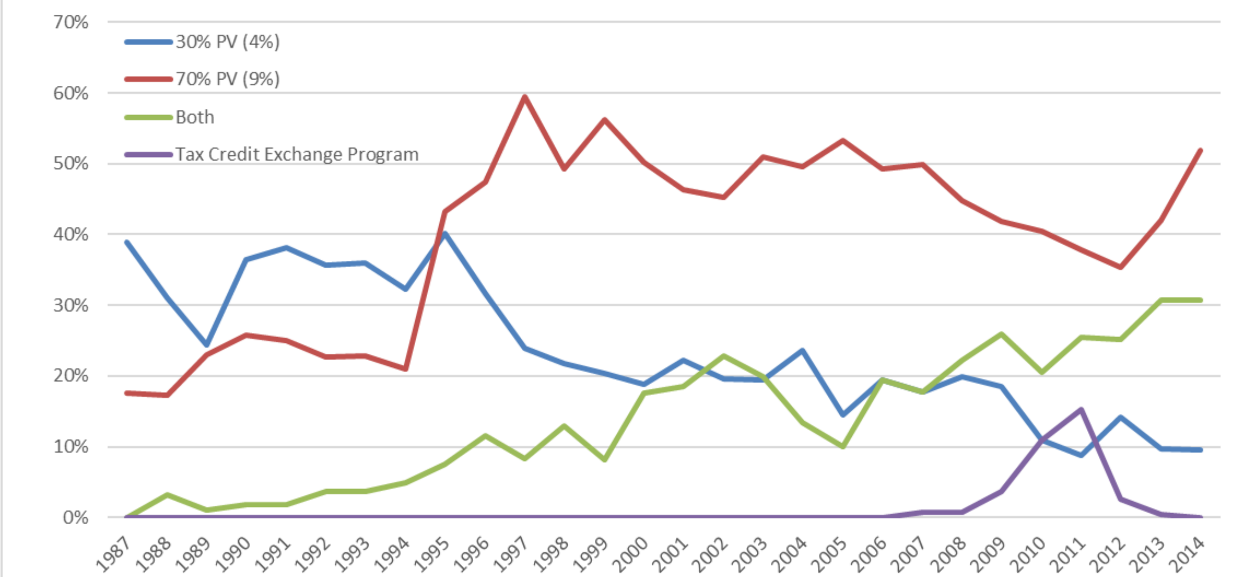


Figure 17. 9 percent credits represent a majority of rural LIHTC projects

Source: Author calculations using the HUD LIHTC Database, accessed 9/22/2016.

Fair Share Analysis

Next, I wanted to try to answer the question: do rural communities receive their fair share of LIHTC projects based on the estimated need for affordable rental housing in those communities? In order to answer that question, I calculated the share of each state's cost-burdened renters that live in nonmetro areas and compared that to the share of LIHTC projects and units that have been placed in-service in nonmetro areas in each state.[60] As seen in Appendix D, for some states it makes a significant difference whether you are comparing the share of cost-burdened households to the share of projects or the share of low-income units, as rural projects tend to be smaller than urban projects. Given that it is the number of

[60] There are many other measures of need besides the share of cost-burdened renters that could be used to determine the appropriate geographic locations to which LIHTC units should be targeted. These could include for example the proportion of a state's low-income renter households that reside in rural areas, which is likely correlated with, but is not the same as, the share of cost-burdened renter households. Alternatively, one could use some metric that weighed the proportion of cost-burdened renters and the number of overcrowded rental housing units, another metric of need not captured by the estimate of cost-burdened households. Using a different metric or combination of metrics to determine the relative needs of nonmetro and metro areas could yield different conclusions regarding individual state's performance in meeting the needs of their nonmetro low-income populations.

units and not the number of projects that matter, I used the nonmetro share of all low-income LIHTC units to assess the "fairness" of LIHTC development in rural counties.

I started by looking at the fair share allocation over the life of the LIHTC program (see Table 13 below for a summary of these findings and Appendix D for the detailed underlying figures). In 13 states, nonmetro counties' share of all LIHTC units developed between 1987 and 2014 was more than 5 percentage points lower than the share of the state's cost-burdened renters that lived in nonmetro areas in 2014, indicating that those states were under-allocating their LIHTC resources to rural areas. Two states (Alabama and Oklahoma) had a share of LIHTC units developed in nonmetro areas that exceeded the nonmetro share of cost-burdened renters by 5 percentage points, indicating that those states had over-allocated LIHTC resources to rural areas. The rest of the states were somewhere between 5 percent over- or under-allocated to rural areas.

Table 13. Summary of (under-) over-allocation of LIHTC projects to nonmetro areas

	LIHTC Activity: 1987–2014		LIHTC Activity: 2010–14	
Amount LIHTC is (under-) over-allocated to rural areas versus demonstrated need	# of States[a]	Percent of all nonmetro cost-burdened HHs[b]	# of States[a]	Percent of all Nonmetro Cost-burdened HHs[b]
More than five percent under-allocated	13	25%	14	22%
Between five percent under- and five percent over-allocated	36	70%	28	63%
More than five percent over-allocated	2	5%	9	15%
Total	51	100%	51	100%

a. Includes the 50 states and the District of Columbia.
b. Households.

Importantly, as discussed above, there has been a shift from home ownership to rental in nonmetro areas in recent years that, among other factors, has increased demand and contributed to an increase in rates of renter housing cost burdens in those areas. As detailed in Table 1 in the first section of this paper, while there was an increase in renter housing cost burden in both metro and nonmetro areas in recent years, there was a larger increase in burden rates in nonmetro areas. It is possible that states would see these recent trends and rebalance the allocation of their LIHTC resources between metro and nonmetro areas accordingly. Such a rebalancing could affect the determination of which, and how many, states were deemed to be over- or under-allocating LIHTC resources to nonmetro areas. Therefore, I next conducted a "fair share" analysis of the LIHTC allocation using just the five-year period from 2010 to 2014. These figures are detailed in Appendix D and summarized in the two rightmost columns in Table 13.

Reviewing this more recent project data reveals that while there is significant overlap in the states that appeared to fall short on developing LIHTC units in nonmetro areas, it is not universal. It is also notable that nine states over-allocated LIHTC resources to nonmetro areas by more than 5 percentage points, based on these more recent project data, compared to just two using the full program history.

It is important to note that the analyses performed above used the metro/nonmetro indicator in the HUD LIHTC database, which is based on whether the census tract of the property was in a county designated as a metropolitan area in the July 2015 OMB CBSA/CSA release. However, most states had projects for which there was inadequate location data for HUD to designate them as being located in either metro or nonmetro areas (i.e., the property's census tract was unknown). For some states, the proportion of projects that were unclassified was considerable.[61]

[61] For projects input into the database from the start of the program to the date the database was downloaded (9/22/2016), 3,572 projects containing 181,772 low-income units had insufficient data for HUD to geocode the property and assign a metro/nonmetro indicator, from a total of 43,092 projects with 2,617,868 low-income units.

To try to assess the potential consequences of the lack of classification, I performed the following additional analysis:

1. I reviewed the HUD LIHTC Database, noting that from the beginning of the program to-date there were just 412 projects containing 4,548 units that did not have at least county-level FIPS Codes. Furthermore, between 2010 and 2014 there were just 141 projects containing 2,732 units that did not have at least county-level FIPS Codes.
2. I assigned a new metro/nonmetro indicator to each project using the county-level, rather than tract-level, FIPS Code based on the OMB's February 2013 CBSA/CSA Delineation File.[62]
3. Using this new metro/nonmetro indicator, I re-ran the fair share analysis, the results of which are included in Table 14 below.

See Appendix E for tables detailing the state-by-state results of this additional analysis.

Table 14. Summary of (under-) over-allocation of LIHTC projects to nonmetro areas, project locations coded as metro/nonmetro using county-level FIPS codes

	LIHTC Activity: 1987–2014		LIHTC Activity: 2010–14	
Amount LIHTC is (under-) over-allocated to rural areas versus demonstrated need	# of States[a]	Percent of all Nonmetro Cost-burdened HHs[b]	# of States[a]	Percent of all Nonmetro Cost-burdened HHs[b]
More than five percent under-allocated[63]	8	17%	9	12%
Between 5 percent under-allocated and 5 percent over-allocated	40	77%	30	62%
More than 5 percent over-allocated	3	6%	12	26%
Total	51	100%	51	100%

a. Includes the 50 states and the District of Columbia.
b. Households.

As shown in Table 14, nine states still appeared to fall short by more than 5 percentage points in the number of nonmetro units they were producing relative to the share of cost-burdened renters that resided in nonmetro counties for the five-year period between 2010 and 2014. Additionally, this analysis identified 12 states that appeared to over-allocate LIHTC resources to rural areas. Color-coded maps of the findings in Tables 13 and 14 are available at Appendix F.

The results in Table 14 indicate that a majority of cost-burdened rural renters live in states that are doing reasonably well at aligning their LIHTC allocations with the rural/urban distribution of cost-burdened renters. It also indicates that more than twice as many of the remaining cost-burdened rural renters live in states that over-allocate their LIHTC credits to rural communities, rather than under-allocating them.

Conclusions based on Quantitative Analysis

Overall, the above "fair share" analysis indicates that the majority of cost-burdened rural renter households live in states that appear to do a reasonably good job of targeting their LIHTC projects to rural communities. Specifically, between 56 and 73 percent of cost-burdened rural renters live in states whose share of LIHTC projects in rural areas are within 5 percent of the share of cost-burdened renters that are

---

For projects with Placed-In-Service dates between 2010 and 2014, there were 520 projects containing 28,378 low-income units that were not assigned a metro/nonmetro indicator from a total of 5,946 projects containing 408,975 low-income units over that time period.
[62] I used OMB's February 2013 file instead of the July 2015 file that HUD used in order to be consistent with the metro/nonmetro classification I used in developing the cost burden rates in the first section of the paper.
[63] Includes New Mexico, for which virtually no LIHTC activity had been reported to the HUD LIHTC Database for the period after 2007 for which placed in-service dates were known.

located in rural areas. The remainder live in states that either over- or under-allocate LIHTC projects to rural areas to some degree. Furthermore, it appears that cost-burdened rural renters are as likely to live in states that over-allocate LIHTC projects to rural areas as they are to live in states that under-allocate them to rural areas.

However, the proportion of cost-burdened rural renters that live in states that significantly over- or under-allocate projects to nonmetro areas differs based on the time period being examined, with projects increasingly targeted towards rural populations in later years. The locational distribution of projects that are unclassified in HUD's LIHTC database could also be a factor. Therefore, further research that explores the location of these unclassified projects would allow for a better understanding of the degree to which states are meeting the needs of all their communities.

Section 4: Qualitative Assessment of State Qualified Allocation Plans

Background

Under the LIHTC program, states have a significant degree of latitude in determining where their LIHTC allocations will be deployed, which is largely driven by the relative priorities they lay out in their state qualified allocation plan (QAP). QAPs drive where projects are located by laying out criteria on which projects submitted for LIHTC allocations will be scored. Since the competitive 9 percent portion of the LIHTC program has been so competitive in recent years, these criteria effectively become mandates that must be met in order to receive an allocation of tax credits.

Given that it appeared some states were more closely matching the share of their LIHTC units going to rural markets with the share of need represented by those markets, I wanted to see if there were any identifiable factors in states' QAPs that were driving their tax credit allocation decisions and that might suggest a reason as to why I was seeing those results. To do so, I reviewed all 50 states' QAPs, any associated scoring worksheets, and other documents that contained relevant guidance on how those states allocated their housing tax credits.[64] I summarized my state-by-state findings in two attached appendixes: Appendix G, which includes QAP provisions that appear to favor rural projects over urban projects; and Appendix H, which includes provisions that appear to favor urban projects over rural projects. I also summarized this data by tallying up the number of provisions that would appear to advantage rural projects and those that would appear to disadvantage rural projects, and netted the two to arrive at a net advantage/disadvantage score (see Appendix I).

I want to preface the qualitative review that follows with a few important disclaimers. First, this review did not intend to, and indeed as will be seen below cannot, show causality but was merely conducted to highlight provisions that, on their face and with all else being equal, would seem to push or pull projects to or from rural locations. QAPs include a dizzying array of provisions, many of which influence project location decisions in opposing ways, and so the ultimate impact of any of the provisions discussed may or may not be determinative factors.

Second, there may be very real and legitimate policy reasons why some states choose to incentivize developers to locate projects in metro rather than nonmetro locations. For example, nonmetro locations in some states may present fewer economic opportunities and less access to important social service supports than their metro counterparts, or have higher poverty rates or other characteristics that may further disadvantage low-income individuals if projects were located in those communities. State officials no doubt have a better understanding of these on-the-ground conditions and may be intentionally setting their policies accordingly.

This qualitative analysis was conducted to highlight potential areas where criteria may have been implemented to incentivize a certain behavior and are unintentionally having a side effect of negatively influencing the ability of developers to produce or preserve units in some rural communities. To further explore and better understand these findings, I combined this QAP review with semi-structured interviews with industry participants representing different roles and with different perspectives on the industry. A list of these stakeholders can be found at Appendix J.[65] I conducted these interviews to understand industry participants' perspectives on the elements of QAPs, and the current state of the industry more broadly, that affected the viability of undertaking affordable rental projects in rural communities.

---

[64] Appendixes F and G identify the specific iteration of each state's QAP reviewed for this analysis.
[65] The author conducted the interviews between September 2016 and January 2017.

Throughout the analysis, I draw on these observations to try to add nuance to the findings and better understand how various provisions may be affecting behaviour.

Through my review of the state QAPs and interviews, I identified several components through which state policymakers can and do influence the type of projects that receive LIHTC allocations. These primary components described below include set-asides, scoring points, basis boosts, and tiebreakers. Each of these elements can be used either to incentivize or dis-incentivize projects from being located in rural areas, and in fact, many states have provisions that do both in their QAPs.

Findings

My qualitative review of the state QAPs, and comparison of their provisions to the over- or under-allocation findings detailed above, did not identify of any discernible relationship between the existence of one or more specific provisions—or an overall higher or lower number of rural-specific provisions—and the likelihood of a state producing of a fair share of LIHTC projects in nonmetro communities.

It is likely that, among other things, there are important intensity effects that outweigh the sheer number of provisions in affecting developers' location decisions. For example, while a state may have numerous provisions in its QAP that appear to dis-incentivize projects from being located in rural areas, they may not be particularly important because they do not have a large number of points assigned to them, thus diminishing their weight relative to other provisions that may be fewer in number but more important in influencing developers' decisions. Additionally, some states undertake non-QAP initiatives that may make them more effective at serving rural communities' needs, such as coordinating resources in a unique way or conducting extensive outreach and technical assistance to support rural projects. These types of activities may very well be important but would not show up in this analysis.

Additionally, in some states many of these provisions may matter less than the realities of the market. For example, there may be many provisions in a state's QAP that incentivize the development of projects in rural areas; however, if incomes are too low in those areas and there is insufficient rental assistance support to make up for this shortfall, then it will be impossible to propose a sufficient number of economically viable projects to meet the relative need in those areas regardless of the strength of the QAP incentives that have been implemented to locate projects there. These economic realities may mean that projects in these communities are never submitted for consideration in the first place. Indeed, my stakeholder interviews confirmed that this is the case in many communities across the U.S.

These findings appear consistent with recent research on the impact of state QAP priorities on the location of LIHTC units, which has shown mixed results. One recent study found only small impacts related to state QAP priorities, with market forces and the underlying built environment being more significant drivers of where LIHTC properties are sited.[66] However, another study found that state QAP priorities related to siting projects in high opportunity areas did affect the location of LIHTC projects.[67]

While the influence of these provisions may be marginal, I believe it is worth exploring the QAP elements that have the potential to influence the location of projects in rural or urban locations since many of the provisions I identified through my qualitative review were the same as those identified as being important

[66] Adkins, A., Sanderford, A., & Pivo, G. (2017). How Location Efficient is LIHTC? Measuring and Explaining State-Level Achievement. *Housing Policy Debate, 27*(3), 335–355.

[67] Ellen, I.G., Horn, K., Kuai, Y., Pazuniak, R., & Williams, M.D. (2015). *Effect of QAP Incentives on the Location of LIHTC Properties*. Prepared for the U.S. Department of Housing and Urban Development, Office of Policy Development & Research. Retrieved on 4/11/2017 from https://www.novoco.com/sites/default/files/atoms/files/pdr_qap_incentive_location_lihtc_properties_050615.pdf.

in my subsequent stakeholder interviews. Thus, I suspect these provisions are influencing decisions, and I am simply unable to pick up those effects at this time through the high-level qualitative analyses that were conducted. Additionally, I believe the qualitative assessment below adds value to the industry by highlighting important nuances in the way that certain QAP provisions are implemented that may meaningfully affect a state's likelihood of success in meeting the needs of rural communities. These nuances in the definition and scope of the same overall type of provision would not be picked up in the quantitative analysis described above. I hope that highlighting these differences will spur additional, more detailed research that could pick up on these effects.

Provisions that Could Be Impacting the Likelihood of Rural Projects Receiving a Tax Credit Allocation

The most common provisions I believe could affect the frequency of rural projects receiving tax credit allocations include, in order of prevalence, rural set-asides, scoring points or threshold criteria, basis boosts for rural projects, and certain cost-related provisions aimed at cost containment. Each of these provisions is described in detail in the sections that follow. See Table 15 below for a high-level summary of the types of these provisions that positively or negatively affect rural projects' chances of receiving a LIHTC allocation.

Table 15. Summary of provisions with potential to positively or negatively impact rural projects' chances of receiving a LIHTC allocation

Type of provision	**Potentially positive impact**	**Potentially negative impact**
Rural set-asides and separate geographic pools	• Minimum but no maximum set-asides; minimum equal to need • "Rural" definition that allows rural projects to only compete against other truly rural projects	• Minimum and maximum set-asides; maximum below need • "Rural" definition that doesn't reflect on-the-ground realities
Scoring points and threshold criteria	• Separate scoring criteria reflective of rural realities • Threshold criteria that consider the scale and location of rural projects	• No separate scoring criteria for rural areas • Threshold criteria that do not consider the scale and location of rural projects
Basis boosts	• Allow for larger tax credit awards, bringing down required debt levels on rural projects	• Place too much reliance on tax credits to solve non-debt-related barriers in rural areas
Cost criteria	• Higher percentage point limits on developer fees that reflect smaller scale of rural projects • Rankings based on total costs per unit/square foot that consider project scale/location	• Percentage point limits on developer fees that don't reflect smaller scale of rural projects • Rankings based on total costs per unit/square foot that don't consider project scale/location

Rural Set-asides and Separate Geographic Pools

This group includes two separate but related sets of provisions: set-asides and separate geographic pools used to allocate credits. Rural set-asides, as the name implies, set aside a specified amount of a state's housing tax credits for rural areas (usually expressed as a percentage or specified dollar amount) and strive to allocate no less than that amount to projects in rural areas. Separate geographic pools take the total amount of state housing tax credits and divide them into completely separate pools based on a defined geography and covering the entire state. Each of the pools has a specified portion of the state's housing tax credits assigned to them, and then projects compete against only the other projects in that pool. Sometimes the lines between these two categories can blur. For example, where there are separate geographic pools and the assigned housing tax credits do not comprise all of the state's tax credits (due to the use of non-geography based pools, such as service enriched housing projects or projects focused on preservation). In these instances, the geographic pools act like set-asides for the assigned geographies rather than an overarching framework under which the state allocates tax credits.

Thirty-one of the 50 state QAPs that were reviewed (or 62 percent) contained either set-asides for rural or tribal locations or separate geographic pools. By explicitly designating some specific target amount of the state's housing tax credits for rural areas and then prioritizing projects from rural areas until that target is met, states may potentially allocate more credits to rural areas than they otherwise would have without these provisions.

However, it is unclear whether these set-asides and separate geographic pools are always a good thing for rural areas. In many cases these provisions not only set a minimum but also a maximum allocation of housing tax credits that will go to rural areas. If the target is set too low, rural areas may potentially come out of the allocation process worse off than they would have without the provision. Additionally, this maximum allocation may effectively nullify any bonus scoring points or other ranking criteria that would have otherwise directed more resources to rural areas by cutting off the ability to get an allocation for projects that score higher than their non-rural peers. Thus, whether these provisions direct more or less resources to rural areas likely depends greatly how these provisions are defined and the level at which they are set.

Oregon represents a state that seems to have hit on an interesting and promising approach to geographic targeting. Oregon allocates its housing tax credits to three regions based on their relative, demonstrated need for affordable housing, therefore targeting resources to those areas with the greatest demonstrated need for the resource. The regions were developed to include areas with the greatest project comparability and thus rural projects should not be at a disadvantage when it comes to the scoring and other criteria that will be discussed below. Additionally, the geographic regions appear to be large enough that targeting resources to need in this way will not necessarily further concentrate poverty or disadvantage, since within the region the scoring criteria or other elements of the QAP can push resources into higher opportunity areas. This separate geographic allocation system is combined with a further soft target of awarding 50 percent of the credits in the non-urban geographic pool to communities with fewer than 25,000 people, further targeting resources to small, rural communities where it can be harder to develop these projects.

There are many states that simply set minimum and maximum allocation targets to geographic areas that may or may not be reflective of the need in that target geography. Additionally, several of the industry stakeholders I spoke with noted that the geographic regions designated by their state seemed to be based on convenience and were not reflective of on-the-ground realities, which resulted in smaller projects in more remote locations competing against larger projects in less remote communities that had an easier time addressing many of the QAP's requirements.

Scoring Points and Threshold Criteria

This group includes a variety of elements used to either eliminate projects or assign them relative ranks that are used to select which will obtain an allocation of housing tax credits. These elements include scoring points, threshold criteria, underwriting assumptions, and other related provisions.

Thirty-six of the 50 QAPs reviewed (72 percent) included some provision that appeared to advantage projects in rural areas or of a smaller size (which are more likely in rural than urban areas) relative to projects not located in rural areas or of a larger size. These ranged from points awarded to projects simply for being located in a rural community, to smaller properties having greater flexibility in how they meet threshold criteria related to the provision of on-site services.

Forty-three of the 50 QAPs reviewed (86 percent) included some provision that appeared to disadvantage rural or smaller projects relative to non-rural or larger projects. The most common provisions that appeared to disadvantage rural projects included (1) those that awarded points to projects for being located within a certain distance of specific amenities (e.g., grocery stores, public transit, libraries); (2) threshold criteria requiring—or the awarding of points for including—certain on-site amenities, such as playgrounds or computer rooms; and (3) threshold criteria requiring—or the awarding of points for including—on-site social services for residents of the project. Therefore, many QAPs appear to include both provisions that are advantageous and disadvantageous to rural or smaller projects.

