

Rural Texas Studies Identify Housing Needs, Challenges and Strategies

By Roy Lopez and Tanya Ferencak

In 2010, the Texas Department of Housing and Community Affairs (TDHCA) formed the Rural Housing Workgroup to better understand the housing challenges faced by rural populations. Based on input from the Texas Legislature as well as the workgroup, TDHCA enlisted Bowen National Research to conduct both the Texas Statewide Rural Housing Analysis and the Texas Farmworker Housing Analysis.¹

Bowen National Research studied demographic shifts, assessed current housing needs and recommended policy adjustments to more effectively deliver affordable housing to both rural and farmworker populations.

Statewide Rural Housing Analysis

The Texas Statewide Rural Housing Analysis used the U.S. Office of Management and Budget definition of rural counties as “non-MSA,” or those that do not represent metropolitan statistical areas. Findings suggest that affordable housing remains a pressing need in the 177 Texas counties identified as rural, despite only modest population growth in those areas of the state.

Pointing to estimated rural Texas population growth of 1.3 percent to just over 3 million from 2010 to 2015, the study concludes that much of the housing demand can be met through “replacement, renovations and modifications of the existing housing stock.”

While all low-income segments have significant housing needs, the report notes that rental housing gaps are largest among households with income below

30 percent of area median household income (AMHI) and that for-sale housing gaps are largest among those with incomes between 31 percent and 80 percent of AMHI.

The Bowen survey projected the gap in affordable rental housing for Texas’ rural communities to be 85,215 units by 2015. This number represents the units that will be occupied by households that are rent burdened or living in overcrowded or substandard housing, and new households that will be added to the market and require rental housing by 2015. Not surprisingly, the highest need for rental housing in rural areas was found to be among the poorest residents. The survey indicates that half of those units, or 45,269, are needed

for households with incomes at or below 30 percent of AMHI.

The report details key barriers to affordable-housing development, including rehabilitation of existing single-family homes.

Income constraints, influenced by seniors and others who may be on fixed incomes, were identified as a major hurdle. These populations are found disproportionately in rural Texas. Median household income in rural Texas (projected to be \$49,724 in 2015) is expected to be about 34 percent lower than in urban Texas. With higher poverty rates than in urban Texas, rural Texas often has affordability challenges, even in areas with lower costs of living.



Roy Lopez

Much of the demand for rural housing can be met by replacement, renovations and modifications of existing housing stock, such as this home in Elsa Texas.

Another impediment to affordable-housing development is the difficulty of making small, affordable rental-housing projects financially feasible. It becomes difficult to reach economies of scale in small population centers. Deep subsidies are needed because multifamily developments are hard to finance without proper cash flow to service the debt. Given cutbacks within many state and federal subsidy programs, gap-financing subsidies are increasingly difficult to attain for many rural communities and developers.

In addition, a lack of staff capacity at the local level and greater program complexities are making housing development increasingly unachievable in rural Texas. Developer Mark Mayfield, chief executive officer of the Texas Housing Foundation, said that “sometimes the learning curve needed to develop affordable housing is too steep, and communities shy away from it.”

Despite many barriers, housing development has taken place throughout rural parts of the state. The Bowen study identified 42,307 affordable multifamily-housing units in the 177 counties, plus an additional 12,121 Housing Choice Vouchers in use.² According to affordable-housing providers in the study, the overall occupancy rate for their units has been consistently at or near 97 percent, which suggests slow turnover and a high need for subsidized units.

“It is evident that there remains a continued need for affordable housing in rural Texas and the support of the programs that help maintain and create such housing,” the analysis concludes.

The report makes a number of recommendations to improve the affordable-housing-delivery system in Texas, including: 1) modifying the low-income housing tax credit (LIHTC) program to give more consideration to rural developments, 2) providing more marketing and education for first-time homebuyer programs in rural markets, 3) stepping up community outreach efforts to educate local financial

institutions about the existing products and the need for housing and 4) creating regional rural-housing resource centers throughout Texas that would increase development capacity among nonprofits, private developers, housing authorities, local municipalities and councils of government.

Texas Farmworker Housing Analysis

Many of the financial barriers faced by rural residents also impede farmworkers. The Texas Farmworker Housing Analysis projects a gap for rural farmworker housing units of 28,531 units by 2015. This represents the number of farmworkers who will not be housed in farmworker-designated housing yet will still have a need for safe and sanitary affordable housing. In the analysis, 49 rural counties were evaluated as farmworker counties. These rural counties contained more than 1,000 migrant/seasonal farmworkers in an enumeration survey completed in 2000.

Farmworker housing can be provided on farm, by the grower or off farm. Off-farm housing can include U.S. Department of Agriculture (USDA)-financed migrant-labor housing facilities, conventional/affordable apartments, colonias, hotels, recreational vehicles or even tents. Like the agricultural work, the housing tends to be seasonal or temporary.

“This seasonal nature makes it difficult for farmworkers to secure safe and affordable housing outside of designated migrant-labor housing facilities,” said Kathy Tyler, housing services director at Motivation Education and Training. “The seasonal nature also makes it difficult to finance development.”

The irony is that despite great seasonal demand, many USDA housing facilities throughout the state are struggling to stay solvent because they are vacant for large portions of the year. This disrupts cash flow. An estimated 90 percent of all farmworkers in Texas earn less than \$30,000 a year, with over 47 percent of those earning \$10,000 to \$19,999.

With wages low, it is not surprising that farmworkers occupy some of the worst housing in the state. Tyler said most affordable-housing programs address the needs of workers making between 50 percent and 80 percent AMHI. “There is a disconnect, when most farmworkers are well below 30 percent of AMHI,” added Tyler.

The study makes several recommendations to spur and streamline farmworker housing development, including: 1) clarifying farmworker housing-facility requirements, 2) raising development requirements so that farmworker housing projects can be eligible for LIHTCs, 3) establishing a predevelopment loan program and 4) establishing a rental operating-subsidy program that can mitigate the risks associated with fluctuating occupancies.

Beyond the Studies

As the rural and agricultural landscapes change technologically, economically, socially and demographically, the need for housing to serve these populations has never been more pressing, according to the TDHCA/Bowen analyses. The two studies offer a baseline for affordable-housing demand and identify obstacles that make development difficult in rural areas. The challenge, according to Kate Moore, policy adviser at TDHCA, will be to identify how to use these studies to adjust programs to meet the significant affordable-housing needs of rural and urban Texas.

Notes

¹ See Bowen National Research for details on the two research studies, dated September 2012, at www.tdhca.state.tx.us/housing-center/docs/12-Rural-Farm-Analysis-Rural.pdf and www.tdhca.state.tx.us/housing-center/docs/12-Rural-Farm-Analysis-Farmworker.pdf.

² The Housing Choice Voucher program is the federal government's chief program to help very-low-income families, the elderly and the disabled afford decent, safe and sanitary housing in the private market. Because 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.