



Photo: Shawn Poynter

YOU CAN DO THIS BECAUSE YOU ARE SMALL

Finding Capital for Affordable Rural Housing

By Seth Leonard

ON A FALL AFTERNOON in northern New England, I found myself sitting on a panel with a state agency staffer, a regional planner, a developer, and a commercial lender. Our audience of city managers and town administrators had gathered to learn how to get more housing in their communities. As each panelist spoke, the list grew longer. Each community needed expensive infrastructure upgrades, multiple plans that measured need or strategy, a new regulatory framework, and a number of new staff members dedicated to making this all happen. Blank stares faced our litany of requirements. I added one last log onto the fire: "After you do this, there is no guarantee housing will be developed in your community, but you'll have a better chance." A city manager from one of the larger municipalities in attendance stood up and said, "We're too small to do all this, and I have no idea how to pay for it." Without hesitation I blurted, "Because you are small, you can actually do this." The rural scale can be an immensely powerful asset in solving problems.

Housing has taken a priority position in local, state, and national politics. Americans are increasingly focused on the [shortage of affordable homes](#) in the United States. Yet, as Charles Marohn [wrote](#) in 2020, "Small towns and rural areas are generally treated, through public policy, as merely smaller versions of major metropolitan areas." Too often rural areas are overlooked for their historic role in innovating community development policy and their potential to drive creative solutions to address today's pressing challenges.

Rural communities need access to financial capital to create these opportunities. When we talk about financial capital, [federal programs](#) remain critical to making rural community development possible. However, we will also consider philanthropic and private capital (including banks). We will explore some of the civic and capital strategies that can help rural communities to attract and utilize financial capital, and how the scale of rural communities can be an asset in preparing communities for capital.

Revolutionizing Rural Capital Starts with "Who?"

A substantial body of research and data indicates state, [federal](#), [philanthropic](#), and [private](#) funding does not reach rural communities at a representative level. In 2025, the challenge of connecting rural communities and private capital was a central policy issue as Congress considered extending the Opportunity Zones program. OZs are a prime example that merely designating a community as an investment priority does not automatically increase the [flow of funds](#). While many rural areas were eligible for OZ investment, most of the investment flowed to a highly concentrated group of [urban designated zones](#). To try to address the issue, Congress adopted [rural-specific incentives](#) in hopes of driving more capital into rural projects. This could be an important step in

seeing OZ investment flow to rural communities, but the job is not done without work at the local level.

Altering the way capital flows into a community starts on the ground. When working with communities, before jumping into funding applications, we should ask ourselves these "who" questions:

1. Who is responsible for measuring and communicating community goals and vision?
2. Who is responsible for prioritizing (including editing) and communicating the pipeline of projects needed to achieve the community goals and vision? With this question, we must also identify non-negotiable values when thinking about what capital we will pursue.
3. Who or what will aggregate and deploy capital once it is attracted?
4. Who is bringing collaborators, policy makers, and the needed investment partners to the table?

These questions closely mirror the Capital Absorption Framework introduced by the [Center for Community Investment](#). The framework proposes that for capital to be effective in meeting needs, communities must first prepare for investment by establishing shared values and identifying and communicating a pipeline of projects.

The answer to "who" is rarely a singular organization, but a collection or team of individuals and organizations equipped to transform how capital flows into a community. Rural ecosystems do have a distinct advantage when it comes to financial capital systems change: a smaller scale or field of play. It can be easier to engage with the entire universe of agencies, and individual decision makers within those agencies, that can effect change.

While the policies, behaviors, and priorities of funders matter, the work to change the flow of capital starts at the community level. Funders will support a strong project that meets community needs. It is even more compelling, however, when the stakeholders involved leverage a single project's success to continue building capacity in the community to drive future projects.

Think "Next Generation" for Rural Financial Capital

There is no doubt that the landscape of federal funding is changing. For rural communities to thrive, the continuation of sustained federal investment will be critical. Federal agencies like the U.S. Department of Agriculture's Rural Development arm and the Department of Housing and Urban Development are critical to what comes next. Very little data exists on how federal funding is leveraged or attracts private capital to projects. However, programs like the Treasury's [Capital](#)

[Magnet Fund](#) are explicit about making awards to capital deployers who promise a high level of private leverage. Rural communities are starting to build more creative capital relationships – to make the most of federal investment, build project financing models that are less reliant on federal resources, and generally attract more capital for housing and community development.

Rural regions and communities have models to build from and ideas to pursue. At a local level, employers and health institutions like [Elizabethtown Community Hospital](#) in New York are directly investing in local housing developments. On a regional scale, [Invest Appalachia](#) is aggregating layers of traditional and creative sources of funding to invest in communities that might not otherwise attract external investment. Emerging larger scale models like the [Community Investment Fund](#) proposal are building off local community investment funds through organizations like the [National Coalition for Community Capital](#). Meanwhile, Community Development Financial Institutions operate across a wide spectrum of local, state, regional, and national levels – not only bringing more capital to underserved communities but also helping local private investors and banks invest in projects that might not otherwise receive capital.

The scale of rural communities can make it easier to identify non-traditional investors, and also make it easier for the non-traditional investors to see the impact of their work. [Middlebury College](#), for example, essentially acted as a landbank and pre-development engine for the creation of 250 homes in its rural community. When a rural community can effectively communicate their housing needs and goals, and take the next step of calling regional non-traditional investors to the table who are likely feeling the housing crunch, it can yield powerful results.

Make Non-Traditional Community Investments

The presence of sidewalks, water/sewer capacity, roads, utilities, and even green space has a huge impact on what can be built in any given community. A community can have all those assets, however, and still be subject to funders' willingness to believe the market will support the project and the resources needed to build will be available. Besides an adequate site, the creation of housing requires a developer who can bring resources together, and builders to bring the vision to life. Rural communities can consider two forms of non-traditional investment to increase their community and regional power in adding homes.

1. Invest in developers. If rural communities are reliant upon recruiting larger scale developers from outside their community or region, it will likely require

financial incentives and/or larger scale projects to attract enough attention. Who builds housing in our community matters. In response to a lack of local development capacity, many communities, regions, and states are making investment into training developers or expanding the capacity of smaller firms who can scale up production. These investments include developer training programs, roundtables to build community among practitioners, and targeted preferred financial programs. Rural investment into nonprofit, private, and quasi-governmental developers will expand capacity for home construction in communities.

2. Encourage off-site construction. The resurgence of off-site construction methods could create more affordable homes. As funders consider investment in facilities pursuing high-volume modular construction, siting these facilities in rural communities could create jobs. States are also starting to explore bulk purchase of factory-built modular homes. Using a bulk purchase approach could simultaneously support the feasibility of establishing regional high-volume factory builders, while also giving rural communities an opportunity to receive a proportional distribution of a larger state-sponsored bulk purchase.

Lasting Impressions on the Development Environment

Above all, exploring and implementing these ideas takes human and financial capacity. Among the individuals, organizations, and institutions sharing responsibility for meeting a community's housing needs, the opportunity for burnout is very real. The United States has underproduced homes for decades, and it will take an intentional and sustained effort to shift the tides. This is especially true in rural communities where human and financial resources are already stretched thin.

While we hope you may consider exploring one or all of these ideas to increase housing in your rural community, there is no more important action than investing in durable human and civic infrastructure. We must create convening tables, committees, coalitions, and partnerships that are built for a long and sustained effort to ensure rural communities have enough homes. Take a deep breath. This is a marathon.

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