Proximity to Amenities

The first group of provisions that seemed to disadvantage rural projects are those that set unrealistic expectations regarding the proximity projects need to have to certain amenities. For example, in many instances, states awarded large numbers of points to projects located within a very limited distance of a fixed transit station or other public transportation hub (e.g., within ¼ mile), a distance that will be achievable for very few rural locations, if any. Many of these states did not allow for longer distances in rural areas that would have taken into account the important spatial differences between urban and rural areas. In some instances, states did provide some alternative criteria, such as providing points for projects that committed to providing free door-to-door services for residents, in an attempt to compensate for this; however, oftentimes these alternatives were assigned fewer points than the standard criteria. With tax credits being as competitive as they are, the inability to achieve the maximum number of points can often mean the project is no longer competitive, effectively eliminating many rural locations.

The most common provisions that seemed to best address these spatial differences for rural projects related to the creation of separate criteria for projects located in rural areas or of a smaller size, but which assigned the same number of points for meeting those alternatives. For example, Kentucky awarded up to six points for being located within one mile of certain amenities in urban areas, while rural projects could be up to three miles away from these same amenities and still be awarded the full points.

Provision of On-site Amenities

The second group of provisions that seemed to disadvantage rural projects are those that required projects to include certain amenities on-site. For example, many states required that all projects include a community room of a specified size—usually some minimum square footage (either in total or on a per-unit basis)—and sometimes including particular features such as a kitchen and/or bathroom. Other QAPs included threshold criteria or scoring categories related to the inclusion of other amenities such as a playground, furnished computer lab, and exercise room, among others. The inclusion of a requirement or scoring category related to the provision of these types of amenities on-site could potentially disadvantage smaller rural projects relative to larger urban projects due to the fact that the cost of providing these amenities is largely fixed in nature, and smaller projects have fewer units over which to recoup those costs. Additionally, rural projects generally have lower rents to begin with, which gives them less operating margin through which they can absorb those costs. However, these disadvantages may be offset by the relatively lower cost and greater availability of land in rural versus urban markets. Moreover, these amenities may be even more critical in rural areas where there may be fewer alternative community meeting spaces, exercise facilities, and other amenities.

Furthermore, the inclusion of this as a requirement for all developments (through inclusion as either a threshold requirement or a scoring category) does not allow flexibility to consider the on-the-ground needs of the project site: something that is needed when considering projects in both metro and nonmetro areas. For example, a project might be sited right down the street from a community facility with whom the developer could work out an agreement allowing the development's residents to use the community facility's exercise room free of charge. This might be a better and more cost effective solution to addressing the laudable goal of providing residents with access to exercise facilities, rather than paying the cost of constructing another facility on-site. However, if the project does not include such a facility in the architectural plans submitted and it is a threshold requirement, the project may never be considered.

One example of where a state seemed to recognize the higher cost for rural areas of providing a certain on-site amenity and tried to accommodate for that was California. Their QAP awards three points to projects that provide high-speed internet service to each unit free of charge and are located in rural areas, rather than the two points that are available to projects that do so in urban areas. Another example of a state that tried to provide an accommodation for smaller projects was Pennsylvania. Pennsylvania's QAP includes a threshold requirement that all projects include an on-site community room. However, projects that include 11 units or less are exempt from this requirement. Additionally, the size of the community room is scaled to the number of units, whereby the community room must contain at least 15 square feet per unit for properties between 12 and 50 units, and projects with more than 50 units must have community rooms that are at least 750 square feet.

On-site Services

The last group of provisions in this category that seemed to disadvantage rural projects are those that require the delivery of, or award scoring points for delivering, on-site social services or social service coordination for residents of the project. While there is no doubt the availability of these services provides significant benefit to the residents of the project, it may also prove very difficult for small, remote rural projects to accomplish. Specifically, the inclusion of a community room may be more difficult in smaller projects for the reasons laid out above (i.e., there are fewer units, with lower rent levels, over which to absorb the cost of this non-revenue producing space), which means these projects may not have a space in which to provide these services. Smaller projects are also less likely to have on-site property management that could provide the services, further complicating efforts to do so. Lastly, there is likely to be less operating margin in small rural projects with which to cover the cost of providing these on-site services, and potentially fewer local partners with whom coordinate to bring in these services.

One example of a state QAP that recognizes the potential difficulty of providing on-site services in rural or smaller projects and tries to accommodate for that is New Hampshire. New Hampshire's QAP includes a threshold requirement that all projects provide on-site service coordination for residents of the property. However, New Hampshire sets different required levels of service coordination based on project size to account for this reality. Specifically, New Hampshire requires a minimum of four hours per week of on-site service coordination for properties with up to 20 units, with an additional one hour for every five units over 20. Additionally, properties without an on-site office are allowed to provide the service coordination remotely, with quarterly on-site visits. Another example of a state that recognizes the potential difficulty of providing on-site services for small or rural projects is California. California awards up to 10 points for the delivery of high-quality services designed to improve the quality of life for tenants. California's QAP specifies that "[s]ervices must be provided on-site except that projects may use off-site services within ½ mile of the development (1½ miles for Rural set-aside projects) provided that they have a written agreement with the service provider enabling the development's tenants to use the services free of charge (except for day care and any charges required by law) and that demonstrate that provision of on-site services would be duplicative.” This carve out related to the delivery of on-site services, and the recognition of the need for a greater distance to the contracted service provider, tries to take into account the realities of social service provision in rural communities.

While there are other individual provisions in state QAPs that likely have similar effects to those discussed above, the three described in detail were the most common and provide an overview of the type of issues identified. A general observation was that issues seem to occur when states simply used a one-size-fits-all approach to their threshold and scoring criteria. Potentially one of the most reliable, blanket ways around these issues is the use of separate geographic pools, which was discussed above. This assertion rests on the assumption that if all of the projects against which you are competing are also not likely to receive the points in a certain category, then you are no longer at a disadvantage. However, relying on this to address urban/rural differences places an even greater emphasis on ensuring that the geographic pools really do only include comparable geographies and projects to ensure this unintended bias towards certain areas does not continue to occur. Possibly the best approach would be to utilize both separate geographic pools and separate criteria that are reflective of the realities of developing projects in rural areas to eliminate any possible bias that may creep into the selection process.

Basis Boosts

The amount of tax credits a project receives, which are then sold for equity to reduce the amount of debt required to develop the project, is based on the qualified basis of the project. The qualified basis is equal to the eligible basis (the costs incurred to develop the property that are deemed eligible by the IRS) times the applicable fraction (the proportion of units in a project that are income- and rent-restricted). Projects located in certain areas are potentially eligible to receive a “boost” to their eligible basis, which then boosts the amount of tax credits for which they can receive an allocation, which then reduces the gap between the tax credit equity they can receive and the cost to develop the property.

The Housing and Economic Recovery Act of 2008 expanded the list of projects that may receive a 30 percent eligible basis boost to areas designated by the state as requiring an increase in the tax credit amount in order to be financially feasible. A fairly common provision for states to include in their QAP is a basis boost for projects located in rural areas, which is based on this expanded eligibility. Fourteen states included provisions allowing for an increase in basis for projects located in rural areas. This basis boost increases the potential amount of tax credits a project may receive, increasing the amount of equity it will be able to raise from investors, thus reducing the level of debt or other funding needed and thereby increasing the viability of a project.

While this is a useful provision for states to include, there are a couple of salient points I heard during my stakeholder interviews that point to limitations of this approach. First, this approach can eliminate the need for a project to take on debt, removing a significant cost associated with developing and operating an affordable housing development. However, in many persistently poor areas of the country—including Appalachia, the Mississippi Delta, and the Colonias—incomes are so low that even with no debt it is difficult to develop economically viable projects without some form of operating subsidy, such as rental assistance. As such, in these areas the basis boost is a helpful but insufficient type of support, since even with the cost of development 100 percent covered by housing tax credit equity there is insufficient operating income to cover operating expenses. Therefore, these projects are still not economically viable.

Another important consideration I heard from my interviewees was the existence of “excess basis” (i.e., projects that are allocated fewer tax credits than they are eligible for). This occurrence comes about through the provision of the LIHTC program that directs states to allocate no more credits to any particular project than is necessary for it to be financially viable. Thus, a basis boost is unlikely to be an effective support for projects that already have more basis than they are permitted to use. It will also not be an effective bulwark against scoring provisions that disadvantage rural projects, as discussed above.

As such, this provision is primarily useful for projects that are on the margin of viability but for a lack of eligible basis against which to receive credits (and therefore equity), and which would also be competitive from a ranking stand point. It is unclear how many rural projects fall into this category.

Cost Criteria

In an effort to use the limited LIHTC resources they have in the most efficient manner practicable, many states have adopted a variety of cost control measures as part of their QAPs.[68] These control measures are applied to many different types of cost that arise in the development of a tax credit property, including such things as contractor fees, developer fees, total development costs, and total construction cost. The cost control measures also take on many different forms, including absolute caps on total development costs on a per unit basis (expressed in dollar values), a maximum limit on developer fees (expressed either in dollar values or as a percentage of total development costs), or maximum limits on housing tax credits per unit or per square foot, to name a few.

Some of these cost control measures are threshold criteria that must be met in order for a proposed project to be considered for an allocation. Others are included as scoring criteria that make a project more or less likely to receive a tax credit award. Still others are used as a tiebreaker should one or more projects receive the same scores. A number of these cost control measures could potentially have a negative impact on the likelihood of projects in rural areas receiving tax credit allocations, all else equal.

For example, many states include a scoring category that awards up to a certain number of points to projects that limit their developer fees to a lower percentage of total development costs than what is required as a threshold criteria. While limiting developer fees may be a worthy goal, smaller projects—which are more likely to be proposed for rural areas that need fewer housing units to meet their local affordable housing needs—are likely to have a harder time achieving this cost reduction or will be disproportionately impacted in doing so. The reason this may be the case is because their total net development costs are lower, which means they are starting with a lower overall base against which the percentage is applied and therefore a lower starting developer fee. However, much of the effort involved in developing a LIHTC property is fixed and not dependent on the size of the building or number of units: acquiring the land, structuring the deal, lining up an equity investor, shepherding the approvals through the local authorities, getting the architectural drawings, lining up a syndicator for the tax credits, etc. As such, a developer of a smaller project will already have a low base for a similar list of tasks against which they are trying to recoup their investment and therefore will likely find it harder, or at least more painful, to reduce that developer fee even further in order to obtain these points. As noted earlier, the program is so competitive these days that points like these become effective mandates, which may mean that smaller projects in more remote locations are not given due consideration, even if they are worthwhile and might be economically viable, due to smaller projects being less attractive as a result of these lower developer fees.

There are many different cost-related provisions like the one cited above that could be inadvertently disadvantaging smaller rural projects (see Appendix H for the full list). However, there are also some

[68] For a more in-depth discussion of the cost drivers of LIHTC projects, as well as the cost control measures that allocating agencies regularly use, see: Enterprise Community Partners. (2014). *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals*, as well as Enterprise Community Partners. (2016). *Giving Due Credit: Balancing State Priorities in State Low-Income Housing Tax Credit Allocation Policies.*

states that structure cost containment provisions that push developers to be more cost effective while also being responsive to the differing realities of small rural projects. For example, Arizona sets higher maximum developer fee, builder profit, and general requirements percentages for smaller projects than for larger projects. Montana sets a higher soft-cost-to-hard-cost ratio for projects with 20 or fewer units than for larger projects.[69] Lastly, Texas awards up to 12 points based on a project's hard costs per square foot, potentially eliminating the bias created by smaller projects having high soft costs relative to total costs.

As the examples above demonstrate, cost containment provisions can be structured in a way that will reduce the inherent bias towards larger projects. All such provisions should be reviewed to ensure that biases of this sort are not created or are at least only intentionally created. Any calculation that focuses on total development costs per unit or square foot will be inherently biased towards relatively larger projects (up to a point) due to their ability to spread fixed costs over a larger number of units.

It is worth noting that the negative bias for rural projects discussed here related to cost containment provisions is likely offset by the higher land costs faced in urban areas, and the necessary shift from wood-frame to steel construction for larger projects. Thus, many of these cost containment provisions may well result in pushing projects into suburban or exurban fringe areas, where land costs are lower than urban core projects, but that can still absorb projects large enough to benefit from spreading soft costs over a greater number of units than would be feasible in rural markets. Of course, there are other provisions (such as those related to Smart Growth principles) that push projects back towards the urban core and away from the urban fringe, so policymakers should carefully consider the cumulative impact of these opposing forces and ensure they are having the effect they intend.

My interviews with industry stakeholders indicated that projects proposed and ultimately awarded credit allocations that are considered "rural" trend heavily towards closer ex-urban and small town communities that can achieve a somewhat greater scale than more remote locations. Additional research into this question that used more precise location data would be helpful in answering the question of what proportion of nonmetro projects are remote from, versus adjacent to, nearby population centers.

[69] Generally speaking, "soft costs" include things such as engineering and architectural costs, developer fees, interest expenses on interim financing, and financing fees and expenses, including syndication costs. "Hard costs" generally include things like construction costs, land acquisition costs, contractor fees, and other costs directly tied to the acquisition, rehab, and/or construction of the project.

Conclusion

In this paper I set out to (1) assess the need for affordable rental housing in rural communities, (2) analyze the level of federal resources that have been made available to address that need and how those have changed over time, and (3) analyze how the LIHTC program has been used in rural communities and state-level implementation factors that may make it more or less effective in serving those communities.

My analysis identified a significant need for affordable rental housing in rural communities and a decreasing amount of resources at the federal level to address that need. My analysis also highlighted the importance of being able to pair two or more subsidy programs together to provide rental housing that will be affordable to the full spectrum of renter households.

I also found that while the LIHTC program in the aggregate appears to allocate an appropriate share of low-income units to rural areas, there are considerable differences on a state-by-state basis, with some allocating a disproportionately high share of their LIHTC units to rural areas and some allocating a disproportionately low share of their LIHTC units to rural areas. An extensive review of all 50 states' QAPs did not identify specific elements of those plans that appeared to be determinative regarding whether a state would over-allocate, under-allocate, or allocate the "right amount" of low-income units to rural areas. Many states include similar elements in their QAPs and include both elements that are advantageous and disadvantageous for rural areas, and achieve very different results. It is likely there are important interactions between these many different elements, or significant nuances in how they are drafted or implemented, that affect states' allocations that this analysis was simply unable to identify. It is also possible that the differing economic realities, developer capacity, and other factors largely out of the control of state HFAs mitigate or otherwise offset one or more of their QAP provisions in influencing where LIHTC projects are proposed.

The QAP reviews conducted did identify several provisions that appear subjectively important and likely impact the siting of LIHTC projects either through the state's allocation process or by affecting where developers decide to propose developments in the first place. Interviews with industry stakeholders confirmed that many of these provisions are affecting project siting decisions due to the feasibility of receiving an allocation in different locations. Many policymakers are intentionally trying to have this type of distributional impact by using these provisions, and so this is not necessarily a "negative" result. However, policymakers should not only carefully consider the distributional impacts caused by individual provisions, but also the cumulative impact of all provisions and their interactions to ensure they are having the effect that they intended when the provisions were developed.

Appendix A
Section 1 Tables and Figures Updated with 2016 ACS Data

Changes between 2014 and 2016

The declines in housing cost burden among owner occupants that were taking place between 2009 and 2014 continued, and accelerated, between 2014 and 2016. Additionally, about half of the increase in housing cost burden rates for renters that occurred between 2009 and 2014 reversed between 2014 and 2016. However, housing cost burden levels continued to be elevated above 2009 levels.

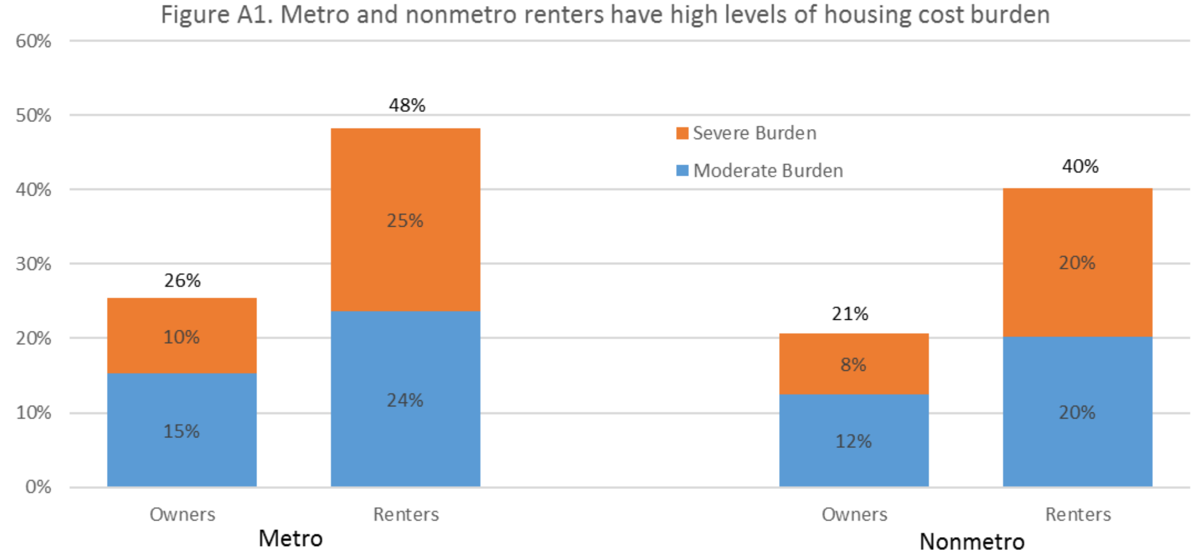
Fewer of the housing cost burden rate increases were statistically significant when looking at changes for individual states for the period between 2009 and 2016 than was the case for the period between 2009 and 2014. As such, it is unclear how much of an increase in housing cost burden has taken place in nonmetro areas on a state-by-state basis over this longer period.

The shift from home ownership to rental continued between 2014 and 2016, such that 29.0 percent of rural households were renters in 2016 (versus 26.0 percent in 2000 and 28.4 percent in 2014). This shift continued to be largest for those households in younger age cohorts (15 to 24, 25 to 34, and 35 to 44), but was also substantial for those 45 to 54 years old and 55 to 59 years old, consistent with trends seen in 2014. This shift resulted in there being approximately 900,000 more renters in 2016 than would have been the case were age-cohort home ownership rates in 2016 consistent with those observed in the year 2000.

The overall trend of median rent increases outpacing increases in median gross incomes continued to hold true over the 2009–16 period. However, the gap between those two growth rates fell from 5.9 percentage points between 2009 and 2014 to 4.3 percentage points between 2009 and 2016, indicating that increases in gross incomes exceeded increases in gross rents between 2014 and 2016.

There were no major differences in the composition of the rural rental housing stock in 2014 and 2016.

Figure A1. Metro and nonmetro renters have high levels of housing cost burden



Source: Author's tabulations of 2012–2016 American Community Survey 5-year Estimates

Table A1. Change in housing cost burden between 2009 and 2016									
	Metro Areas								
	All households			Renters			Owners		
Level of cost burden	2009	2016	Change	2009	2016	Change	2009	2016	Change
Moderate cost burden	20.6%	18.4%	-2.2%***	23.3%	23.6%	0.3%***	19.2%	15.3%	-3.9%***
Severe cost burden	16.2%	15.7%	-0.5%***	24.0%	24.7%	0.6%***	12.2%	10.3%	-1.9%***
Any cost burden	36.9%	34.2%	-2.7%***	47.3%	48.3%	0.9%***	31.4%	25.6%	-5.8%***
	Nonmetro Areas								
	All households			Renters			Owners		
Level of cost burden	2009	2016	Change	2009	2016	Change	2009	2016	Change
Moderate cost burden	16.1%	14.8%	-1.2%***	19.7%	20.4%	0.7%***	14.7%	12.5%	-2.2%***
Severe cost burden	11.9%	11.7%	-0.2%***	19.6%	20.1%	0.5%***	9.1%	8.3%	-0.8%***
Any cost burden	28.0%	26.5%	-1.4%***	39.3%	40.5%	1.2%***	23.8%	20.8%	-2.9%***
*** Statistically significant at the 99% confidence level									
Totals and changes may not recalculate due to rounding.									
Source: Author's tabulations using the 2005-2009 American Community Survey 5-year Estimates, Tables B25070 and B25091; and the 2012-2016 American Community Survey, 5-year Estimates, Tables B25070 and B25091									

Table A2. Percent of renters experiencing housing cost burdens by state and metro/nonmetro status, 2016

	Metro		Nonmetro	
State	**Cost-burdened renter households**	**Percent of all renters**	**Cost-burdened renter households**	**Percent of all renters**
Alabama	202,001	45%	48,095	37%
Alaska	29,028	46%	8,982	33%
Arizona	408,475	46%	11,881	35%
Arkansas	108,140	42%	54,126	40%
California	3,088,388	54%	59,865	52%
Colorado	317,620	49%	36,857	44%
Connecticut	215,385	49%	7,418	43%
Delaware	46,126	46%	n/a	n/a
District of Columbia	75,060	46%	n/a	n/a
Florida	1,356,077	53%	29,787	43%
Georgia	535,350	48%	93,515	43%
Hawaii	84,974	52%	13,504	45%
Idaho	53,251	43%	26,554	42%
Illinois	691,553	47%	59,476	38%
Indiana	295,418	46%	53,549	38%
Iowa	98,337	44%	46,916	35%
Kansas	111,148	43%	41,806	36%
Kentucky	153,287	43%	83,855	40%
Louisiana	236,477	47%	38,552	41%
Maine	47,001	47%	25,448	44%
Maryland	339,782	48%	8,925	49%
Massachusetts	453,957	47%	5,584	45%
Michigan	466,497	48%	70,098	44%
Minnesota	224,826	46%	47,449	40%
Mississippi	77,343	46%	75,852	41%
Missouri	267,777	44%	73,801	40%
Montana	24,141	46%	31,854	39%
Nebraska	74,810	44%	25,958	32%
Nevada	207,510	48%	11,775	37%
New Hampshire	43,875	45%	24,547	44%
New Jersey	577,554	50%	n/a	n/a
New Mexico	81,671	48%	28,519	38%
New York	1,632,294	51%	69,647	45%
North Carolina	486,213	45%	115,830	44%
North Dakota	25,666	40%	13,526	29%
Ohio	582,713	45%	105,680	40%
Oklahoma	143,461	42%	58,560	37%
Oregon	255,732	51%	41,123	45%
Pennsylvania	641,557	46%	57,987	39%
Rhode Island	78,564	47%	n/a	n/a
South Carolina	226,164	45%	34,661	42%
South Dakota	20,100	40%	19,608	34%
Tennessee	308,409	45%	66,678	40%
Texas	1,459,817	45%	111,047	37%
Utah	110,755	44%	10,534	38%
Vermont	13,979	49%	21,756	46%
Virginia	438,027	47%	47,872	40%
Washington	429,687	47%	43,012	46%
West Virginia	54,868	40%	23,871	35%
Wisconsin	272,467	45%	61,880	39%
Wyoming	8,893	39%	16,720	35%
Total	**18,182,205**	**48%**	**2,064,540**	**40%**

Source: Author’s tabulations using the 2012-2016 American Community Survey 5-year Estimates, Table B25070.
n/a Not applicable.

Table AB1. Change in the percent of nonmetro renter households with any housing cost burden				
State	**2009**	**2016**	**Change**	
Alabama	36.7%	38.0%	1.3%	
Alaska	30.2%	32.7%	2.5%	
Arizona	39.0%	40.0%	1.1%	
Arkansas	39.5%	39.8%	0.3%	
California	50.6%	51.8%	1.2%	
Colorado	41.4%	43.7%	2.3%	*
Connecticut	41.9%	45.3%	3.4%	
Delaware	43.1%	42.5%	-0.6%	
District of Columbia	n/a	n/a	n/a	
Florida	44.7%	44.8%	0.2%	
Georgia	40.2%	42.6%	2.3%	*
Hawaii	43.4%	44.7%	1.2%	
Idaho	37.8%	42.3%	4.5%	*
Illinois	40.4%	39.2%	-1.2%	
Indiana	38.2%	37.9%	-0.2%	
Iowa	34.3%	34.6%	0.4%	
Kansas	36.5%	37.6%	1.2%	
Kentucky	38.0%	39.7%	1.8%	**
Louisiana	37.5%	41.6%	4.2%	***
Maine	41.4%	44.2%	2.8%	**
Maryland	41.5%	45.9%	4.4%	**
Massachusetts	43.4%	39.0%	-4.4%	
Michigan	46.9%	44.1%	-2.8%	***
Minnesota	40.3%	40.4%	0.1%	
Mississippi	42.4%	41.3%	-1.1%	
Missouri	37.9%	40.3%	2.4%	***
Montana	36.6%	38.7%	2.1%	*
Nebraska	31.2%	32.5%	1.4%	
Nevada	38.0%	37.0%	-1.0%	
New Hampshire	41.7%	44.4%	2.6%	*
New Jersey	n/a	n/a	n/a	
New Mexico	35.0%	38.5%	3.5%	***
New York	42.8%	44.3%	1.5%	**
North Carolina	41.0%	43.1%	2.1%	***
North Dakota	27.7%	28.8%	1.1%	
Ohio	41.2%	40.3%	-0.9%	
Oklahoma	36.9%	36.6%	-0.3%	
Oregon	43.1%	47.1%	3.9%	***
Pennsylvania	38.1%	40.0%	2.0%	***
Rhode Island	n/a	n/a	n/a	
South Carolina	38.8%	42.9%	4.0%	***
South Dakota	32.5%	34.4%	1.9%	
Tennessee	37.7%	40.3%	2.6%	***
Texas	37.3%	36.5%	-0.8%	
Utah	33.6%	36.6%	3.0%	
Vermont	43.1%	46.4%	3.2%	**
Virginia	36.8%	40.9%	4.0%	***
Washington	44.3%	46.2%	1.9%	*
West Virginia	35.6%	35.5%	-0.1%	
Wisconsin	38.5%	38.5%	-0.1%	
Wyoming	28.9%	34.6%	5.6%	***
All U.S.	39.3%	40.5%	1.2%	***

* Statistically significant at the 90% confidence level
** Statistically significant at the 95% confidence level
*** Statistically significant at the 99% confidence level

Sources: Author’s tabulations using the 2005-2009 American Community Survey 5-year Estimates, Tables B25070 and B25091; and the 2012-2016 American Community Survey 5-year Estimates, Tables B25070 and B25091.
n/a Not applicable.

Table A3. Change in renter households between 2000 and 2016				
	Metro areas		Nonmetro areas	
	Number of renter households	Percent of all households	Number of renter households	Percent of all households
2000	30,789,966	35.5%	4,873,622	26.0%
2016	37,151,245	37.9%	5,683,924	29.0%
Change	6,361,279	2.4%	810,302	3.0%
Source: Author's tabulations using the 2000 Decennial Census, Summary File #3, Table H014; and the 2012-2016 American Community Survey 5-year Estimates, Table B25007				

Table A4. Home ownership rates by age of householder									
	All counties			Metro counties			Nonmetro counties		
Age of householder	2000	2016	Change*	2000	2016	Change*	2000	2016	Change*
15 to 24 years	17%	13%	-4%	15%	11%	-4%	27%	19%	-8%
25 to 34 years	45%	38%	-7%	43%	36%	-7%	57%	47%	-10%
35 to 44 years	66%	58%	-8%	65%	57%	-8%	73%	65%	-8%
45 to 54 years	75%	69%	-6%	74%	68%	-6%	81%	74%	-7%
55 to 59 years	79%	74%	-5%	78%	73%	-5%	84%	79%	-5%
60 to 64 years	80%	77%	-3%	79%	76%	-3%	85%	82%	-3%
65 to 74 years	81%	80%	-1%	80%	79%	-1%	86%	85%	-1%
75 to 84 years	77%	79%	2%	75%	78%	3%	81%	84%	3%
85 years and over	65%	69%	4%	63%	68%	5%	72%	74%	2%
All households	66%	64%	-2%	65%	62%	-3%	74%	71%	-3%
* Change displayed may not recalculate exactly due to rounding.									
Source: Author's tabulations using the 2000 Decennial Census, Summary File #3, Table H014; and the 2012-2016 American Community Survey, 5-year Estimates, Table B25007									

Table A5. Estimated impact of the decline in nonmetro home ownership rates on the number of nonmetro renter households

	Number of renter households, 2016		
Age of householder	Actual	Assuming 2000's home ownership rates	Difference
15 to 24 years	656,696	595,538	61,158
25 to 34 years	1,302,396	1,063,396	239,000
35 to 44 years	1,031,638	792,502	239,136
45 to 54 years	943,266	713,615	229,651
55 to 59 years	431,266	327,277	103,989
60 to 64 years	356,433	292,540	63,893
65 to 74 years	486,828	458,802	28,026
75 to 84 years	293,370	343,476	(50,106)
85 years and over	182,031	194,372	(12,341)
Total	5,683,924	4,781,518	902,406

Source: Author's calculations using the 2000 Decennial Census, Summary File #3, Table H014; and the 2012-2016 American Community Survey 5-year Estimates, Table B25007.

Table A6. Change in median gross rent

	2009	2016[a]	$ Change	% Change
Metro	993.44	1,042.21	48.77	4.9%
Nonmetro	667.31	698.18	30.87	4.6%
Total	947.48	996.56	49.08	5.2%

[a] The following county was excluded from the calculation of the proportional weighted average for 2016 due to the fact that it had no median gross rent reported: Cottle County, TX (FIPS Code 48101).

Source: Author's calculations using the 2005-2009 American Community Survey 5-year Estimates, Table B25064; and the 2012-2016 American Community Survey 5-year Estimates, Table B25064. 2009 figures have been adjusted to 2016 dollars using the CPI-U.

Table A7. Change in the median income of renter households

	2009	2016[a]	$ Change	% Change
Metro	37,753	38,033	280	0.7%
Nonmetro	27,447	27,564	117	0.4%
Total	36,301	36,644	343	0.9%

[a] The following counties were excluded from the calculation of the proportional weighted average for 2016 due to the fact that they had no median gross renter income reported: Webster County, GA (FIPS Code: 13307), Hyde County, NC (37095), Foard County, TX (48155), Loving County, TX (48301), and Terrell County, TX (48443)

Source: Author's calculations using the 2005-2009 American Community Survey 5-year Estimates, Table B25119; and the 2012-2016 American Community Survey 5-year Estimates, Table B25119. 2009 figures have been adjusted to 2016 dollars using the CPI-U.

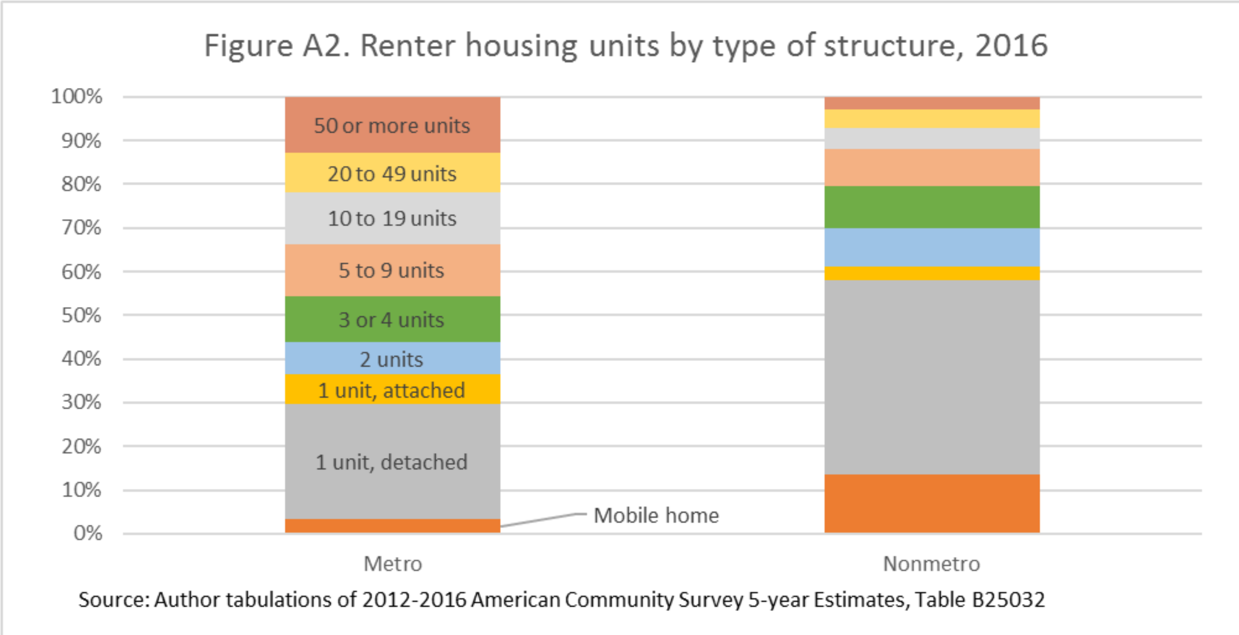


Table A9. Renter housing units by year the structure was built, 2016

	Metro counties		Nonmetro counties	
Year Built	**# of housing units**	**Percent of total**	**# of Housing units**	**Percent of total**
2000 or later	5,723,374	15.2%	635,522	12.4%
1970 to 1999	16,418,065	43.6%	2,400,553	46.7%
1969 or earlier	15,555,113	41.3%	2,102,542	40.9%
Total	37,696,552	100.0%	5,138,617	100.0%

Source: Author's tabulations using the 2012-2016 American Community Survey 5-year Estimates, Table B25036.

Appendix B
Change in Rate of Any Housing Cost Burden for Nonmetro Renter Households, by State

Table B1. Percent of nonmetro renter households with any housing cost burden

State	2009	2014	Change	
Alabama	36.7%	40.5%	3.8%	***
Alaska	30.2%	32.8%	2.5%	
Arizona	39.0%	37.5%	-1.5%	
Arkansas	39.5%	41.3%	1.8%	**
California	50.6%	52.5%	1.9%	*
Colorado	41.4%	44.0%	2.6%	**
Connecticut	41.9%	46.5%	4.5%	**
Delaware	43.1%	44.7%	1.6%	
District of Columbia	n/a	n/a	n/a	
Florida	44.7%	46.9%	2.2%	*
Georgia	40.2%	43.5%	3.3%	***
Hawaii	43.4%	47.2%	3.8%	**
Idaho	37.8%	43.0%	5.2%	***
Illinois	40.4%	40.7%	0.3%	
Indiana	38.2%	39.4%	1.2%	
Iowa	34.3%	35.6%	1.4%	*
Kansas	36.5%	36.4%	-0.1%	
Kentucky	38.0%	41.0%	3.1%	***
Louisiana	37.5%	40.3%	2.9%	***
Maine	41.4%	45.3%	3.9%	***
Maryland	41.5%	44.8%	3.3%	*
Massachusetts	43.4%	36.1%	-7.2%	
Michigan	46.9%	46.9%	0.0%	
Minnesota	40.3%	41.3%	1.0%	
Mississippi	42.4%	42.6%	0.2%	
Missouri	37.9%	41.4%	3.5%	***
Montana	36.6%	39.1%	2.5%	**
Nebraska	31.2%	32.7%	1.6%	
Nevada	38.0%	40.4%	2.3%	
New Hampshire	41.7%	46.4%	4.6%	***
New Jersey	n/a	n/a	n/a	
New Mexico	35.0%	39.6%	4.6%	***
New York	42.8%	44.3%	1.5%	**
North Carolina	41.0%	44.3%	3.3%	***
North Dakota	27.7%	29.6%	1.9%	
Ohio	41.2%	42.4%	1.1%	*
Oklahoma	36.9%	37.2%	0.3%	
Oregon	43.1%	48.3%	5.1%	***
Pennsylvania	38.1%	41.3%	3.3%	***
Rhode Island	n/a	n/a	n/a	
South Carolina	38.8%	44.0%	5.2%	***
South Dakota	32.5%	34.7%	2.2%	
Tennessee	37.7%	41.0%	3.2%	***
Texas	37.3%	37.5%	0.1%	
Utah	33.6%	37.8%	4.2%	**
Vermont	43.1%	46.8%	3.6%	***
Virginia	36.8%	41.8%	5.0%	***
Washington	44.3%	47.3%	3.0%	***
West Virginia	35.6%	36.3%	0.7%	
Wisconsin	38.5%	40.0%	1.5%	**
Wyoming	28.9%	34.8%	5.8%	***
United States, Total	39.3%	41.6%	2.3%	***

* Statistically Significant at the 90% confidence level
** Statistically Significant at the 95% confidence level
*** Statistically Significant at the 99% confidence level
Source: Author's tabulations using the 2005-2009 American Community Survey 5-year Estimates, Table B25070; and the 2010-2014 American Community Survey 5-year Estimates, Table B25070.
n/a Not applicable.

Appendix C
Description of Federal or Government-Sponsored Enterprise Programs Supporting Rural Rental Housing Reviewed for this Paper

USDA Rural Development Programs

Production or Preservation Programs

USDA Section 514/516: Farm Labor Housing

Low interest loans (Section 514) or grants (Section 516) for the construction, improvement, repair, and purchase of housing for domestic farm laborers. Loans are generally for 33 years at 1 percent interest. Section 516 grants may cover up to 90 percent of development cost, with the balance usually covered with a Section 514 loan.

USDA Section 515: Rural Rental Housing

Loans to provide affordable multifamily rental housing for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities. Loans may be used to purchase buildings or land, construct or renovate buildings, and provide necessary facilities such as water and waste disposal systems. Loans are for up to 30 years at an effective 1 percent interest rate and are amortized over 50 years.

USDA Section 533: Housing Preservation Grants

Competitive grants for the repair or rehabilitation of housing occupied by low- and very-low-income people, generally targeted to areas where there is a concentration of need. Those assisted must own very low- or low-income housing, either as homeowners, landlords, or members of a cooperative. Eligible sponsors include state agencies, units of local government, Native American tribes, and nonprofit organizations.

USDA Section 538: Guaranteed Multi-Family Housing Loan

Loan guarantees of up to 90 percent for loans made by private-sector lenders to developers of multifamily rental housing for low- and moderate-income tenants in rural areas. Occupants may have incomes up to 115 percent of area median income.

USDA Multifamily Housing Preservation & Revitalization (MPR)

Restructures loans for existing Section 515 and Off-Farm Labor Housing (Section 514/516) projects to help improve and preserve the availability of safe affordable rental housing for low-income residents. A variety of restructuring tools are available including grants (limited to nonprofit applicants), no interest loans, soft-second loans, and debt deferral.

Rental Assistance Programs

USDA Section 521: Rental Assistance

Provides payments to owners of USDA-financed Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514/516) projects on behalf of low-income tenants unable to pay their full rent. USDA pays the owner the difference between the tenant's contribution (30 percent of adjusted income) and the monthly rental rate, which is calculated based on the owner's project costs.

USDA Section 542: Multifamily Housing Vouchers

Provides a short-term rental voucher to low-income tenants of any property financed through Section 515 where the mortgage is paid off prior to the maturity date in the promissory note. The voucher may be used at that property or any other rental unit in the U.S. that passes RD inspection and where the owner will accept an RD Voucher, with the exception of rental units in subsidized housing like USDA Section 521 Rental Assistance, HUD Section 8, and public housing where two housing subsidies would result.

U.S. Department of Housing and Urban Development (HUD) Programs

Production or Preservation Programs

State Community Development Block Grant (CDBG)

The State CDBG Program is the state-run CDBG program for non-entitlement communities. It provides formula-based grants to states that may be used at their discretion (within program rules). Housing production, preservation, and rental assistance are permitted uses under the program.

HOME Investment Partnership

The HOME Investment Partnership Program (HOME) provides formula grants to states and localities that are used—often in partnership with local nonprofit groups—to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or home ownership, or providing direct rental assistance to low-income people. Local jurisdictions are only eligible for formula allocations if they are metropolitan cities, urban counties, or consortia approved under §92.101. Thus, rural areas primarily access these funds through state allocations.

Rental Assistance Programs

Section 8: Project-based Rental Assistance

Provides rental subsidies for eligible tenant families (including single persons) residing in newly constructed, rehabilitated, and existing rental and cooperative apartment projects. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent: usually 30 percent of adjusted income.

Tenant-based Rental Assistance (Housing Choice Vouchers)

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses, and apartments. Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from HUD to administer the voucher program.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.

Hybrid Production/Preservation and Rental Assistance Programs

Section 202: Supportive Housing for the Elderly

The Section 202 program provides interest-free capital advances to finance the construction, rehabilitation, or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, including the frail elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

The Section 202 program also provides rent subsidies for projects that will serve as supportive housing for very low-income elderly persons, including the frail elderly, to help make them affordable. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for three years and are renewable based on the availability of funds.

Section 811: Supportive Housing for Persons with Disabilities

The Section 811 Program has three components:

Interest-free capital advances to help nonprofit developers finance the development of rental housing with supportive services for persons with disabilities. The capital advance can finance the construction, rehabilitation, or acquisition with or without rehabilitation of supportive housing and does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years.

Project rental assistance contracts for properties developed using Section 811 capital advances. These contracts cover the difference between the HUD-approved operating cost of the project and the amount the residents pay: usually 30 percent of adjusted income. The initial term of the project rental assistance contract is three years and can be renewed if funds are available.

Project rental assistance contracts with state housing agencies. These contract are available for state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies to provide services to the residents of the housing to which the rental assistance is directed. These contracts can be applied to new or existing multifamily housing complexes funded through different sources, such as LIHTC, HOME, and other state, Federal, and local programs.

Public Housing

Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single family houses to high rise apartments.

The Public Housing program has two separate components: the operating fund and the capital fund. The operating fund provides financial assistance to help PHAs make up the shortfall between their operating costs and the amount they are allowed to charge tenants, which is capped as a percentage of a family's adjusted income. The capital fund provides financial assistance to PHAs to carry out certain capital and maintenance activities.

U.S. Treasury Department, Community Development Financial Institutions (CDFI) Fund[70]

Capital Magnet Fund (CMF)

The CMF offers competitively awarded grants to CDFIs and qualified non-profit housing organizations to finance affordable housing activities, as well as related economic development activities and community service facilities. Awardees are able to utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees and are required to produce investments at least ten times the size of the award amount.

New Markets Tax Credit (NMTC) Program

The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. To do so, the CDFI Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs use their authority to offer tax credits to investors in exchange for equity investments. Using the capital from these equity investments, CDEs then make loans and investments to businesses operating in low-income communities on better rates and terms and incorporating more flexible features than market lenders.

Generally, residential rental real estate is not a qualified investment for the purposes of the NMTC program. However, an investment in real property may qualify if less than 80 percent of gross rental revenue comes from residential rents.

U.S. Treasury Department, Internal Revenue Service (IRS)

Low Income Housing Tax Credit (LIHTC) Program

The LIHTC program gives State and local LIHTC-allocating agencies annual budget authority to issue Federal tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. The LIHTC program results in the allocation of tax credits to specific projects that are sold to investors to generate equity capital. The LIHTCs give investors a dollar-for-dollar reduction in their federal tax liability. The present value of the tax credits are equal to either 30 percent (the 4 percent credit) or 70 percent (the 9 percent credit) of the eligible costs of a low-income housing project, depending in part on whether tax-exempt bonds are used to finance the project.

[70] Due to the very small size of the CDFI Fund programs, neither was discussed in the body of the paper.

Appendix D
LIHTC Projects and Units in Nonmetro Counties Compared to the Share of Cost-Burdened Renters Living in Nonmetro Counties: Calculated Using the Geocoding from the HUD LIHTC Database

Table D1. LIHTC projects placed-in-service between 1987 and 2014

State	Percent of the state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (1987-2014)	Percent of LIHTC projects developed in nonmetro counties (1987-2014)	Percentage points by which rural areas are (under) over-represented
Alabama	20%	26%	36%	6.0
Alaska	24%	19%	21%	(4.6)
Arizona	3%	7%	12%	4.4
Arkansas	34%	27%	45%	(7.1)
California	2%	2%	4%	0.3
Colorado	11%	10%	17%	(0.9)
Connecticut	3%	3%	3%	(0.3)
Delaware	0%	0%	0%	-
District of Columbia	0%	0%	0%	-
Florida	2%	3%	7%	0.3
Georgia	15%	12%	25%	(2.9)
Hawaii	14%	8%	15%	(6.7)
Idaho	33%	31%	36%	(2.3)
Illinois	8%	10%	21%	2.1
Indiana	16%	14%	21%	(1.2)
Iowa	33%	26%	36%	(7.1)
Kansas	27%	24%	41%	(3.8)
Kentucky	36%	23%	28%	(13.4)
Louisiana	14%	13%	20%	(0.8)
Maine	35%	19%	25%	(15.6)
Maryland	2%	5%	8%	2.0
Massachusetts	1%	1%	1%	(0.2)
Michigan	14%	18%	26%	4.5
Minnesota	18%	15%	25%	(2.8)
Mississippi	50%	34%	41%	(15.8)

Table D1. LIHTC projects placed-in-service between 1987 and 2014 *(continued)*

State	Percent of the state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (1987-2014)	Percent of LIHTC projects developed in nonmetro counties (1987-2014)	Percentage points by which rural areas are (under) over-represented
Missouri	22%	16%	18%	(5.6)
Montana	57%	52%	58%	(5.6)
Nebraska	26%	25%	38%	(1.7)
Nevada	6%	5%	17%	(0.6)
New Hampshire	37%	39%	47%	2.7
New Jersey	0%	0%	0%	-
New Mexico	26%	17%	30%	(8.4)
New York	4%	3%	5%	(1.5)
North Carolina	20%	20%	25%	0.1
North Dakota	35%	30%	31%	(4.4)
Ohio	16%	15%	22%	(1.0)
Oklahoma	29%	36%	47%	6.4
Oregon	14%	14%	20%	(0.5)
Pennsylvania	8%	9%	9%	0.3
Rhode Island	0%	0%	0%	-
South Carolina	14%	16%	22%	2.4
South Dakota	50%	29%	36%	(21.2)
Tennessee	18%	13%	19%	(4.2)
Texas	7%	8%	19%	0.3
Utah	8%	11%	20%	2.8
Vermont	61%	52%	59%	(9.4)
Virginia	10%	8%	17%	(2.1)
Washington	9%	7%	14%	(1.7)
West Virginia	31%	22%	24%	(9.5)
Wisconsin	19%	20%	27%	1.4
Wyoming	66%	57%	67%	(8.3)
United States, Total	**10%**	**11%**	**19%**	**0.3**

Table D2. LIHTC projects placed-in-service between 2010 and 2014

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (2010-2014)	Percent of LIHTC projects developed in nonmetro counties (2010-2014)	Percentage points by which rural areas are (under) over-represented
Alabama	20%	26%	28%	6.0
Alaska	24%	31%	21%	7.6
Arizona	3%	2%	3%	(0.3)
Arkansas	34%	31%	38%	(3.8)
California	2%	2%	3%	0.2
Colorado	11%	6%	10%	(5.2)
Connecticut	3%	0%	0%	(3.3)
Delaware	0%	0%	0%	-
District of Columbia	0%	0%	0%	-
Florida	2%	2%	5%	0.2
Georgia	15%	17%	26%	1.9
Hawaii	14%	6%	14%	(7.8)
Idaho	33%	33%	38%	(0.2)
Illinois	8%	11%	17%	3.2
Indiana	16%	11%	14%	(4.8)
Iowa	33%	15%	21%	(18.0)
Kansas	27%	45%	55%	17.1
Kentucky	36%	35%	41%	(1.2)
Louisiana	14%	8%	15%	(5.3)
Maine	35%	27%	28%	(8.2)
Maryland	2%	5%	6%	2.8
Massachusetts	1%	1%	1%	(0.5)
Michigan	14%	16%	25%	2.2
Minnesota	18%	9%	17%	(8.7)
Mississippi	50%	43%	54%	(6.6)

Table D2. LIHTC projects placed-in-service between 2010 and 2014 *(continued)*

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (2010-2014)	Percent of LIHTC projects developed in nonmetro counties (2010-2014)	Percentage points by which rural areas are (under) over-represented
Missouri	22%	19%	24%	(2.1)
Montana	57%	36%	45%	(21.1)
Nebraska	26%	16%	28%	(10.3)
Nevada	6%	7%	12%	1.2
New Hampshire	37%	68%	68%	31.3
New Jersey	0%	0%	0%	-
New Mexico	26%	0%	0%	(25.8)
New York	4%	2%	5%	(2.7)
North Carolina	20%	24%	30%	4.0
North Dakota	35%	74%	72%	39.7
Ohio	16%	19%	24%	3.0
Oklahoma	29%	52%	59%	23.1
Oregon	14%	20%	27%	6.0
Pennsylvania	8%	8%	12%	(0.0)
Rhode Island	0%	0%	0%	-
South Carolina	14%	12%	17%	(1.2)
South Dakota	50%	32%	36%	(18.2)
Tennessee	18%	24%	34%	6.6
Texas	7%	9%	16%	1.2
Utah	8%	17%	28%	8.8
Vermont	61%	42%	51%	(18.7)
Virginia	10%	11%	18%	0.5
Washington	9%	6%	13%	(3.2)
West Virginia	31%	20%	23%	(11.1)
Wisconsin	19%	16%	15%	(2.9)
Wyoming	66%	55%	70%	(10.3)
United States, Total	**10%**	**10%**	**17%**	**(0.3)**

Appendix E
LIHTC Projects and Units in Nonmetro Counties Compared to the Share of Cost-Burdened Renters Living in Nonmetro Counties: Metro/Nonmetro Geocoding Performed Using County-level, rather than Tract-level, FIPS Codes

Table E1. LIHTC projects placed-in-service between 1987 and 2014

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (1987-2014)	Percent of LIHTC projects developed in nonmetro counties (1987-2014)	Percentage points by which rural areas are (under) over-represented
Alabama	20%	28%	40%	8.3
Alaska	24%	28%	40%	4.8
Arizona	3%	9%	17%	6.6
Arkansas	34%	29%	48%	(5.3)
California	2%	2%	4%	0.4
Colorado	11%	11%	19%	0.4
Connecticut	3%	3%	3%	(0.3)
Delaware	0%	0%	0%	-
District of Columbia	0%	0%	0%	-
Florida	2%	3%	7%	0.4
Georgia	15%	13%	27%	(1.7)
Hawaii	14%	17%	26%	2.4
Idaho	33%	34%	42%	0.4
Illinois	8%	11%	22%	2.7
Indiana	16%	15%	23%	(0.2)
Iowa	33%	26%	37%	(6.8)
Kansas	27%	26%	43%	(1.9)
Kentucky	36%	28%	36%	(7.7)
Louisiana	14%	15%	24%	1.2
Maine	35%	31%	42%	(4.0)
Maryland	2%	5%	10%	2.8
Massachusetts	1%	1%	2%	(0.2)
Michigan	14%	19%	27%	4.9
Minnesota	18%	18%	29%	0.0
Mississippi	50%	41%	51%	(8.9)

Table E1. LIHTC projects placed-in-service between 1987 and 2014 *(continued)*

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (1987-2014)	Percent of LIHTC projects developed in nonmetro counties (1987-2014)	Percentage points by which rural areas are (under) over-represented
Missouri	22%	18%	22%	(3.7)
Montana	57%	61%	71%	3.2
Nebraska	26%	26%	40%	(0.0)
Nevada	6%	6%	21%	0.6
New Hampshire	37%	42%	51%	4.9
New Jersey	0%	0%	0%	-
New Mexico	26%	19%	34%	(7.2)
New York	4%	3%	5%	(1.4)
North Carolina	20%	23%	29%	3.4
North Dakota	35%	35%	37%	0.6
Ohio	16%	16%	24%	0.0
Oklahoma	29%	40%	54%	10.4
Oregon	14%	14%	21%	(0.1)
Pennsylvania	8%	10%	10%	1.6
Rhode Island	0%	0%	0%	-
South Carolina	14%	17%	24%	4.0
South Dakota	50%	36%	46%	(13.9)
Tennessee	18%	16%	23%	(2.0)
Texas	7%	8%	21%	1.1
Utah	8%	12%	24%	3.5
Vermont	61%	55%	64%	(6.0)
Virginia	10%	9%	18%	(1.5)
Washington	9%	8%	15%	(1.0)
West Virginia	31%	27%	33%	(4.1)
Wisconsin	19%	22%	30%	2.9
Wyoming	66%	58%	69%	(7.6)
United States, Total	**10%**	**12%**	**22%**	**1.6**

Table E2. LIHTC projects placed-in-service between 2010 and 2014

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (2010-2014)	Percent of LIHTC projects developed in nonmetro counties (2010-2014)	Percentage points by which rural areas are (under) over-represented
Alabama	20%	27%	30%	7.3
Alaska	24%	35%	29%	11.5
Arizona	3%	5%	8%	2.4
Arkansas	34%	33%	42%	(1.1)
California	2%	2%	3%	0.2
Colorado	11%	9%	14%	(1.8)
Connecticut	3%	0%	0%	(3.3)
Delaware	0%	0%	0%	-
District of Columbia	0%	0%	0%	-
Florida	2%	2%	5%	0.2
Georgia	15%	21%	32%	6.1
Hawaii	14%	21%	23%	6.5
Idaho	33%	37%	43%	3.5
Illinois	8%	13%	19%	4.5
Indiana	16%	11%	15%	(4.8)
Iowa	33%	15%	21%	(18.0)
Kansas	27%	46%	56%	18.9
Kentucky	36%	41%	49%	4.8
Louisiana	14%	9%	17%	(4.2)
Maine	35%	27%	28%	(8.2)
Maryland	2%	6%	8%	3.4
Massachusetts	1%	1%	1%	(0.5)
Michigan	14%	17%	26%	3.3
Minnesota	18%	13%	22%	(5.1)
Mississippi	50%	47%	60%	(3.0)

Table E2. LIHTC projects placed-in-service between 2010 and 2014 *(continued)*

State	Percent of state's cost-burdened renters that live in nonmetro counties	Percent of LIHTC low-income units developed in nonmetro counties (2010-2014)	Percent of LIHTC projects developed in nonmetro counties (2010-2014)	Percentage points by which rural areas are (under) over-represented
Missouri	22%	21%	26%	(0.6)
Montana	57%	53%	62%	(4.3)
Nebraska	26%	17%	30%	(9.3)
Nevada	6%	9%	18%	3.1
New Hampshire	37%	68%	68%	31.3
New Jersey	0%	0%	0%	-
New Mexico	26%	0%	0%	(25.8)
New York	4%	2%	5%	(2.7)
North Carolina	20%	26%	33%	6.4
North Dakota	35%	74%	72%	39.7
Ohio	16%	19%	25%	3.3
Oklahoma	29%	54%	62%	25.2
Oregon	14%	20%	27%	6.0
Pennsylvania	8%	9%	13%	0.9
Rhode Island	0%	0%	0%	-
South Carolina	14%	13%	18%	(0.4)
South Dakota	50%	32%	36%	(18.2)
Tennessee	18%	28%	39%	10.0
Texas	7%	10%	18%	2.2
Utah	8%	18%	31%	9.7
Vermont	61%	45%	55%	(15.8)
Virginia	10%	12%	20%	1.7
Washington	9%	6%	14%	(2.8)
West Virginia	31%	23%	27%	(8.6)
Wisconsin	19%	16%	17%	(2.4)
Wyoming	66%	55%	70%	(10.3)
United States, Total	**10%**	**11%**	**19%**	**0.8**

Appendix F

Figure F1. (Under-) and over-representation of rural areas in state LIHTC allocations, metro/nonmetro indicator from HUD LIHTC database, projects placed-in-service between 1987 and 2014

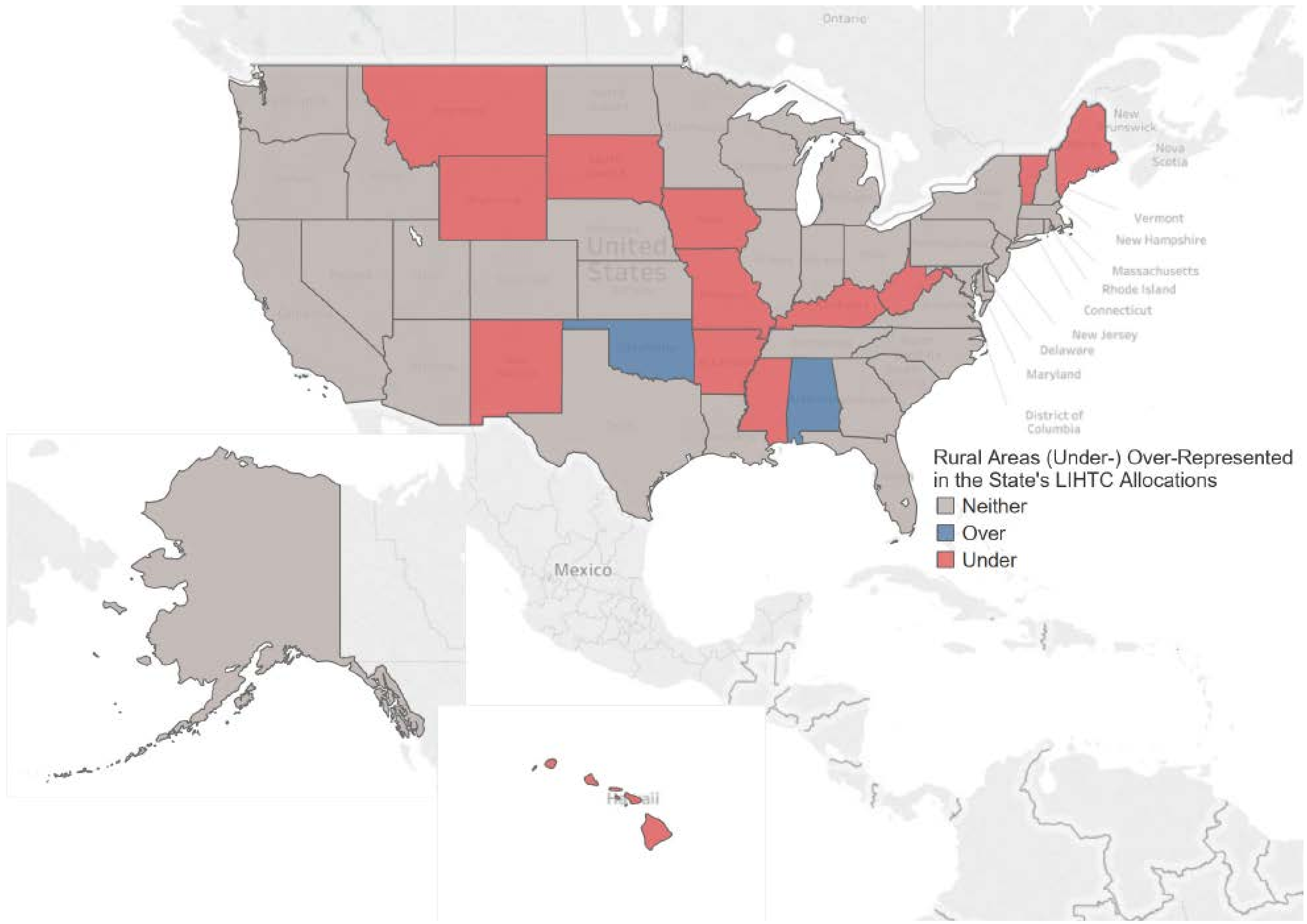


Figure F2. (Under-) and over-representation of rural areas in state LIHTC allocations, metro/nonmetro indicator from HUD LIHTC Database, projects placed-in-service between 2010 and 2014

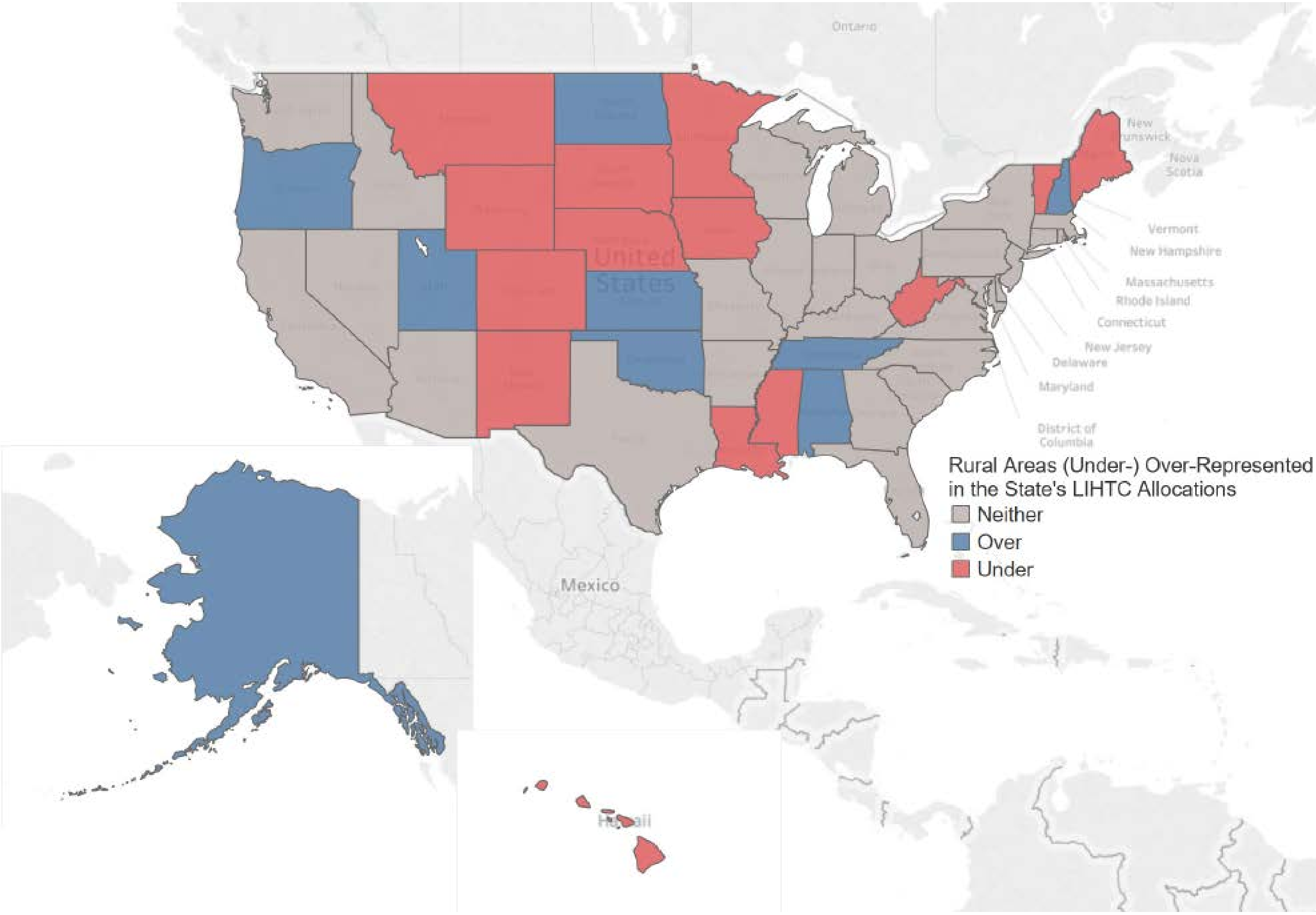


Figure F3. (Under-) and over-representation of rural areas in state LIHTC allocations, metro/nonmetro indicator assigned based on projects' county-level FIPS code, projects placed-in-service between 1987 and 2014

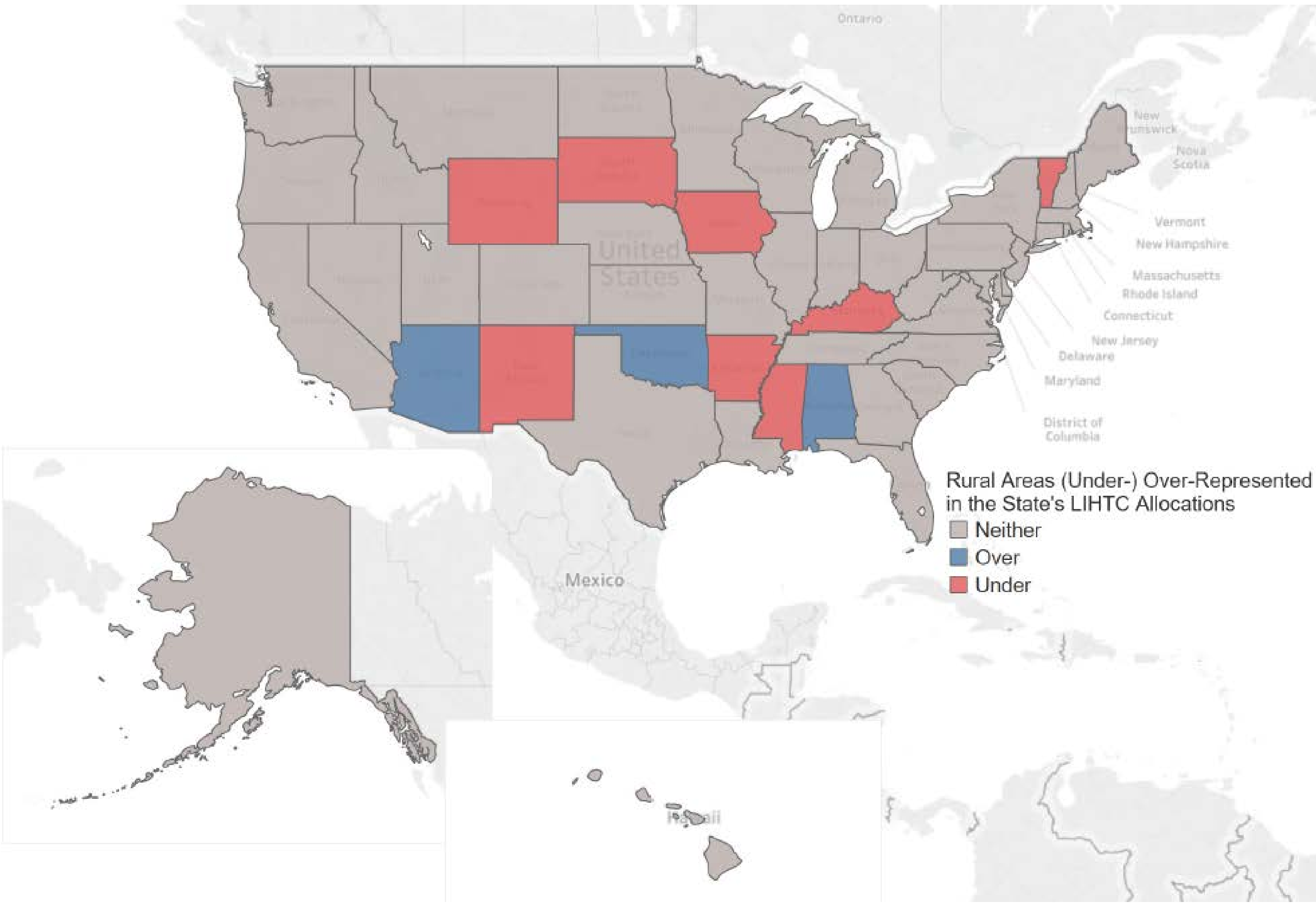
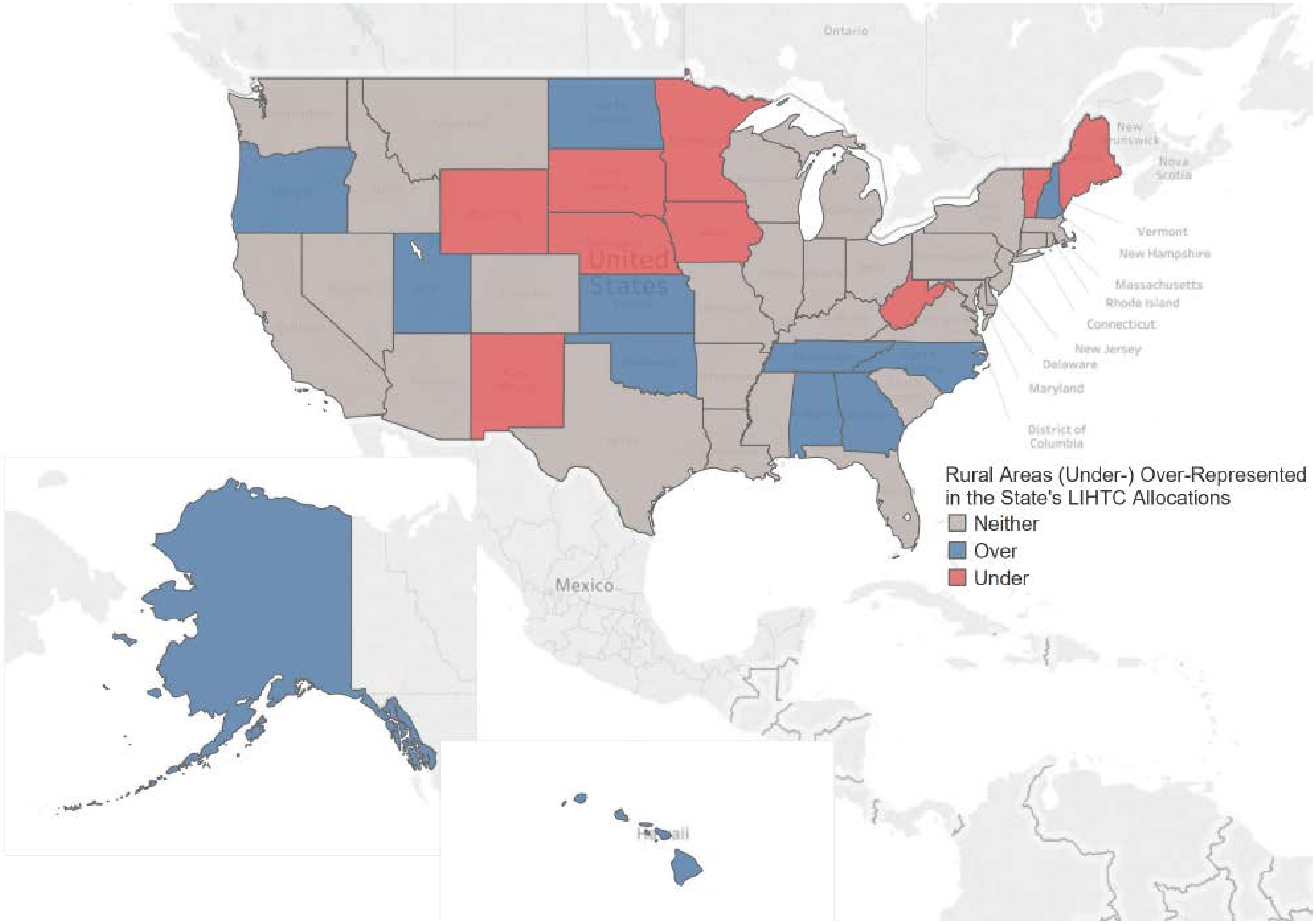


Figure F4. (Under-) and over-representation of rural areas in state LIHTC allocations, metro/nonmetro indicator assigned based on projects' county-level FIPS code, projects placed-in-service between 2010 and 2014



Appendix G
Summary of Provisions in State Qualified Allocation Plans that Could Advantage Projects Located in Rural Areas

State	**QAP year**	**Type of provision**	**Rural-supportive QAP provisions**
Alabama	2016	Geographic allocation of tax credits	The QAP's provision of only allocating credits to one project per county in any given year is meant to achieve an even distribution between urban, suburban, and rural communities. • The highest scoring project will be awarded *per county* until all funds have been allocated.
Alaska	2016	Scoring points	Project Location • Projects located in an area qualifying as a small community are awarded 20 points. • Small community is defined as a community with a population of 6,500 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 1,600 or less that is connected by road or rail to Anchorage or Fairbanks and at least 50 statute miles outside of Anchorage or 25 miles outside of Fairbanks.
		Scoring points	Underwriting: Pro Forma Analysis: Remote Community Provision • In projects not connected by road or rail to Anchorage of Fairbanks, where the location also meets the small community definition, the percentage of development costs supported by hard debt will be scored using half of the target percentages applied to other areas. This provision makes a project eligible for up to 24 points.
		Scoring points	Project Leveraging • Up to ten points are awarded to projects based on the net percentage of GOAL program funds to the Project Cost Standard. • The QAP has different Project Cost Standards for High Cost and Intermediate Cost Areas, which are defined based on measures of remoteness and rurality.
		Scoring points	Location Trends • Points are awarded based on the average growth rates over the most recent three-year period. This factor differs depending on the size of the community.
Arizona	2016	Set-aside	Balance of State Areas • Two projects located in BOS Areas, each one located in a different Council of Governments (COG) Area. • COG Areas are defined as the group of counties included in each of the regional planning districts outside Maricopa and Pima counties that are served by a council of governments.

State	QAP year	Type of provision	Rural-supportive QAP provisions
			• Balance of State (BOS) Area means an area outside of Maricopa County and Pima County or on Tribal Land.
Arizona *(continued)*	2016	Set-aside	Tribal • Up to the Maximum Reservation per Project may be used for more than one project located on Tribal Land, with a preference for veterans.
		Scoring points	Rural Area Project • Fifteen points may be awarded to projects located in rural areas, defined as an area: (i) outside of Maricopa County and Pima County; (ii) on Tribal Land; or (iii) the Town of Guadalupe as designated under 42 U.S.C. Section 1490.
		Scoring points	Service Enriched Location • This factor awards up to 17½ points to projects that have certain amenities within a specified distance. • Projects in BOS Areas qualify for these points at a greater distance.
		Scoring points	Transit Oriented Design • Projects in BOS Areas are awarded five points if they provide door-to-door transportation service at no cost to residents. • Projects located in a certain proximity to a Frequent Bus Transit System (FBTS) are awarded 15 points. The definition of FBTS is different for BOS Areas than it is for metro areas.
		Scoring points	Targeting Low Income Levels • This provision awards points based on the percentage of residents that the project commits to serving that are below certain area median gross income (AMGI) limits. • BOS Areas have lower percentage thresholds than urban areas.
		Scoring points	Local Government Contribution • Projects can receive five points for a local government contribution of new funding towards the development budget. The funding must be above a certain percentage of the overall construction cost in order for the points to be awarded. • The percentage thresholds are lower for jurisdictions with smaller populations.

<table>
<tr><th>State</th><th>QAP year</th><th>Type of provision</th><th>Rural-supportive QAP provisions</th></tr>
<tr><td rowspan="4">Arizona
(continued)</td><td rowspan="4">2016</td><td>Maximum fee limits</td><td>Developer fee limits differ based on project size.
17% for projects with 1-30 units;
15% for projects with 31-60 units; and
14% for projects with 61+ units.</td></tr>
<tr><td>Maximum fee limits</td><td>Builder profits, overhead, and general requirement limits differ based on project size.
<table>
<tr><th></th><th colspan="5">Percent of costs</th></tr>
<tr><th>Project size in units</th><th>1 - 15</th><th>16 - 30</th><th>31 - 45</th><th>46 - 60</th><th>61+</th></tr>
<tr><td>Builder’s profit</td><td>6.00</td><td>5.75</td><td>5.50</td><td>5.25</td><td>5.00</td></tr>
<tr><td>Builder’s overhead</td><td>3.00</td><td>2.75</td><td>2.50</td><td>2.25</td><td>2.00</td></tr>
<tr><td>General requirements</td><td>6.00</td><td>5.75</td><td>5.50</td><td>5.25</td><td>5.00</td></tr>
<tr><td>Total max. percentage</td><td>15.00</td><td>14.25</td><td>13.50</td><td>12.75</td><td>12.00</td></tr>
</table></td></tr>
<tr><td>Maximum fee limits</td><td>Architectural and engineering fee limits differ depending on project size.
$9,000 per unit for projects with 1-30 units;
$8,000 per unit for projects with 31-60 units; and
$7,000 per unit for projects with 61+ units.</td></tr>
<tr><td>Equity pricing assumptions</td><td>For underwriting purposes, the housing finance agency uses two separate assumptions regarding tax credit equity pricing: one for Maricopa and Pima Counties, and one for BOS Areas.</td></tr>
<tr><td>Arkansas</td><td>2015-2016</td><td>Basis boost</td><td>USDA Rural Development Basis Boost
Developments funded in part by USDA Rural Development are eligible for a 30% basis boost.</td></tr>
<tr><td>California</td><td>2016</td><td>Set-aside</td><td>Rural 20%
A Rural Area is defined in H&S Code Section 50199.21 as an area which satisfies any of the following criteria:
The area is eligible for financing under the Section 515 program, or successor program, of USDA RD;
The area is located in a nonmetropolitan area; or
The area is either (1) an incorporated city having a population of 40,000 or less, or (2) an unincorporated area which adjoins a city having a population of 40,000 or less, provided that the city and its adjoining unincorporated area are not located within a census tract designated as an urbanized area by the US Census.
All projects located in eligible census tracts defined by this section must compete in the rural set-aside and will not be eligible to compete in other set-asides or in the geographic areas unless the Geographic Region in which they are located has had no other Eligible Projects for reservation within the current calendar year. In such cases the rural project may receive a reservation in the last round for the</td></tr>
</table>

State	QAP year	Type of provision	Rural-supportive QAP provisions
			year from the geographic region in which it is located, if any. • In each reservation cycle, 14% of the rural set-aside shall be available for new construction projects which have a funding commitment from RHS of at least $1,000,000 from either RHS's Section 514 or 515 programs, or a reservation from a Participating Jurisdiction or the State of California of at least $1,000,000 in HOME funding.
California *(continued)*	2016	Set-aside	Tribal $1,000,000 • One million dollars in annual federal credits shall be available during the first round and, if any credits remain, in the second round for applications proposing projects on land to be owned by a Tribe, whether the land is owned in fee or in trust, provided that if the land is off reservation occupancy will be legally limited to tribal households.
		Geographic allocation of tax credits	The state apportions a certain percentage of credits to specific sets of geographies after deducting the set-asides. One of those geographies is largely rural (the Central Valley Region).
		Scoring points	Site Amenities • Projects are awarded up to three points for proximity to public parks, book lending public libraries, grocery stores, public schools (for family-serving projects), and senior centers (for senior-serving projects). • Projects in rural areas are eligible for the points at greater distances from the relevant amenity than projects in other areas.
		Scoring points	High Speed Internet Service • Projects that provide high-speed internet service to each unit free of charge are awarded points. • Projects in rural areas are eligible for three points rather than the two available for projects in other areas.
		Scoring points	Resident Services • Projects are eligible for up to ten points for providing a variety of services on-site. Projects may be awarded these points for entering into agreements with off-site service providers. • The maximum distance from the property that such service providers may be located is greater for rural areas than for other areas.

State	QAP year	Type of provision	Rural-supportive QAP provisions
California *(continued)*	2016	Scoring points	Additional Income Category • Projects are awarded up to 52 points for committing to serve the lowest income populations. • Projects competing for the rural set-aside are eligible for points when serving populations up to 55% of area median income, instead of the cap of 50% applied to projects in other areas.
Colorado	2016	Scoring points	Small Projects • Projects of 50 or fewer units are awarded five points.
		Maximum fee limits	The maximum builder and developer fees allowable for a project, as a percentage of the total of certain defined buckets of costs, are larger for smaller projects than larger ones.
Connecticut	2016	None	No provisions were identified that were supportive of projects in rural areas specifically.
Delaware	2016	Scoring points	Rural Development-USDA/Other Federal Rental Subsidy • Three points will be awarded to developments that are in rural areas designated by the USDA Rural Development and have received an award of new USDA rental subsidy.
		Scoring points	Access to Services • Projects are awarded up to seven points for being located within a certain distance from specific amenities, including supermarkets, public schools (for family sites), libraries, parks, etc. • The maximum allowable distance is greater for projects in rural areas than it is in other areas.
Florida	2016	Set-aside	Small County Allocation Authority 3.4% • Defined as counties with a population of less than 75,000.
		Scoring points	Rural Development Point Boost • An application that involves property that is currently assisted with RD 515 funding will qualify to receive a three point boost toward its proximity score if the applicant (i) selects RD 515 and (ii) demonstrates RD 515 funding.
		Scoring points	Proximity to Services (Transit and Community) • Projects are awarded up to 18 points for being located within a certain distance from transit or specific community services, including grocery stores, public schools (for family sites), a medical facility, and a pharmacy. • The distances from the related services are adjusted for the county size (small, medium, large), so a development in a

State	QAP year	Type of provision	Rural-supportive QAP provisions
			rural area can be further away from the services and receive the same level of points awarded.
Florida *(continued)*	2016	Scoring points	Local Government Contributions • Projects that provide evidence of a Local Government grant, loan, fee waiver and/or fee deferral whose dollar value is over a certain threshold are eligible for up to five points. • The minimum local government contribution required to achieve the maximum points differs depending on the county.
Georgia	2016	Set-aside	Rural Pool 35% • Thirty-five percent of the available 9% Credits will be awarded to projects proposing sites in rural areas. • If slightly less than 35 percent of available credits have been awarded to projects in the Rural Pool after initial review, the next highest scoring project in the pool will be selected to ensure that no less than 35 percent of 9% Credits are awarded to projects serving rural areas. • Projects eligible for the Rural Pool are only eligible to compete in the Rural Pool and only compete against other projects in the Rural Pool.
		Basis boost	Multifamily Rural projects without HOME as a source are eligible to apply for a 30% basis boost.
		Scoring points	Rural Priority • Applications in the Rural Pool proposing completely new construction projects consisting of 80 or fewer total units are eligible for two points.
Hawaii	2016-2017	None	No provisions were identified that were supportive of projects in rural areas specifically.
Idaho	2016	Set-aside	USDA Rural Development 10% • Ten percent of the annual per capita tax credit will be set-aside for developments financed and/or guaranteed by USDA Rural Development funds.
		Scoring points	Proximity of Certain Amenities • Projects located within a stated distance from specific goods, services, or a major employer are awarded up to nine points. • Projects located in rural communities (defined as communities that qualify for USDA RD programs) are eligible for these points at twice the distance than projects located in urban communities.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Illinois	2016-2017	Set-aside	Non-metro 20% • Consists of all other areas of the state not included in the City of Chicago, Affordable Housing Planning and Appeal Act (AHPAA) subject areas, Chicago Metro non-AHPAA areas, or Other Metro set-asides.
		Scoring points	Cost Containment • Projects can earn four points for achieving the lowest hard construction costs in their set-aside category. • These points are awarded for cost containment relative to other non-metro projects, and therefore recognizes the difference in cost structures for rural versus urban projects.
		Scoring points	Neighborhood Assets • Projects with sites that have desirable neighborhood characteristics and amenities located in a defined proximity radius can earn up to five points. • The proximity radius is adjusted for the different set-aside categories, and therefore rural areas aren't expected to have the same relative proximity to such amenities as urban projects.
Indiana	2016-2017	Set-aside	Rural 10% • Rural Areas for purposes of this set-aside are defined as those locations meeting one or more of the following: o The Development is located within the corporate limits of a City or Town with a population of 14,999 or less; or o The Development is located in an unincorporated area of a county that does not contain a City or Town that meets the definition of Large City or Small City as set forth in the QAP; or o The Development is located in an unincorporated area of a county whereas; ▪ The Development is outside the 2-mile jurisdiction of either a Large City or Small City as defined in the QAP; and ▪ The Development does not have access to public water or public sewer from either the Large City or Small City as defined in the QAP.
		Scoring points	Off Site Improvement, Amenity, and Facility Investment • Six points are awarded if an investment of resources is provided that will result in off-site infrastructure improvements within a ¼ mile of the project site, and/or the development of parks, green space and shared amenities, recreational facilities and improvements within a ¼ mile of the proposed project site that will serve the tenant base for the subject project.

State	QAP year	Type of provision	Rural-supportive QAP provisions
			• To qualify for these points, a minimum level of investment is required. This minimum level is lower for projects in rural areas than it is for those in other areas.
Indiana *(continued)*	2016-2017	Scoring points	Desirable Sites: Transit Oriented Development • Projects are awarded two points if they are located within a 10 minute walk (or ½ mile) of fixed transit infrastructure. • Projects in small cities or rural areas may also qualify for these points if they can show documentation of an established public rural or point to point transit service that provides pick up service to within a ¼ mile of the site.
Iowa	2016	Set-aside	Rural Areas 15% • Available for projects located in a Non-MSA city or county.
		Basis boost	Special Considerations for Projects Located in a Non-MSA City or County • Projects in a Non-MSA city or county may be designated as requiring a 15% increase in Eligible Basis in order for such projects to be financially feasible.
Kansas	2016	Scoring points	Property Location • Properties located in a county with a population of 60,000 or less may be awarded 10 points.
		Scoring points	Priority Housing Needs • Developments that address one or more priority housing need as identified in the QAP receive 15 points for each priority that they address. • There is one rural-related priority, which is: o Any development in a community with a population of less than 10,000.
Kentucky	2016	Set-aside	Competitive Rural Pool $3,000,000 (≈30%) • $1,500,000 – New Construction • $750,000 – Existing/Acquisition & Rehabilitation • $750,000 – Rural Development • Projects are eligible to compete in this pool if they are located in areas defined as rural by USDA Rural Development.
		Set-aside	Community Impact Pool: Rural Portion $350,000 (≈3.5%) • These set-asides are for developments with significant community impact through the preservation of existing affordable housing or through the creation of new affordable housing units.

State	QAP year	Type of provision	Rural-supportive QAP provisions
			• To be eligible to apply in the Community Impact Pool, the mayor or county judge executive (or equivalent) of the jurisdiction where the project is located must provide a letter detailing the need for the project and address the benefit the project will bring to the community.
Kentucky *(continued)*	2016	Housing tax credit limit adjustments	Rural Areas • The Housing Credit allocation for projects located in rural areas is limited to $13,500 per Housing Credit unit (rather than the $12,000 for urban areas), except for those located in certain areas.
		Scoring points (from 2017-2018 QAP)	Rural Existing Supply/Preservation Projects: USDA Priority • After applications are submitted, the Kentucky USDA Rural Development office is asked to prioritize their top three preferences for LIHTC funding. Each of RD's top three projects is awarded four points.
		Scoring points (from 2017-2018 QAP)	Project-Based Rental Assistance (Rural only) • Projects with existing, or a secured commitment for, project-based rental assistance receive one point for each 10% of units covered, up to 10 points. This is higher than the maximum of five points for at-risk federal assistance for urban projects.
		Scoring points (from 2017-2018 QAP)	Significant Share of Affordable Units in Primary Market Area (Rural only) • Developments that account for at least 30 percent of the total available income-restricted housing for the same target population and unit size in the PMA upon completion receive four points; those that account for 20 - 29.99 percent receive three points.
		Scoring points (from 2017-2018 QAP)	Other Local Material Support • Projects with material support from other local stakeholders such as public housing authorities, philanthropic organizations, boards of education, churches, private companies or individuals, etc. receive three points for each source of support, up to a maximum of 12 points. • Rural areas must have support from each source that is greater than or equal to $5,000, whereas the threshold for urban areas is $10,000.
		Scoring points (from 2017-2018 QAP)	Proximity to Amenities (All projects) • Projects are awarded up to six points for being within certain distances from a variety of amenities.

State	QAP year	Type of provision	Rural-supportive QAP provisions
			• Rural projects are eligible at up to three miles from the project site, while urban projects are only eligible when within one mile.
Kentucky *(continued)*	2016	Scoring points (from 2017-2018 QAP)	Walkable Proximity to Amenities (New Construction and Community Impact pools) • Projects are awarded up to six points for being within certain distances from a variety of amenities. • Rural projects are eligible at up to one mile from the project site, while urban projects are eligible when within ½ of a mile.
Louisiana	2016	Scoring points	Rural Area Project • Projects located in Rural Areas are awarded ten points. • Rural Area is defined as any area outside the corporate limits of the following Louisiana cities: New Orleans, Baton Rouge, Shreveport, Lafayette, Lake Charles, Kenner, Bossier City, Monroe, Alexandria, and Houma.
Maine	2015-2016	Scoring points	Native American Tribal Lands • Projects located on Native American tribal lands are awarded five points.
Maryland	2016	Scoring points	Direct Leveraging • Three to ten points are awarded based on the percentage of total development costs funded by non-state resources. • Leveraging points for rural projects are awarded for lower levels of leverage as a percent of total development costs than is the case for projects in other areas.
		Scoring points	Defined Planning Areas: Rural Areas • Projects will be awarded eight points if they are located in a rural area, defined as any area eligible under the USDA RD programs, or any area in Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, or Worcester Counties that are not otherwise CDBG entitlement communities or HOME Participating Jurisdictions.
		Scoring points	Transit Oriented Development • Projects are awarded up to eight points based on their proximity to various transit options. • Projects located in rural areas are eligible for the maximum points at distances up to one mile, whereas projects in other locations are eligible for the maximum points at ½ a mile.
Massachusetts	2016	None	No provisions were identified that were supportive of projects in rural areas specifically.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Michigan	2015-2016	Set-aside	Rural Housing 10% • Proposed or existing housing projects that fall into one or more of the following categories: o Financed by a loan guaranteed by Rural Housing Services or a successor agency; o Funded by a federal program for the development of rural housing; or o Is located in an area other than a metropolitan area.
		Basis boost	Rural Set-aside Projects • Rural set-aside projects not already eligible for a basis boost by virtue of their location in a Qualified Census Tract or Difficult Development Area will be awarded a 30% basis boost.
		Scoring points	Native American Housing • A project that contains all of the following characteristics will be awarded five points. o The proposed project is sponsored by a federally recognized tribe and within the jurisdiction and/or service area of that tribe or its Tribally Designated Housing Entity (TDHE). o NAHASDA or other tribal funding is being leveraged within the proposed project to help finance the development costs and/or provide an ongoing operating subsidy. o The project can show that it has high need in the area in which it is being proposed by providing a demonstrated waiting list for prospective tenants that is equal to at least 12 months long.
		Scoring points	RHS Section 515 Developments • Projects that involve the rehabilitation of an existing RHS 515 property will receive five points.
Minnesota	2016	Set-aside	Rural Development/Small Project25% of Greater MN pool • Projects financed by Rural Development or small projects with a site located in a RD service area consisting of twelve or fewer units receive a special set-aside administered by MN Housing until the end of Round 2, or until it is determined that there are no eligible applications for the set-aside. • Twenty-five percent, not to exceed $300,000, of the Greater Minnesota tax credit total.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Minnesota *(continued)*	2016	Threshold criteria	Rural Development • Projects financed by USDA Rural Development, which meet statewide distribution goals, are deemed to have passed the minimum threshold requirements.
		Scoring points	Workforce Housing Communities • Projects are awarded five points for being located in or near a city or township needing workforce housing, defined as those areas having a large number of jobs or job growth. • Projects in Greater Minnesota must be within 10 miles of a workforce-housing city or township, while projects in other areas must be within five miles.
Mississippi	2016	Set-aside	Smaller Credit Amount $1,375,000 • These will be awarded to LIHTC deals filing applications in Desoto, Tippah, Alcorn, Prentiss, Tishomingo, Benton, Union, Pontotoc, Chickasaw, Lee, Itawamba, Monroe, Madison, Rankin, Copiah, Simpson, Jefferson Davis, Covington, Jones, Wayne, Marion, Lamar, Forrest, Perry and Greene counties. • Each development filing under this set-aside will be limited to 275,000 in first year credits. • All Smaller Credit Amount Set-Aside awarded deals (not to exceed five developments), will receive up to $400,000 each in HOME Grant Funds.
Missouri	2016	Geographic allocation of tax credits	Out State Region 48% • An attempt will be made to allocate the 9% Credit (both federal & state) across the state on a population proportionate basis. • The Out State Region includes all areas outside of the St. Louis and Kansas City regions.
		Project size	All applications submitted for consideration are limited to 50 affordable units in a proposal.
Montana	2016	Set-aside	Small Rural Projects 20% • Small Rural Projects are defined as projects: o For which the submitted tax credit application requests tax credits in an amount up to but no more than 10% of the state's Available Annual Credit Allocation, and o Proposed to be developed and constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, or Missoula.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Montana *(continued)*	2016	Basis boost	Small Rural Projects and projects in locations that qualify for Rural Development funding are eligible for consideration for a basis boost of up to 30 percent.
		Soft cost limit adjustment	Small Projects (20 or fewer units) or Small Rural Projects are permitted to have a soft cost-to-hard cost ratio up to 35 percent, rather than the 30 percent limit imposed on other projects.
		Scoring points	Project Location • Projects are awarded up to 100 points for being located in an area where certain amenities and/or essential services will be available to tenants, based on the following criteria: o The project is located within 1½ miles of the specified amenity or essential service; or o Public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the project is located within ¼ mile of fixed bus stop or on a same day call basis); or o Where applicable, the specified amenity or service is available via a no-charge delivery service to the project location.
Nebraska	2016	Set-aside	Non-Metro Areas 50% • Non-metro areas are those areas not in the South Sioux City MSA, Lincoln MSA, or Omaha MSA.
		Basis boost	Non-Metro Basis Boost • Developments located in areas outside of an MSA that have an average combined gross rent amount that would be affordable to households with an income less than 45 percent of the county's Area Median Income may request up to a 20 percent Basis Boost.
		Scoring points	Small Community • Developments located in a community with a total population of 5,000 or less are eligible for three points. • Developments located in a community with a total population of 5,001 to 15,000 are eligible for two points.
		Scoring points	Density Configurations • One or two points are awarded to projects that meet the following density requirements: o Twelve units or less per acre (one point); o Twelve units or less per acre, all buildings are two stories or less and each unit in each building includes a separate outside entrance (two points).

State	QAP year	Type of provision	Rural-supportive QAP provisions
Nebraska *(continued)*	2016	Set-aside	CRANE Set-aside • Native American housing is one of the categories in which projects can provide substantial benefit in order to be eligible to apply for the CRANE set-aside (up to 33 percent of the state's housing tax credits).
Nevada	2016	Set-aside	USDA Rural Development 10% • Ten percent set-aside for one or more USDA Rural Development projects. • A reservation or allocation of Tax Credits from the USDA-RD set-aside will be limited to: o New construction projects; o Projects with confirmed USDA-RD financing (including loan guarantees); o Local USDA-RD authorization to secure such financing; o Projects that have reached the 15-year threshold; o Existing housing projects not yet in the Division's Tax Credit housing portfolio receiving direct funding from USDA.
		Geographic allocation of tax credits	Other Counties ≈12% • After reservations are made to projects applying for set-asides or additional funding, tax credits are proportionately allocated to projects in each of three geographic sub-accounts: Clark County, Washoe County, and Other Nevada Counties. • Most Nevada counties outside of Clark and Washoe are relatively rural.
		Scoring points	USDA Rural Development Preservation Projects • Any USDA-RD preservation project with a letter of support from the state USDA-RD office receives five points.
		Threshold criteria	Amenities for Projects Serving Individuals and Families with Children • Projects for such tenant populations are required to provide certain on-site amenities as follows: • Projects with 40 or more units: o Community areas with a minimum of 500 square feet and that include certain features (a t.v., entertainment system, set of sofas, etc.); o Washer/dryer hookup in each unit and/or on-site laundry facilities with one washer/dryer for every 10 units; and o Equipped playground that includes certain features. • Projects with less than 40 units: o Equipped playground that includes certain features.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Nevada *(continued)*	2016	Scoring points	Project Location • Projects are awarded three points for being located in a non-CDBG eligible census tract.
		Scoring points	Superior Project/Application: Tax Credits per Person • Projects are awarded either three or six points for having the lowest/second lowest amount of tax credits per person served (based on a formula provided). • This is calculated and awarded separately for projects in the three geographic regions.
		Basis boost	Projects funded from the Other Counties geographic pool or from the USDA-RD set aside are eligible to apply for a 30 percent basis boost.
New Hampshire	2016	Threshold criteria	All projects are required to provide service coordination for their residents. • The requirements are written such that smaller properties, or those without an on-site office or community room, have flexibility in how they meet this requirement.
New Jersey	Proposed 2016 (accessed 09/15/16)	None	No provisions were identified that were supportive of projects in rural areas specifically.
New Mexico	2016	Set-aside	USDA Rural Development 10% • Ten percent se- aside for projects with direct USDA-RD financing (514, 515, 516 and MPR programs) that meet the following requirements: o Rehabilitation projects ▪ Include evidence that the USDA-RD local and regional office have reviewed and approved: 1) the transfer of the property; 2) the restructuring of the existing USDA-RD debt (if applicable), and 3) the new direct USDA-RD financing (if applicable). o New construction projects ▪ Include a financing commitment for the direct USDA-RD financing. o The project's score must be within 20 percent of the highest scoring project to be awarded tax credits through the ranking process in the same funding round.
		Scoring points	Locational Efficiency: Proximity to Services • Projects are awarded one point for being located in an area that is a certain walking distance from at least two facilities

State	QAP year	Type of provision	Rural-supportive QAP provisions
			from a list of potential options, including supermarkets, pharmacies, banks, etc. • Projects in rural/tribal/small towns may be two miles walking distance to at least two facilities, whereby suburban/mid-sized towns must be a ½-mile walk from at least three facilities, or a one-mile walk from at least six facilities. • Rural/tribal/small town is defined as those that are: 1) USDA RHS eligible, 2) on Tribal Trust Land, or 3) in a colonia.
New Mexico *(continued)*	2016	Scoring points	Projects Located in Areas of Statistically Demonstrated Need • Projects on Native American Trust Lands or Native American-owned lands within the tribe's jurisdictional boundaries are awarded 15 points. • Additionally, most of the counties specifically identified as being Tier I areas in this category are nonmetro areas.
New York	2013 (latest)	None	No provisions were identified that were supportive of projects in rural areas specifically.
North Carolina	2016	Set-aside	USDA Rural Development $750,000 • Awarded to eligible rehabilitation and/or new construction projects identified as a priority by the USDA Rural Development state office.
		Scoring points	Amenities • Up to 27 points may be awarded to projects located within a certain distance of a variety of amenities, including grocery stores, healthcare facilities, or pharmacies. • The driving distances to be eligible for these points range from 2-4 miles for small towns, versus 1-3 miles for other areas. • Small towns are defined as municipalities with populations of less than 10,000 people.
		Scoring points	Tribally-Apportioned Funds • Projects with a commitment of at least $250,000 in tribally appropriated funds (including through the Native American Housing Assistance and Self Determination Act) qualify for 12 points.
North Dakota	2016	Set-aside	Indian Reservation 10% • Properties located within North Dakota Indian Reservations or on Tribal land held in trust are eligible for this set-aside.

State	QAP year	Type of provision	Rural-supportive QAP provisions
North Dakota *(continued)*	2016	Basis boost	Tribal Reservations • Projects within tribal reservations, including the Trenton Indian Service Area, are eligible for credits up to 130 percent of eligible basis.
		Basis boost	Rural Areas • Projects in rural areas without sufficient soft financing to be financially feasible in low market rent areas are eligible for credits up to 130 percent of eligible basis. • Proposed rents (including utility allowance) must be the lesser of: o Fair Market Rents (FMR); or o A minimum of 20 percent below Housing Tax Credit rent ceilings. o Either of these lower proposed rents will be enforced through a land use restriction agreement (LURA). • Developments with a project-based federal rental subsidy are not eligible.
Ohio	2016-2017	Set-aside	Rural Asset Preservation $3,000,000 • Proposed developments located in a non-urban county, and involving acquisition and substantial rehabilitation of multifamily housing developments receiving project-based rental assistance or operating subsidies through a program administered by USDA-RD or HUD, will be considered in the Rural Asset Preservation allocation pool.
		Set-aside	New Unit Production: Non-Urban Housing $4,500,000 • Proposed developments involving the production of any new affordable housing units in non-urban counties will be considered in the Non-Urban allocation pool. o Low Population Counties ▪ A set-aside for allocation to a minimum of one housing development in a low population county, defined as a county with a total population of less than 50,000. o Family Housing and Non-QCT ▪ A set-aside for allocation to a minimum of three housing developments serving families in non-QCTs
		Threshold criteria	Additional Rent Restrictions • Non-urban counties must have a minimum of 35 percent of affordable units be affordable to households at or below 50 percent of AMI. Urban counties must have a minimum of 40 percent of affordable units be affordable to households at or below 50 percent of AMI.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Ohio *(continued)*	2016-2017	Basis boost	Non-Urban New Production • Developments in the new production pools that earn ten points for Family, Senior, or Non-Urban Housing priorities are eligible for an allocation of credits up to 130 percent of eligible basis.
		Scoring points	Positive Land Uses • Up to ten points are awarded to proposals located in proximity to positive land uses. • Non-urban counties are awarded points based on the number of amenities that are within either a one- or a two-mile linear distance, while Urban Counties are awarded points based on the number of amenities that are within a ¼ or ½ mile linear distance.
Oklahoma	2016	Set-aside	Rural Development 515 10% • Applicants for the Rural Development 515 set-aside must have 515 funding. Developments with only 538 funding do not qualify for the Rural 515 set-aside.
		Set-aside	Other Rural 15% • Rural Area is defined as any city, town, village, area or place generally considered rural by the Secretary of Agriculture for rural housing programs (RHS).
Oregon	2016	Geographic allocation of tax credits	• The state allocation is targeted to Geographic Regions that are based on areas with similar ability to leverage federal HOME funds as well as having the greatest project comparability. The percentage of the State's LIHTC allocation targeted to each region is based on the region's percentage of need for affordable housing. • Need for affordable housing is based on: o The number of renter households in each region earning 60% or less of county median family income, as a percentage of the total state renter households earning 60% or less of county median family income. o The number of severe rent burdened households in each region with a rent burden of 50 percent or more. • The three regions include: o Metro Oregon; o Non-Metro HUD HOME Participating Jurisdictions; and o Balance of State
		Set-aside	Small communities • A soft target of 50 percent of the Balance of State funds is established for projects located in communities with fewer than 25,000 people.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Oregon *(continued)*	2016	Differential maximum developer fees	There are different maximum allowable developer fees for different tax credit types (4% and 9%), project types (new construction, acquisition/rehab) and project sizes (less than 31 units, 31-75 units, 76-100 units, and greater than 100 units). • The maximum developer fees are a percentage calculated by dividing the developer fee plus consultant fees by total project costs minus acquisition costs, developer fee, consultant fees and capitalized reserves.
Pennsylvania	2016	Set-aside	Suburban/Rural Allocation Pool 47.5% • Rural projects are only scored and ranked relative to other rural or suburban projects, and not against urban projects.
		Threshold criteria	On-site Community Room • All projects submitted must include an on-site community room, except for projects with 11 units or less. • The community room should contain at least 15 square feet per unit for properties between 12 and 50 units. • Projects with more than 50 units must have community rooms at least 750 square feet in size.
		Threshold criteria	Affordability of Units • Developments must provide a financing plan which evidences that at least 10 percent of the low-income units in Urban Areas and 5 percent of the low-income units in Suburban/Rural Areas are affordable to persons at or below 20 percent of the area median income, adjusted for family size.
		Differential maximum developer fees	There are different maximum allowable developer for projects of different sizes (24 or fewer units, 25 or more units).
Puerto Rico	2016	None	No provisions were identified that were supportive of projects in rural areas specifically.
Rhode Island	2016	None	No provisions were identified that were supportive of projects in rural areas specifically.
South Carolina	2015-2016	Scoring points	Development Size • New construction developments, including adaptive reuse developments, will be awarded two points if they propose 64 units or less. • Rehabilitation developments will be awarded two points if they propose 88 units or less.

State	QAP year	Type of provision	Rural-supportive QAP provisions
South Carolina *(continued)*	2015-2016	Scoring points	RHS Funding • Developments that have been selected for RHS 514, 515, or 516 funding as evidenced by a letter from the RHS State Multifamily Housing Director receive one point.
		Scoring points	Underserved Set-Aside Only Points • Developments located in a number of counties which have not had a new construction development in the past 4-6 years are eligible for ½ to 1½ points. • While this is not expressly directed to rural communities, many of the counties eligible for these points are nonmetro.
		Set-asides	RHS Set-aside Up to $900,000 • Up to $900,000 of the state LIHTC ceiling is initially reserved for the use of eligible RHS developments. In order to compete within the RHS Set-Aside: o The development must have been selected for RHS 514, 515, or 516 funding as evidenced by a letter from the RHS State Multifamily Housing Director. o The applicant must be qualified to do business in the State of South Carolina, as evidenced by having a status of "Good Standing" with the South Carolina Secretary of State's Office.
South Dakota	2016-2017	Basis boost	Rural Projects • Projects located outside the MSAs of Sioux Falls (Lincoln, McCook, Minnehaha, and Turner counties); Sioux City (Union county); and Rapid City (Pennington county) are eligible to use up to 130 percent of the projects eligible basis for purposes of calculating the amount of housing tax credits to be awarded.
		Scoring points	Small Projects • New construction projects creating buildings that contain eight rental units or less per building will receive ten points.
Tennessee	2016	None	No provisions were identified that were supportive of projects in rural areas specifically.
Texas	2016	Set-asides	USDA Financed Developments 5% • If an application in this set-aside involves rehabilitation it will be attributed to and come from the At-Risk Development Set-Aside (which itself is 15%) • If an application in this set-aside involves new construction it will be attributed to and come from the applicable Uniform State Service Region and will compete within the applicable sub-region unless it is receiving USDA Section 514 funding.

State	QAP year	Type of provision	Rural-supportive QAP provisions

Texas *(continued)*	2016	Regional allocation of tax credits	• The Department shall initially make available in each Rural Area and Urban Area of each Uniform State Service Region Housing Tax Credits in an amount consistent with the Regional Allocation Formula developed in compliance with Texas Government Code, §2306.1115.
			• The highest scoring applications in each of these 26 sub-regions are awarded tax credits until there is insufficient credits within the sub-region to fund an additional project.
			• Rural Areas are defined as places that are located:
			  o Outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area; or
			  o Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area.

		Set-asides	Tax Credit Allocation Waterfall: Rural Collapse 20%
			• If there are any tax credits set-aside for projects in a Rural Area in a specific Uniform State Service Region ("Rural sub-region") that remain after award under the initial sub-regional allocations, those tax credits shall be combined into one "pool" and then be made available in any other Rural Area in the state to the project in the most underserved Rural sub-region as compared to the sub-region's allocation.
			• This rural redistribution will continue until all of the tax credits in the "pool" are allocated to rural projects and at least 20 percent of the funds available to the State are allocated to projects in Rural Areas.
			• In the event that more than one sub-region is underserved by the same percentage, the following priorities will be used to select the next most underserved sub-region:
			  o The sub-region with no recommended At-Risk projects from the same round; and
			  o The sub-region that was the most underserved during the year immediately preceding the current round.

		Scoring points	Opportunity Index: Rural • Projects may receive up to seven points for being located in areas with certain features, such as low poverty, high incomes, or within a certain distance of a variety of amenities. • The criteria for being considered a “high opportunity area” are different for rural versus urban projects.
		Scoring points	Underserved Area: Rural or Colonias • Projects may receive up to two points if the development site is located in one of the following two areas:

State	QAP year	Type of provision	Rural-supportive QAP provisions
			o Located wholly or partially within the boundaries of a Colonia; or o In a Rural Area census tract that has never received a competitive tax credit allocation or a 4% non-competitive tax credit allocation for a development that remains an active tax credit development serving the same target population.
Texas *(continued)*	2016	Scoring points	Unit Sizes • Rehab projects receiving USDA funding automatically qualify for the eight points available under this category, rather than needing to demonstrate that they meet the minimum unit size requirements to which other projects are subject.
		Scoring points	Proximity to Important Services • Projects may receive up to two points for being located within a certain distance from a full service grocery store (one point) and/or a pharmacy (one point). • Rural areas can be up to three miles away, while urban areas must be within one and a half miles.
		Scoring points	Concerted Revitalization Plan (Scoring Points) • For Developments located in a Rural Area, an Application may qualify for up to four points if the city, county, state, or federal government has approved expansion of certain basic infrastructure or other predefined projects. • These points are not available if the project is claiming points under the Opportunity Index criteria.
		Scoring points	Cost of Development per Square Foot • A project may receive up to 12 points based on either the building cost or the hard costs per square foot of the proposed development.
		Basis boost	Rural Area Basis Boost • Projects located in Rural Areas will be evaluated for an increase of up to but not to exceed 30 percent in eligible basis. Staff will recommend no increase or a partial increase in eligible basis if it is determined it would cause the development to be over sourced, as evaluated by the Real Estate Analysis division, in which case a credit amount necessary to fill the gap in financing will be recommended.
Utah	2016	Set-aside	Non-Metro Areas and Small Projects 25% • Non-Metro counties and projects with 25 or fewer units are eligible to compete in this allocation pool.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Utah *(continued)*	2016	Scoring points	Cost and Credit Efficiency • Projects may be awarded up to 10 points based on certain categories of their costs relative to the average for those categories from the previous year's competitive projects submitted, plus an inflation factor. • Those categories include: o Hard costs per unit; o Hard costs per Net Residential Square Footage (NRSF); o Total Development Costs (TDC) per unit; and o TDC per NRSF. • Two of the calculations included in this scoring factor use just hard costs, which somewhat eliminates the disadvantage that smaller rural projects face given they have fewer units and less square footage over which to spread the fixed soft costs of development. • However, two of those calculations are based on total development costs. Therefore, this category is somewhat accommodating and somewhat not of rural projects.
Vermont	2016	Basis boost	Small Projects • Projects in one or more buildings of 49 units or less only can receive a basis boost up to 130 percent for dedicating at least 10 percent of its units to be occupied by o SASH households, or o Clients of a Human Service Agency as evidenced through a memorandum of understanding or master lease to provide Supportive Housing.
Virginia	2016	Scoring points	Rural Development High Priority Developments • Any proposed development listed in the top twenty-five developments identified by USDA Rural Development as high priority for rehabilitation at the time the application is submitted receives 15 points.
		Set-asides	Balance of State Pool 14.15% • Projects not eligible to compete in any of the state's geographic pools (which cover most of the state's urban areas) compete in this pool.
		Scoring points	Small Projects • Projects that will produce less than 100 low-income housing units may be awarded up to 20 points. o Projects with 50 low-income housing units or less will receive 20 points; o Projects with more than 50 units will have 0.4 points deducted from the 20 awarded to 50 unit or less projects for each additional low-income housing unit

State	QAP year	Type of provision	Rural-supportive QAP provisions
			produced above 50, down to 0 points for any development that produces 100 or more low-income housing units.
Washington	2016	Basis boost	Rural Area Basis Boost • Projects located in Rural Areas automatically qualify for a 130 percent basis boost. "Rural" is defined as: o Counties with a population of less than 90,000, except for those cities within these counties with a population of greater than 25,000. o Counties with a population greater than 90,000 but less than 390,000 when more than an aggregated 25 percent of that county's population resides in one substantially contiguous metropolitan area. In this case, the county except such metropolitan area would be considered rural.
		Geographic allocation of tax credits	Geographic Credit Pools • The state is divided into three geographies: King County, Metro Counties, and Non-Metro Counties. • Similar counties have been grouped together as a way for projects to compete against similar projects. • The total tax credit authority is allocated among the credit pools based on an assessment of that geography's assisted housing needs, which is informed by data on housing need indicators.
		Scoring points	Eligible Tribal Area • Projects may be awarded up to six points for being located within the boundaries of an eligible Indian Reservation or within the service area of an eligible tribe provided that the project is sponsored by the Indian tribe or tribally designated housing entity. Such projects located in the following geographic pools are awarded points as follows: o King County: six points o Metro Counties: five points o Non-metro Counties: three points
		Scoring points	Location Efficient Projects • Projects may be awarded two points for being located within a certain distance from a specified number of amenities. • Rural projects must be located within a two mile driving distance from four or more of the listed facilities, and one of those four must be a supermarket, grocery store with produce, or farmers market. • Urban projects must be located within ¼ mile walking distance of at least three of the listed facilities, or within a ½

State	QAP year	Type of provision	Rural-supportive QAP provisions
			mile walking distance of five of the facilities, and be located within a ½ mile walking distance of a supermarket, grocery store with produce, or farmers market, which does not count towards the number of facilities in part one.
West Virginia	2015-2016	Set-aside	Rural Development and/or LIHTC Preservation 20% • For the preservation of existing Rural Development low-income residential rental units previously financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program, <u>or</u> to preserve existing LIHTC low-income residential rental units.
		Set-aside	Rural Development New Construction 15% • For the construction of new properties financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program to produce newly constructed low-income residential rental units.
		Set-aside	New Supply Small 25% • Projects that result in a newly constructed property, a substantial rehabilitation of an existing property, or the acquisition with substantial rehabilitation of an existing property, all of which must result in a direct increase of the stock of low-income residential rental units. • Properties in this category must have no more than 50 residential rental units.
		Scoring points	Rehab or Acquisition/Rehab of RD or LIHTC • Rehab. projects financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program with 50 or less units are awarded 30 points. • Rehab. projects financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program with greater than 50 units are awarded 20 points. • Acquisition and Rehab. projects financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program with 50 or less units are awarded 10 points.
		Scoring points	Rural Development New Construction • New construction projects financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program with 50 or less units are awarded 50 points.

State	QAP year	Type of provision	Rural-supportive QAP provisions
			• New construction projects financed, guaranteed, or subsidized (property-based) through any Rural Development finance, guarantee, or subsidy (property-based) program with greater than 50 units are awarded 40 points.
West Virginia *(continued)*	2015-2016	Scoring points	General Housing Stability: Owner-Occupied Units as a Percentage of Total Occupied Housing Units • Projects are awarded up to ten points based on the percentage of all occupied housing units that are owner-occupied.
Wisconsin	2015-2016	Set-aside	Rural 10% To qualify, a development must: • Be in a location that is rural in character, which means: o Population of 20,000 or less, o Location relative to other communities and the population of those communities, o Commuting patterns and distances, o Community economic base, and o Community land use patterns. • Consist of 40 or fewer units if the development involves newly constructed units.
		Basis boost	Rural • Developments in rural areas are eligible for a 20 percent basis boost.
		Scoring points	Lower Income Areas • Projects on federally designated tribal lands are eligible for five points.
Wyoming	2016	Set-aside	Small Rural Projects $2,000,000 (39% of estimated credits) • In order to qualify for the Small Rural Project set-aside the following criteria must be met: o The project must be in a small community with a population under 12,000 and no communities with a population over 12,000 are within 20 miles of the project. o The project must have 24 or fewer units. o The project must not be done in conjunction with a separate project in the same locale. • Because market rents are typically lower than tax credit rents in rural areas, projects may have a 10 percent variance in income and rent levels when qualifying for the Small Rural Project set-aside.

State	QAP year	Type of provision	Rural-supportive QAP provisions
Wyoming *(continued)*	2016	Developer fee allowance	Small Rural Projects Developer Fee Provisions • Many costs and risks associated with developing small projects are the same as they are for larger projects. Thus, projects of 12 units or less that qualify under the Small Rural Project set-aside will be allowed to earn a developer fee up to $500,000 per project. • Developer fees for projects of 13 to 24 units will be calculated per normal guidelines.

Appendix H
Summary of Provisions in State Qualified Allocation Plans that Could Disadvantage Projects Located in Rural Areas

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Alabama	2016	Scoring points	Proximity of Services • Points are awarded for proximity to certain services, but no consideration is given to differences in the type of community (urban, rural, and suburban) when awarding those points.
Alaska	2016	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Arizona	2015-2016	Scoring points	Transit Oriented Design • Projects are awarded 20 points for proximity to a High Capacity Transit Station, which is not a service regularly available in rural areas. • This is partially offset by the inclusion of five points for the provision of door-to-door transportation services that are only available for Balance of State (BOS) Areas.
		Scoring points	On-site Services • The regular provision of services on-site make a project eligible for up to 15 points. • There is a provision for these to be provided in an area that is "contiguous and accessible."
		Gap financing eligibility	In determining a project's eligibility for state gap financing, projects' total construction costs per square foot are compared to maximum limits. These limits differ depending on the project's location. The limits for BOS Areas is lower than the Urban or Suburban limits.
		Maximum Eligible Basis	The maximum allowable eligible basis for total construction cost is determined by multiplying the total project square footage by the state's maximum cost per square foot. These maximums are lower for BOS Areas than for suburban and urban locations.
Arkansas	2015-2016	Scoring points	Restricting Developer Fees Below Allowable Limits • Projects are awarded five points for limiting their developer fees to 10 percent or less of net development costs, rather than the 15 percent allowed. • Rural projects that are smaller than those found in urban areas may find it difficult to meet this requirement and maintain a minimum economic viability.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Arkansas *(continued)*	2015-2016	Scoring points	Amenities • Projects are awarded up to 10 points for providing certain amenities, including a furnished computer lab or exercise room.
		Scoring points	Site Selection • Projects are awarded up to ten points for being located within two miles of certain amenities. • The criteria does not distinguish between rural and urban locations.
California	2016	Scoring points	Transit Amenities • Projects are eligible for up to seven points for proximity to regular transit service. • Special consideration is given to van service for projects in rural areas, but only up to four points.
Colorado	2016	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Connecticut	2016	Scoring points	Credits Per Qualified Bedroom • Projects are awarded up to five points based on their place in the distribution of projects regarding the number of credits per bedroom. • Projects are ranked lowest to highest credits per qualified bedroom and awarded incremental points in accordance with their ranking.
		Scoring points	Priority Locations • Projects are awarded up to five points, with a point awarded for each of the following criteria: o Designation as an Urban Area or Urban Cluster in the 2010 Census; o Boundaries that intersect a ½ mile buffer surrounding existing or planned mass-transit stations; o Existing or planned sewer service from an adopted Wastewater Facility Plan; o Existing or planned water service from an adopted Public Drinking Water Supply Plan; and o Local bus service provided seven days a week.
		Scoring points	Transit-Oriented Development • Projects are awarded four points for being located in a transit-oriented development, defined as a development including residential, commercial, and employment centers within walking distance of public transportation hubs.

<table>
<tr><th>State</th><th>QAP year</th><th>Type of provision</th><th>QAP provisions potentially disadvantageous to rural areas</th></tr>
<tr><td rowspan="3">Delaware</td><td rowspan="3">2016</td><td>Scoring points</td><td>Per Unit Cost Reduction
Projects are awarded two to five points for achieving development costs per unit that are below the housing authority’s cost guidelines.
However, there is no distinction based on project size.
Cost guidelines:
<table><tr><th>Type of project</th><th>Per unit average</th></tr><tr><td>New Construction</td><td>$186,009</td></tr><tr><td>Acquisition/Rehabilitation</td><td>$156,633</td></tr></table></td></tr>
<tr><td>Scoring points</td><td>Access to Transit
Projects are awarded up to three points for including amenities and facilities to accommodate current, planned, or possible fixed route transit service. This is defined as being served by a bus stop within 700 feet maximum walking distance of the site’s pedestrian access point.
Since these transit services are less common in rural areas, this would tend to disadvantage rural projects relative to urban ones.</td></tr>
<tr><td>Scoring points</td><td>Connectivity to Surrounding Communities
Projects are awarded two points for having sidewalks or other all-weather pathways that are independent of the street or highway edge and connect to adjoining neighborhoods or other trail systems.</td></tr>
<tr><td rowspan="2">Florida</td><td rowspan="2">2016</td><td>Threshold criteria</td><td>Minimum of three services must be provided at all properties, dependent on the type of population served.
The criteria does not consider the size of the property in laying out the frequency of the service availability.</td></tr>
<tr><td>Maximum credit levels</td><td>Small counties are limited to lower maximum credit levels than medium or large counties.</td></tr>
<tr><td>Georgia</td><td>2016</td><td>Threshold criteria</td><td>On-site Services
Each month every family property must include at least two services from at least two of the following categories and every senior property must include at least four services from two of the following categories:
Social and recreational programs planned and overseen by the project manager (e.g. birthday parties, holiday dinners);
On-site enrichment classes (e.g. arts and crafts, gardening);
On-site health classes (e.g. nutrition, healthy cooking);
Other services as approved by the oversight agency (alternate services for USDA Rural Development properties with limited community space).</td></tr>
</table>

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			While the last category does indicate that there is some flexibility for smaller properties, it does not indicate how this requirement could be met or explicitly specify that nearby off-site services count towards this requirement, and therefore may deter developers that need certainty on what counts and what does not before considering undertaking a new development.
Georgia *(continued)*	2016	Threshold criteria	Utility Availability • A threshold requirement is that public water, sanitary sewer, and/or storm sewer services must be available at the proposed site. • Additionally, any charges for the extension of off-site services are not eligible for funding as project costs under the funding resources in the QAP. • This ineligibility of costs for the extension of water and sewer services for a project could disadvantage projects in more remote locations that would need to incur these costs in order to be developed.
		Threshold criteria	All properties must include the following on-site amenities: • A community room or building; • An exterior gathering area such as a gazebo or exterior covered porch located in a central area; and • An on-site laundry facility (one washer and dryer per every 25 units) and/or washers and dryers installed and maintained in every unit.
		Scoring points	Desirable Activities • One point is awarded for each desirable activity/characteristic category that is within two miles of a proposed site. • There is no distinction in eligible distance between urban and rural projects.
		Scoring points	Bonus Desirable Point • One bonus point is available for projects that can show at least three desirable activities/characteristics within a one-mile walking distance of the proposed site.
Hawaii	2016-2017	Scoring points	LIHTC Resource Efficiency: Use • Projects are awarded up to five points based on the amount of annual LIHTC credits divided by the number of proposed LIHTC units.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Hawaii *(continued)*	2016-2017	Scoring points	LIHTC Resource Efficiency: Leverage • Projects are awarded up to four points based on the total amount LIHTC credits requested divided by the total project costs.
		Scoring points	Reasonableness of Development Costs • New construction projects are awarded up to nine points based on their relative total development costs (without land) per gross building square foot (4 ½ points), and per unit (4 ½ points) (with land).
		Scoring points	Voluntary Limitation of Developer Fee as Percentage of Development Costs • Projects are awarded up to seven points for voluntarily limiting developer fees as a percentage of total development costs beyond the maximum limit laid out in the threshold criteria.
		Scoring points	Project Location and Market Demand • Projects are awarded up to six points for being located in certain areas that explicitly disadvantage rural areas, including those located in an urban core or urbanized areas. • There is one possible point available for rural areas in this category, but that does not offset the three to four points that are virtually guaranteed for urban projects.
Idaho	2016	Scoring points	Developments located in Ada County or Canyon County, which are both urban counties, are awarded two points.
Illinois	2016-2017	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Indiana	2016-2017	Scoring points	Development Characteristics • Projects are awarded up to six points for including certain amenities in their designs (e.g. a playground, fenced dog walking area, community room, etc.).
		Scoring points	Infill New Construction • Projects are awarded up to eight points for proposing infill projects, defined as projects that develop on vacant or underused parcels of land within existing urban areas that are already largely developed or previously developed.
		Scoring points	Desirable Sites: Location Efficient Projects • Projects located on sites located in close proximity to certain desirable facilities will be awarded up to ten points. • This category does not differentiate the maximum eligible distance for urban versus rural areas.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Iowa	2016	Underwriting criteria	Assumed Vacancy Rates • Projects with 25 units or less are underwritten assuming a 10 percent vacancy rate instead of the 7 percent vacancy rate applied to all other projects.
		Scoring points	Location near Services • Projects are awarded up to 24 points for being located on sites that are within a certain distance of various amenities, including grocery stores, medical services, and public libraries. • The distance criteria for determining eligibility do not distinguish between rural and urban projects.
Kansas	2016	Scoring points	Development Characteristic: Intermediary Costs • Up to 15 points are awarded to applications with the lowest percentage of intermediary costs, including, but not limited to, attorney fees, engineering fees, and architect fees. • Points are awarded on a sliding scale up to 5 percent of total costs. Points are deducted on a sliding scale beginning with 6 percent of total costs.
		Scoring points	Site Inspection Rating Checklist: Neighborhood Quality • Up to 2 ½ points (five points on the checklist, the total from which is divided by two for input into the scoring system) are awarded to projects that are located in close proximity to retail, schools, medical services, hospitals, day care/support services, recreation/cultural, and churches. • The exact method by which these are awarded is unclear, but generally they are scored higher if more of these are "close at hand (within a few blocks)."
Kentucky	2016	Scoring points (from 2017-2018 QAP)	Community Transportation Options • Projects are awarded up to ten points (five points for rural projects) for having access to regular publicly or privately operated transit service. • The maximum number of points for rural projects is lower than that for urban projects, which disadvantages them if competing in a pool other than those specific to urban/rural projects.
		Scoring points (from 2017-2018 QAP)	Ratio of Building Costs to Total Development Costs • Projects are awarded up to five points based on the ratio of building costs to total development costs.
		Scoring points (from 2017-2018 QAP)	Poverty Rate Below State Average • Projects in urban areas are awarded up to nine points for being located in census tracts with poverty rates below the state average.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			• Since these points are not available to projects in rural locations, this disadvantages rural projects that may be competing in pools that are not urban/rural specific.
Kentucky *(continued)*	2016	Scoring points (from 2017-2018 QAP)	Located in Area with a Formally Adopted Revitalization Plan • Projects in urban areas are awarded five points for being located in areas where the local jurisdiction has formally adopted a plan for revitalization. • Since these points are not available to projects in rural locations, this disadvantages rural projects that may be competing in pools that are not urban/rural specific.
Louisiana	2016	Scoring points	Neighborhood Features • Projects are awarded up to 10 points for being located within a certain distance of various amenities, including grocery stores, medical services, and public libraries. • The distance criteria for determining eligibility do not distinguish between rural and urban projects.
		Scoring points	Leverage, Efficiency, and Viability • Projects are awarded three points for having total development costs at least 10 percent below the maximum per unit limit.
Maine	2015-2016	Threshold criteria	Project Amenities: Community Room • Projects must include an on-site community room developed as part of the project, or have access to an existing community room at a multi-family housing project located on the same site or an adjoining site. • If the community room is not on-site, the existing community room must, or with modifications made in connection with the project will: o Be fully accessible and located on an accessible path to the project, o Have sufficient capacity to serve the tenants of the project and the existing multifamily housing project, and o Be available to the tenants of the project at no cost during the compliance period.
		Scoring points	Total Development Costs • Projects are awarded up to 10 points, or lose up to eight points, based on the relationship of its total development costs relative to a benchmark range expressed as a percent. • Since smaller rural projects have a lower overall development cost than larger projects (due to their smaller size), similar percentage reductions are more difficult to

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			achieve and therefore such projects are at a disadvantage in earning these points.
Maine *(continued)*	2015-2016	Scoring points	Smart Growth • Projects are awarded up to ten points based on their location relative to public transportation (up to four points), downtown areas (two points), destinations important to daily living (two points), and significant places of employment (two points). • The distance criteria for each of the above does not distinguish between urban and rural locations.
Maryland	2016	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Massachusetts	2016	Scoring points	Location in an Area of Opportunity • Projects are awarded up to 14 points based on their proximity to various amenities. • The permitted maximum distances from the specified amenities did not differ between urban and rural projects.
		Scoring points	Proximity to Transit • Projects are awarded up to six points based on their proximity to public transit stops. • The permitted maximum distances to be eligible for the points did not differ between urban and rural projects.
Michigan	2015-2016	Scoring points	Proximity to Transit • Projects are awarded up to five points if they can demonstrate that they are located within 1/10 of a mile from a public transportation stop, or are creating such a stop. • Projects can be eligible for these points if they demonstrate they will provide another form of transportation whose service level is comparable to that typically provided by fixed route public transportation. Those offering services that are not deemed comparable may be eligible for up to three points.
		Scoring points	Site Amenities • Projects are awarded up to 20 points based on their Walk Score (determined at www.walkscore.com).
		Scoring points	Central Cities Developments • Projects are awarded up to ten points based on their Walk Score if they are located in a traditional downtown or commercial center and have an employee-to-resident ratio of 1.0 or greater.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Michigan *(continued)*	2015-2016	Scoring points	Community Space • Projects are awarded five points for providing community space for use by tenants.
		Scoring points	Cost Containment • Projects are awarded up to five points, or can lose points, based on the relationship of their total development costs relative to a benchmark range expressed as a percent. • Since smaller rural projects have lower overall development cost than larger projects (due to their smaller size), similar percentage reductions are more difficult to achieve.
		Scoring points	Credit Efficiency • Projects are awarded up to ten points, or can lose points, based on the relationship of its eligible tax credit amount per LIHTC unit relative to a benchmark range.
Minnesota	2016	Scoring points	Sewer and Water Lines • Projects are awarded ten points for proposing new construction that will utilize existing sewer and water lines without substantial extensions.
		Scoring points	Intermediary Costs (Soft Costs) • Projects are awarded up to six points based on the percentage of total development costs that represent intermediary costs.
		Scoring points	Location Efficiency • Projects are awarded points based on their proximity to transit and walkability. • The scoring has separate categories based on the proposed location of the project (in the Twin Cities area vs the Greater Minnesota pool). It further distinguishes between areas outside of Greater Minnesota that have access to fixed route transit and those that do not. • However, those projects without access to fixed transit service are only eligible for four possible points, versus seven for those with access to fixed transit service. • This provision further penalizes projects in rural census tracts by requiring that 5,000 low and moderate wage jobs be located within five miles of the project, versus just 2,000 for projects located in urban census tracts.
Mississippi	2016	Scoring points	Development Amenities: Neighborhood Services • Projects may be awarded points for being located in a location that has at least two of the following service located within a ½ mile: grocery store, pharmacy, bank or credit union, and hospital/medical clinic.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			• The distance criteria for determining eligibility do not distinguish between rural and urban projects.
Mississippi *(continued)*	2016	Scoring points	Development Amenities: Furnished Clubhouse or Community Building, On-site Business/Education Center, Fitness Center • Projects are awarded two points for including a clubhouse/community building on site, which must have a designated room for tenant activities and meetings. • Projects are awarded two points for including a business/education center on-site. • Projects are awarded two points for including a fitness center (with at least five pieces of equipment) on-site.
Missouri	2016	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Montana	2016	Scoring points	Amenities • Projects are awarded 10 points for each three of a variety of higher quality amenities that will be provided at no charge to tenants of the project, up to a maximum of 40 points. • The potential amenities included things such as: a community room, play area, library, on site manager, and outdoor community area.
Nebraska	2016	Scoring points	Amenities • Projects are awarded up to six points for including certain on-site amenities, including: a furnished community room (two points), community garden (one point), unfinished basement or storm shelter for all units (one point), and exterior playground (one point).
Nevada	2016	Threshold criteria	Project Amenities • There are a variety of amenity requirements for projects serving seniors, eventual tenant owners, and all other non-individual/family tenants, such as community areas and playgrounds. • These amenity requirements do not distinguish between smaller and larger project sizes.
		Scoring points	Additional Project Amenities • Projects are awarded up to 26 points for including certain additional project amenities. These include such things as elevators (three points), swimming or lap pools (three points), and solar hot water heating for swimming pools (two points). • While there are separate geographic pools, and therefore more rural projects are likely competing against other rural projects, to the extent that any projects made their way into

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			the general pool and were therefore competing against projects in multiple geographic pools, rural projects would tend to be at a disadvantage.
Nevada *(continued)*	2016	Scoring points	Smart Design • Projects are awarded up to 20 points for including certain aspects of Smart Design. Several of these aspects are related to being located within ¼ mile of a variety of neighborhood amenities, including a grocery store, medical facility, library, etc., as well as within ¼ mile of a bicycle path and a local transit route or school bus stop.
		Scoring points	Superior Project/Application: Development Costs per Unit • Projects are awarded up to eight points for having development costs per unit within specified ranges. • There are separate thresholds for projects in the different geographic regions, which considers the relative costs of those areas. • However, a potentially more appropriate or nuanced way of segmenting projects might be more equitable; for example, segmenting based on project size (number of units), population served (the disabled), or a combination of factors.
		Scoring points	Lowest Developer Fees • Projects are awarded up to five points for reducing developer fees as a percentage of overall development costs, with one point awarded for each percentage point that developer fees are reduced under the 15 percent maximum.
		Scoring points	Low Contractor Fees • Projects are awarded up to three points for reducing contractor fees as a percentage of overall construction costs, with one point awarded for each percentage point that contractor fees are reduced under the 14 percent maximum.
New Hampshire	2016	Cost limits	Per-unit Development Cost Limits • All projects are subject to overall per-unit development cost limits, equal to $235,000 unless specific conditions apply.
		Scoring points	Project Cost • Projects lose two points (or five points) if their total development cost per unit is 5 percent (10 percent) over the average of all non-preservation development costs per unit, grouped into age-restricted and non-age-restricted developments.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
New Jersey	Proposed 2016 (accessed 09/15/16)	Scoring points	Proximity to Amenities • Projects are awarded up to six points for being located within ½ mile of various amenities, including grocery stores, medical services, and banks/credit unions. • The distance criteria for determining eligibility do not distinguish between more rural versus and urban projects.
		Scoring points	Proximity to Transit • Projects are awarded two points for being located within ½ mile of public transportation. • The distance criteria for determining eligibility do not distinguish between more rural versus and urban projects.
New Mexico	2016	Scoring points	Locational Efficiency: Access to Public Transportation • Projects are awarded one point for being located within ¼ mile walk of a commuter bus (i.e. not Greyhound) or a commuter rail stop. • The distance criteria for determining eligibility do not distinguish between more rural versus and urban projects.
		Scoring points	Projects Reserved for Senior Households: Service Enrichment • Projects that serve senior households are awarded up to 13 points for providing certain services on-site. • This category of points does not have separate eligibility criteria based on project size or location.
		Scoring points	Projects in Which 25 Percent of All Units are Reserved for Households with Children: Service Enrichment • Projects in which 25% of units are reserved for households with children are awarded up to 11 points for providing certain services on-site. • This category of points does not have separate eligibility criteria based on project size or location.
		Scoring points	Resident Financial Literacy Training • Projects are awarded two points for providing quarterly financial literacy training to residents. • This category of points does not have separate eligibility criteria based on project size or location, such as allowing the provision of these services off-site at nearby locations or at locations to which the residents are provided free transit.
		Scoring points	Efficient Use of Tax Credits • New construction projects requesting less than $15,000 of tax credits per low-income unit and less than $15.50 of tax credits per low-income square foot are eligible for five points.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			• New construction projects whose requests are consistent with either of the following criteria are awarded three points: o Less than $16,500 of tax credits per low-income unit and less than $17.00 of tax credits per low income square foot, or o Less than $15,000 of tax credits per low-income unit or $15.50 of tax credits per low-income square foot.
New York	2013 (latest)	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
North Carolina	2016	Set-aside	Emphasis on New Construction • The HFA awards up to ten percent of credits to rehab projects, with all other credits going to new construction projects. • Due to the fact that new construction is generally more costly than rehabilitation and there is, generally speaking, a lower level of need for new units in rural communities versus urban ones, this limitation on the use of credits for rehabilitation likely disadvantages rural areas relative to urban ones.
		Scoring points	Amenities: Bus/Transit Stop • Sites that are within ¼ mile of a bus or transit stop and meet certain other criteria are eligible for up to six points.
		Threshold criteria	All projects must have at least 24 qualified low-income units. • Since rural communities tend to have lower levels of need than urban ones, and therefore those markets may not necessarily support projects of 24 units or greater, this provision may disqualify smaller projects that are needed in some rural communities.
		Scoring points	Credits per Unit Average • The average federal tax credits per unit requested on a Geographic Region basis is calculated for new construction applications and points are awarded based on a project's requested credits per unit relative to the average, with up to three points added or subtracted depending on the results of that comparison.
		Tiebreaker criteria	In the event that final scores of more than one project are identical, then the first tiebreaker awards the credits to the project requesting the least amount of federal tax credits per unit.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
North Dakota	2016	Scoring points	Design Standards • Properties are awarded points for including certain design features, including ten points for the inclusion of an elevator in each building. • While there is a provision allowing for ten points for projects that consist of single family homes, this may not be the most cost effective and impactful type of development in rural communities, and so any project choosing not to have an elevator or be a single family home would have to forgo these scoring points.
		Scoring points	Committed Leverage • An applicant who provides signed, firm commitments for contributions or incentives from local government, private parties and/or philanthropic, religious or charitable organizations, excluding entities with an identity of interest or those with a significant role in the property, are awarded points as follows: o At least 1 percent of total development costs (TDC): one point o Greater than 1 percent but less than or equal to 5 percent of TDC: two points o Greater than 5 percent but less than or equal to 10 percent of TDC: three points o Greater than 10 percent of TDC: four points • Projects in rural communities are likely to have a harder time obtaining the large levels of resources necessary to meet the higher levels of points in this category due to the lower overall level of community development capacity, including in local governments, philanthropies, and the private sector.
Ohio	2016-2017	Scoring points	Permanent Supportive Housing: Local Partnerships • Up to 10 points will be awarded to proposals demonstrating a commitment by an experienced local or regional service provider to deliver comprehensive services specific to the population of the proposed development. • All service providers must have a history of serving the targeted area and/or population and be located on-site, contiguous, or accessible to the development.
		Scoring points	Location Based Priorities • Projects are eligible for up to 15 points for meeting certain location-based criteria, including being located: o In a county where 30 percent or more of households experience one or more housing problems;

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			◦ Within a ½ mile of significant real estate development and investment of at least $5 million completed between 2010-2015; ◦ Within a ½ mile of significant real estate development and investment of at least $5 million planned and committed for 2015-2020; ◦ In an area that is part of a revitalization, stabilization, or economic development plan; ◦ In one of the 32 Appalachian counties as designated in the Appalachian Regional Development Act of 1965; ◦ In a high income census tract; and ◦ Within a ½ mile radius of a public transit stop or facility offering service at regular frequencies.
Ohio *(continued)*	2016-2017	Scoring points	Credits per Affordable Unit • Projects are awarded up to ten points based on the housing tax credits requested per affordable unit.
		Scoring points	Exceptional Development Characteristics • Projects may earn up to 10 points for incorporating certain "exceptional characteristics", including up to three points for certain land use and economic development strategies. • No more than 50 percent of applications will be awarded points for each characteristic, with the points being awarded to those incorporating the most and having the greatest level of investment: ◦ New affordable housing via redevelopment or demolition of vacant and blighted structures. ◦ New affordable housing via redevelopment of historic structures. ◦ Streetscaping and infrastructure improvements to improve pedestrian access and safety. ◦ Enhanced access to public transit in areas that are lacking adequate service. ◦ Neighborhood investments within a two mile radius between 2005-2016 of: ▪ Urban Counties: Over $2 million ▪ Non-Urban Counties: Over $1 million ◦ Neighborhood investments within a two mile radius between 2016-2026 of: ▪ Urban Counties: Over $2 million ▪ Non-Urban Counties: Over $1 million • A significant number of these criteria are easier to incorporate in more populous or urbanized areas.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Oklahoma	2016	Scoring points	Development Amenities • Projects may be awarded up to 40 points for new construction projects or 35 points for rehabilitation projects, if they include certain amenities in the development. These amenities include: o Onsite computer workstations with internet access (computers must be provided and dedicated to the tenants) – two points o Playground or Tot Lot w/ Equipment – three points o Outdoor Covered Seating – two points o Club House/Community Room – three points o Sports Facilities (e.g. Soccer Field, Basketball Court, Tennis Court, Badminton, Shuffle Board, etc.) May only select one (1) type – four points o Indoor Fitness Center with equipment – four points
		Tie breaker criteria	Tax Credits per Unit • In case there are projects with the same final score in any set-aside that will affect funding, applications will be funded based on the lowest Federal and State tax credits per unit.
Oregon	2016	Scoring points	Impact: Location Efficiency • New construction, acquisition/rehab, and preservation projects may be awarded up to 40 points based on how they address certain location-related criteria, one of which is "Location Efficiency." • This category includes the following relevant elements: o Walkability; o Food Access; o Medical Access; o Public Transit; and o Education (for family housing).
		Scoring points	Impact: Prudence of Investment • Preservation projects may be awarded up to 40 points based on how they address certain location-related criteria, one of which is "Prudence of Investment." • This criteria looks to assess the following elements of the project: o Total Cost per Unit. o Narrative Description of Costs; applicants are asked to describe the cost of the preservation project including providing context for the investment and assessing the prudence of investment for preserving the project as compared to building new units.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas

Pennsylvania	2016	Scoring points	Development Cost Savings
			• Projects may be awarded up to ten points for demonstrating costs less than the median total development costs of all projects submitted.
			• Median total development cost will be determined based on total development costs per square foot (less the cost of acquisition, reserves and commercial space).
			• Points will be awarded for projects under the median by the following percentages:
			  o At least 10 percent under the median = five points
			  o At least 15 percent under the median = 10 points

		Scoring points	Community and Economic Impact: Community Revitalization: Transit-Oriented Design • Projects may be awarded up to two points if they are located within ½ mile of a completed or planned public transportation fixed route stop.

		Scoring points	Community and Economic Impact: Community Revitalization: Walkability
			• Projects may be awarded up to two points if they are located in areas that have the following walk scores according to www.walkscore.com:
			  o Greater than or equal to 70 = two points
			  o Between 50 and 69 = one point

		Set-aside	Suburban/Rural Allocation Pool 47.5% • Rural projects are scored and ranked relative to suburban projects that are likely to be much larger and in possibly more opportunity rich areas.

Puerto Rico	2016	Scoring points	Projection Location: General Location
			• Projects may be awarded up to five points if located within one of the following areas:
			  o Urban area (five points);
			  o The portion of a census tract outside an urban area that has a rate of poverty of:
			    ▪ 20 percent or less (three points);
			    ▪ More than 20 percent but less than 30 percent (two points);
			    ▪ More than 30 percent but less than 40 percent (one point);
			  o The zone of influence around an urban train station, as defined under section 3(e) of Law 74-1965, as amended.

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
Puerto Rico *(continued)*	2016	Scoring points	Project Location: Desirable Activities: General • Projects located within 500 meters of certain amenities may be awarded up to five points. • The amenities that qualify projects for these points include: o A town square of an urban center; o Grocery store or supermarket with meat, produce and dairy; o Schools; and o Public bus terminals.
		Scoring points	Project Location: Desirable Activities: Targeted • Projects targeted to a variety of special needs population and are located within 500 meters of specific amenities may be awarded up to two points.
		Scoring points	Building Characteristics: Building Amenities • Projects may be awarded one point for each of a variety of building features included in the proposal, up to a maximum of five points. These features include such things as: o Community or meeting center with an area of no less than 15 square feet per unit, with kitchen and public bathrooms; o Equipped exercise room with an aggregate area of no less than 300 square feet; and o Night shift security guard.
		Tie breaker criteria	Urban Area • The second tiebreaker criteria states that projects in urban areas will be favored over those not in urban areas.
Rhode Island	2016	Scoring points	Comprehensive Community Development: Larger Community Context and Engagement • Projects may be awarded one point for being located within ½ mile of recreation, culture, and/or entertainment opportunities.
		Scoring points	Financing Points: Total Development Costs, Housing Credits, and Grants Funds per New Affordable Home • Projects may be awarded up to ten points based on where their cost and funding structure fall in a specified range for each of the following categories: o Total development costs per new affordable home o Housing credits per new affordable home; and o RIH or state housing grant funds per new affordable unit.

<table>
<tr><th>State</th><th>QAP year</th><th>Type of provision</th><th>QAP provisions potentially disadvantageous to rural areas</th></tr>
<tr><td rowspan="4">South Carolina</td><td rowspan="4">2015-2016</td><td>Scoring points</td><td>Positive Site Characteristics
Up to 33 points may be awarded for being located within a certain distance of positive amenities, including a grocery store, entertainment venues, retail shopping area, and a public park, among others.</td></tr>
<tr><td>Scoring points</td><td>Development Characteristics: Community Building
Projects may be awarded ten points for including a community building that is a minimum of 1,200 square feet.</td></tr>
<tr><td>Scoring points</td><td>Underserved Set-asides: Free On-site Services
Projects being considered in the underserved set-aside category that offer a minimum of two free services on-site may be awarded one point.</td></tr>
<tr><td>Threshold criteria</td><td>Applications for developments consisting of fewer than 24 units will not be considered in any funding set-aside for the competitive tax credit funding cycle.</td></tr>
<tr><td rowspan="3">South Dakota</td><td rowspan="3">2016-2017</td><td>Scoring points</td><td>Service Enriched Housing
Projects may be awarded up to 25 points for providing verifiable on-site services to tenants in properties targeted to certain populations.</td></tr>
<tr><td>Scoring points</td><td>Efficient Use of Tax Credits
Projects may be awarded up to 50 points based on the amount of tax credits used per housing tax credit unit, as follows:
<table>
<tr><th>Tax credits per unit</th><th>Points</th></tr>
<tr><td>$0 to $4,999</td><td>50</td></tr>
<tr><td>$5,000 to $5,999</td><td>40</td></tr>
<tr><td>$6,000 to $6,999</td><td>30</td></tr>
<tr><td>$7,000 to $7,999</td><td>20</td></tr>
<tr><td>$8,000 to $8,999</td><td>10</td></tr>
</table></td></tr>
<tr><td>Scoring points</td><td>Percentage of Project Costs that are Soft Costs
Projects may be awarded up to 40 points based on the percentage of total project costs that are soft costs, as follows:
<table>
<tr><th>Soft cost percentage</th><th>Points</th></tr>
<tr><td>0.00 percent to 9.99 percent</td><td>40</td></tr>
<tr><td>10.00 percent to 14.99 percent</td><td>30</td></tr>
<tr><td>15.00 percent to 19.00 percent</td><td>20</td></tr>
<tr><td>19.01 percent and over</td><td>0</td></tr>
</table></td></tr>
</table>

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
South Dakota *(continued)*	2016-2017	Scoring points	Project Location • Projects that are located within ½ mile of certain community amenities and services are eligible for up to 20 points. Those services include, but are not limited to, the following: o Grocery/retail stores o Hospital/medical clinics o Schools/senior centers (as relevant to the target population of the property) o Special service offices
		Scoring points	Project Characteristics • Projects may be awarded 35 points for including either a stand-alone Community Building or a Community Room. • The room shall be 15 square feet per occupant, assuming 1 and ½ occupants per unit, and shall include a fully functioning kitchen and minimum of one unisex ADA compliant restroom. • For calculation of the square footage of the space, only areas usable by occupants are to be included. The square footage of the kitchen, restroom, offices or storage cannot be used to meet minimum square footage requirement.
Tennessee	2016	Set-asides	Rural Set Aside • No more than two eligible developments located in a rural county shall receive an allocation of tax credits from the Rural Set-Aside. • This set-aside caps the maximum number of rural projects that can be awarded tax credits in a given year, regardless of need or how they score relative to other projects.
		Scoring points	Residency Preference for Households with Special Housing Needs • Projects may be awarded six points for serving populations with special needs if they provide on-site services targeted to the tenant population, and include one of three additional amenities. • The requirement that services be provided on-site may disadvantage smaller rural projects.
		Tie breaker criteria	• In the event there is a scoring tie between two or more projects, the tie shall be broken as follows: o If the tie is between two or more projects, all of which propose new construction, the project requesting the least tax credits per square foot of heated, low-income, residential floor space as

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			measured “paint to paint” (not including common areas) will be given priority. o If the tie is between two or more projects, at least one of which proposes preservation or rehabilitation, the project requesting the least tax credits per low-income unit will be given priority.
Texas	2016	None	No provisions were identified that were deemed to disadvantage projects in rural areas specifically.
Utah	2016	Scoring points	Project Location • Projects may be awarded five points for being located within 1/3 of a mile of a Frontrunner or TRAX stop, using the shortest walkable route along public access from the nearest entrance/exit of the project’s site.
		Scoring points	Project Characteristics: Project Amenities • Projects may be awarded up to 12 points for including certain amenities, examples of which include: o Day care facility available for tenant use at no fee (two points); o Computer room (at least two computers, a printer, and free internet) (two points); o Furnished clubhouse or community room, without a kitchen (two points) o Furnished clubhouse or community room, with a kitchen (three points) o Life skills classes (must be provided on-site in suitable space) (two points); and o For senior housing, being within 1/3 mile of a senior center (one point)
		Scoring points	Cost and Credit Efficiency • Projects may be awarded up to 10 points based on certain categories of their costs relative to the average for those categories from the previous year’s competitive projects submitted, plus an inflation factor. • Those categories include: o Hard costs per unit; o Hard costs per Net Residential Square Footage (NRSF); o Total Development Costs (TDC) per unit; and o TDC per NRSF.
		Tie breaker criteria	Housing Credit Efficiency • In the event that there are only enough housing credits remaining to fund one project and two or more projects have identical scores, the determining tiebreaker will be the

State	QAP year	Type of provision	QAP provisions potentially disadvantageous to rural areas
			housing credit efficiency, which is calculated as the ratio of housing credits requested per net residential square foot (NRSF) of housing credit units. • The project with the lowest ratio for housing credit efficiency will win the tiebreaker and, therefore, be awarded housing credits.
Vermont	2016	Threshold criteria	Top and Second Tier Priorities • To be approved, projects must meet at least two of the top tier evaluation categories and at least two other (top tier or lower tier) evaluation categories from the "Consolidated Plan Priorities / Other Priorities" evaluation criterion. • One of the five top tier priorities is projects that are in a designated downtown, a village center or neighborhood development area, or projects that support downtowns or village centers by virtue of their location (i.e. that are within a reasonable walking distance from the town core). • Additionally, two of the nine second tier priorities are the following: o Projects built in a dense infill site. o Projects served by public transportation.
Virginia	2016	Scoring points	New Construction in Areas Without Increasing Rent Burdens • Projects that involve new construction (including adaptive re-use and rehabilitation that creates additional rental space) located in a pool identified as a pool with little or no increase in rent-burdened population may have up to 20 points deducted from their score. • This provision may disproportionately affect rural areas where there is less likely to be growth that could affect the rent burden rate. However, there may be rural areas that have high, previously unaddressed rent burden rates, but not *increasing* rent burden rates.
		Scoring points	Development Characteristics: Community or Meeting Room • Projects that include a community or meeting room with a minimum of 749 square feet may be awarded five points.
		Scoring points	Development Characteristics: Proximity to Transit • Projects located within ½ mile of an existing commuter rail, light rail or subway station, or ¼ mile of one or more existing public bus stops, may be awarded 10 points.

<table>
<tr><th>State</th><th>QAP year</th><th>Type of provision</th><th>QAP provisions potentially disadvantageous to rural areas</th></tr>
<tr><td rowspan="3">Washington</td><td rowspan="3">2016</td><td>Scoring points</td><td>Project-based Rental Assistance (PBRA)
Projects are awarded up to four points based on the number of units receiving federal PBRA, as follows:
<table><tr><th>Number of units w/ PBRA</th><th>Points</th></tr><tr><td>30-49</td><td>2</td></tr><tr><td>50-79</td><td>3</td></tr><tr><td>80 or more</td><td>4</td></tr></table>
Since this criterion is based on the absolute number of units receiving PBRA, rather than the percentage of units receiving PBRA, this provision will disadvantage smaller projects relative to larger ones.</td></tr>
<tr><td>Scoring points</td><td>Cost Containment Incentive
Projects may be awarded one point based on how their cost per residential square foot compares to the median for their geographic pool.
Smaller rural projects are likely at a disadvantage relative to larger projects on this measure, as it considers total development costs (less land cost and capitalized reserves), and smaller projects have fewer square feet over which to spread the fixed costs of development.</td></tr>
<tr><td>Scoring points</td><td>Developer Fees
Projects may be awarded up to 10 points for limiting their developer fees as follows:
<table><tr><th>% of total project costs</th><th>Points</th></tr><tr><td>10%</td><td>10</td></tr><tr><td>11%</td><td>8</td></tr><tr><td>12%</td><td>6</td></tr><tr><td>13%</td><td>4</td></tr><tr><td>14%</td><td>2</td></tr><tr><td>15%</td><td>0</td></tr></table></td></tr>
<tr><td>West Virginia</td><td>2015-2016</td><td>None</td><td>No provisions were identified that were deemed to disadvantage projects in rural areas specifically.</td></tr>
<tr><td rowspan="2">Wisconsin</td><td rowspan="2">2015-2016</td><td>Set-aside</td><td>Rural
Projects applying in the rural set-aside shall not be moved to a different set-aside for any reason.
This provision means that rural projects are effectively capped at 10 percent, regardless of the need in these areas or their scoring relative to other non-rural projects.</td></tr>
<tr><td>Scoring points</td><td>Energy Efficiency and Sustainability: Strong Linkages
Projects may be awarded up to 10 points based on their walk score from www.walkscore.com.</td></tr>
</table>

<table>
<tr><th>State</th><th>QAP year</th><th>Type of provision</th><th>QAP provisions potentially disadvantageous to rural areas</th></tr>
<tr><td rowspan="2">Wisconsin (continued)</td><td rowspan="2">2015-2016</td><td>Scoring points</td><td>Energy Efficiency and Sustainability: Public Transportation
Projects may be awarded five points for being located within two tenths of a mile from a regularly scheduled local bus stop.</td></tr>
<tr><td>Scoring points</td><td>Credit Usage
Projects may be awarded up to 40 points based on the amount of tax credits they are requesting per low-income unit produced.</td></tr>
<tr><td rowspan="2">Wyoming</td><td rowspan="2">2016</td><td>Scoring points</td><td>Project Location: Appropriate Location
A project may receive up to 35 points for being within a proximity of 1 ½ miles (½ mile for elderly) of appropriate services needed by the residents occupying the units.</td></tr>
<tr><td>Tie breaker criteria</td><td>Total Project Costs
Projects may receive up to 40 points for submitting total development costs per unit below the tolerance levels set forth for units of the size being proposed, as follows:
<table>
<tr><th>Percent below tolerance</th><th>Points</th></tr>
<tr><td>10-14 percent</td><td>5</td></tr>
<tr><td>15-19 percent</td><td>15</td></tr>
<tr><td>20-24 percent</td><td>30</td></tr>
<tr><td>25 percent and over</td><td>40</td></tr>
</table></td></tr>
</table>

Appendix I
Summary of Rural Provisions in State Qualified Allocation Plans

State	Provisions that advantage rural projects: Rural/tribal set-asides or geo. allocations	Scoring points and threshold criteria	Cost limits / tests	Basis boosts	Total advantageous provisions	Provisions that disadvantage rural projects: Rural/tribal set-asides or geo. allocations	Scoring points and threshold criteria	Cost limits / tests	Total disadvantageous provisions	Net adv. (disadv.)	Percentage points rural areas are (under) over-represented[1]
Alabama	1	-	-	-	1	-	1	-	1	-	7.3
Alaska	-	4	-	-	4	-	-	-	-	4	11.5
Arizona	2	5	4	-	11	-	2	2	4	7	2.4
Arkansas	-	-	-	1	1	-	2	1	3	(2)	(1.1)
California	3	4	-	-	7	-	1	-	1	6	0.2
Colorado	-	1	1	-	2	-	-	-	-	2	(1.8)
Connecticut	-	-	-	-	-	-	2	1	3	(3)	(3.3)
Delaware	-	2	-	-	2	-	2	1	3	(1)	0.0
Florida	1	3	-	-	4	-	1	1	2	2	0.2
Georgia	1	7	1	1	10	-	6	-	6	4	6.1
Hawaii	-	-	-	-	-	-	1	4	5	(5)	6.5
Idaho	1	1	-	-	2	-	1	-	1	1	3.5
Illinois	1	1	1	-	3	-	-	-	-	3	4.5
Indiana	1	2	-	-	3	-	3	-	3	-	(4.8)
Iowa	1	-	-	1	2	-	2	-	2	-	(18.0)
Kansas	-	2	-	-	2	-	1	1	2	-	18.9
Kentucky	2	6	1	-	9	-	3	1	4	5	4.8
Louisiana	-	1	-	-	1	-	1	1	2	(1)	(4.2)
Maine	-	1	-	-	1	-	2	1	3	(2)	(8.2)
Maryland	-	3	-	-	3	-	-	-	-	3	3.4
Massachusetts	-	-	-	-	-	-	2	-	2	(2)	(0.5)
Michigan	1	2	-	1	4	-	4	2	6	(2)	3.3
Minnesota	1	2	-	-	3	-	2	1	3	-	(5.1)
Mississippi	1	-	-	-	1	-	2	-	2	(1)	(3.0)

State	Provisions that advantage rural projects					Provisions that disadvantage rural projects					
	Rural/tribal set-asides or geo. allocations	Scoring points and threshold criteria	Cost limits / tests	Basis boosts	Total advantageous provisions	Rural/tribal set-asides or geo. allocations	Scoring points and threshold criteria	Cost limits / tests	Total disadvantageous provisions	Net adv. (disadv.)	Percentage points rural areas are (under) over-represented[1]
Missouri	1	1	-	-	2	-	-	-	-	2	(0.6)
Montana	1	1	1	1	4	-	1	-	1	3	(4.3)
Nebraska	2	2	-	1	5	-	1	-	1	4	(9.3)
Nevada	2	3	1	1	7	-	3	3	6	1	3.1
New Hampshire	-	1	-	-	1	-	-	2	2	(1)	31.3
New Jersey	-	-	-	-	-	-	2	-	2	(2)	0.0
New Mexico	1	2	-	-	3	-	4	1	5	(2)	(25.8)
New York	-	-	-	-	-	-	-	-	-	-	(2.7)
North Carolina	1	2	-	-	3	1	2	2	5	(2)	6.4
North Dakota	1	-	-	2	3	-	2	-	2	1	39.7
Ohio	2	2	-	1	5	-	4	1	5	-	3.3
Oklahoma	2	-	-	-	2	-	1	1	2	-	25.2
Oregon	2	-	1	-	3	-	1	1	2	1	6.0
Pennsylvania	1	2	1	-	4	1	2	1	4	-	0.9
Rhode Island	-	-	-	-	-	-	1	1	2	(2)	0.0
South Carolina	1	4	-	-	5	-	4	-	4	1	(0.4)
South Dakota	-	1	-	1	2	-	3	2	5	(3)	(18.2)
Tennessee	-	-	-	-	-	1	1	1	3	(3)	10.0
Texas	3	5	1	1	10	-	-	-	-	10	2.2
Utah	1	-	1	-	2	-	2	2	4	(2)	9.7
Vermont	-	-	-	1	1	-	1	-	1	-	(15.8)
Virginia	1	2	-	-	3	-	3	-	3	-	1.7
Washington	1	2	-	1	4	-	1	2	3	1	(2.8)
West Virginia	3	3	-	-	6	-	-	-	-	6	(8.6)
Wisconsin	1	1	-	1	3	1	2	1	4	(1)	(2.4)
Wyoming	1	-	1	-	2	-	1	1	2	-	(10.3)

[1] Based LIHTC projects placed-in-service between 2010-2014 and geocoded as metro/nonmetro using the county-level FIPS codes

Appendix J
Stakeholders Interviewed[71]

Marcea Barringer, Federal Housing Finance Agency
Emily Cadik, Enterprise Community Partners
Tom Carew, FAHE
Tom Collishaw, Self-Help Enterprises
John Cromartie, U.S. Department of Agriculture, Economic Research Service
Tanya Eastwood, Greystone & Co.
Rob Ellis, Kentucky Housing Corporation
Cindy Fang, CohnReznick
Dave Ferrier, Community Housing Improvement Program
Colleen Fisher, Council for Affordable and Rural Housing
Eileen Fitzgerald, Stewards of Affordable Housing for the Future
John Fowler, People's Self-Help Housing
Rick Goodemann, Southwest Minnesota Housing Partnership
Peter Han, U.S. Department of Agriculture, Economic Research Service
Kim Herman, Washington State Housing Finance Commission
Scott Hoekman, Enterprise Community Investment
Mike Jacobs, National Equity Fund
Andrew Jakabovics, Enterprise Community Partners
Russ Kaney, Enterprise Community Partners
Sylvia Martinez, Federal Housing Finance Agency
Sarah Mickelson, National Low Income Housing Coalition
Marty Miller, Office of Rural and Farmworker Housing
Kevin O'Connor, RUPCO
Kathy Peters, Kentucky Housing Corporation
Bob Rapoza, National Rural Housing Coalition
Garth Rieman, National Council of State Housing Agencies
Danielle Safran, Federal Housing Finance Agency
Pat Sheridan, Volunteers of America
Kris Siglin, Housing Partnership Network
Karen Speakman, NCALL
Michael Spotts, Enterprise Community Partners
Jessica Sun, U.S. Office of Management and Budget, Housing Branch

[71] Organizational affiliation listed represents the organization with which they were affiliated at the time the interview took place.