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Perspectives on Rural Development, Labor, and Housing Constraints: Conference Summary

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On October 9–10, the Federal Reserve Bank of Chicago hosted the 2024 Rural Futures Series—The Lay of the Land: Labor, Zoning, and Housing in Rural Communities. Taking place in Central Iowa, this event proceeded from our 2022 Rural Economic Development Conference, which initiated conversations around rural economic development’s challenges and opportunities. The 2024 conference focused on rural communities’ unique efforts to attract labor, highlighting creative zoning practices and housing policies, as well as innovative strategies rural communities have undertaken to minimize potential risks associated with economic development. The two-day conference featured Federal Reserve economists, city managers, academic researchers, city planners, community development advisors, business leaders, and homebuilders. Some major takeaways included the following:

- Population stagnation and decline remains a pervasive issue in rural communities. People-oriented development, emphasizing quality of life, was often mentioned as a strategy to address population related issues.
- Maintaining and growing the rural workforce is interconnected with issues surrounding the shortage of affordable necessities and services, such as housing, childcare, infrastructure, and transportation.
- Building housing remains a challenge across many rural communities; some strategies to entice developers and increase housing diversity have improved housing access and affordability.
- Panelists remain optimistic, sharing the successes of rural communities across the Seventh District.

The first half of the conference focused on strategies that rural communities use to attract labor and engage nonprofit and business stakeholders. Conference panelists highlighted a noticeable shift away from rural communities’ historical focus on job creation and attracting businesses to place-making, a community and economic development strategy that focuses on creating places where people want to live, work, and play. We discuss this shift in the next section. We then explore how this leads to innovative labor solutions to address distinctive rural issues.

The second half of the conference addressed housing shortages in rural communities across the Seventh District. We summarize the conference panelists’ perspectives on zoning and land uses and the unique solutions rural communities implement to increase their housing stock.

Perspectives on rural development

Setting the stage for the conference this year was a conversation on the changing approach to rural economic development. Professor Steven Deller (economist, University of Wisconsin–Madison) argued that economic development has moved away from a focus on jobs toward a focus on people. This paradigm shift, which Deller refers to as the fourth wave of economic development, underpinned the conference; and speakers repeatedly emphasized their communities’ and organizations’ efforts on place-making. This shifts the economic development question from where employers would want to locate to where employees would want to work.

This change in perspective was repeated throughout the conference as panelists emphasized each community’s unique assets. These assets are not tailored toward attracting businesses through tax breaks or affordable land, but toward attracting population. Deller, through his work with the Iowa Small Towns Project, referred to this as communities’ “secret sauce.” Three rural strengths predictive of success Deller identified were the celebration of small successes, an entrepreneurial spirit, and engaging external partners. Lisa Leedy (executive director, Builders Exchange of Northwest Michigan) emphasized rural

communities' access to natural assets, opportunities for creative careers, and high levels of collaboration. This sentiment was echoed on the second day of the conference. Scott Hanson (senior planner, Crawford, Murphy, and Tilly) spoke about the draw of rural areas related to the sense of community, safety, and cultural heritage they provide.

From partnerships and investments in social infrastructure—including arts, education, and third spaces (places where people can gather outside home or work)—to community and business engagement, thriving rural communities cultivate quality-of-life assets through a wide range of approaches. A common thread among panelists was praise of educational institutions as anchors for their communities. For example, in Storm Lake, Iowa, Buena Vista University (BVU) provides college students with first-hand experience running classrooms, explained Keri Navratil (city manager, Storm Lake). Navratil spoke to both the university's role in building the local labor force by addressing a teacher shortage and its role in population retention. According to Navratil, 80% of BVU grads stay in Iowa to live and work.

Community and business engagement also underpinned panelists' approach to rural development. Panelists noted that stakeholder engagement was crucial in understanding each community's unique assets and setting development goals. One such form of engagement was community surveys, demonstrated by the Regional Housing Recovery Plan in McLean County, Illinois, or in Networks Northwest's addressing of childcare strategies in Michigan's Upper Peninsula. Another form of community engagement involves active recruitment of community members, particularly young people, to local committees and city positions. Navratil mentioned efforts to recruit from the local high schools as a means to preserve community culture. This latter example connects to a conversation in our second panel's Q&A about capacity building, specifically in regard to grant support and accessing resources. Panelists noted that successful communities invested in planning—leveraging anchor institutions and strategies, such as asset mapping, to develop capacity.

Engaging external partners also came up as a successful strategy for rural communities, first mentioned as “bridging social capital” by Deller. Todd Blake (city manager, Fremont, Michigan) shared an example of external engagement where his community partnered with two nearby jurisdictions on a “Joint Comprehensive Development and Growth Management Plan.” Another example of bridging social capital came from Jamie McNabb (chief executive officer, Networks Northwest). A coalition representing all 16 counties in the Upper Peninsula of Michigan convened to understand and share strategies for addressing the childcare affordability crisis.

Business engagement within the community also plays a significant role in people-oriented development. Megan Weiler Green (chief financial officer and general counsel, Weiler Products) in Knoxville, Iowa, spoke about community engagement as a way to build pride among employees and strengthen the labor force. Through investments in the Knoxville Hospital, Knoxville Library, local daycare facilities, and the Knoxville School District, Weiler focuses on place-based investment to retain and develop labor. Employer engagement was emphasized by a number of other panelists who discussed efforts by the business community to attract labor.

The people-first development emphasized by business leaders and community development experts at the conference reflects trends that are specific to rural communities but influenced by national trends. According to Lisa Miller (director of Partnerships and Engagement, Michigan Office of Rural Prosperity), the number one issue rural Michigan faces is population decline. This is a sentiment that was repeated frequently, as panelists spoke about the difficulty of attracting and retaining young people. Population stagnation and decline are common in rural communities, leading employers to struggle to establish a stable workforce. This issue has been exacerbated by a labor market that was historically tight nationally following the Covid-19 pandemic.

A tight labor market has meant employers have had to innovate to compete for labor. This phenomenon is acute in rural areas, where Navratil notes an unemployment rate of just 1.48% in Storm Lake, Iowa. The combination of stagnant/shrinking populations and a tight labor market led Deller to pose the question: “Why are we trying to generate more jobs when we can't fill the ones that we have?” By focusing on people-first development, rural communities are challenging the traditional notion of development that jobs attract people.

Attracting labor and population to rural communities

Job creation and business attraction have been the backbone of economic development corporations for decades. However, with the focus for many shifting toward labor attraction and development, conference participants discussed the unique labor-related challenges rural communities face and the solutions they are experimenting with. Challenges faced in the wider economy can be exacerbated in rural communities where populations are stagnant or declining.

Population decline and stagnation were discussed widely as a barrier to labor development. In the opening presentation of our conference, Jason Brown (vice president and economist, Federal Reserve Bank of Kansas City) shared data on population growth and turnover, indicating that rural communities are becoming more static relative to urban areas. When population levels are stagnant or shrinking, employers' options are limited. To this end, Weiler highlighted her company's planned hiring of 124 new employees. However, she raised concerns that there was not a large enough labor supply within her

community. Despite Weiler's extensive support and investment in Knoxville, concerns were raised that their "community is not growing numbers wise. There is only so much that we can do, as the largest employer in town, to fix community issues," Weiler said.

Addressing population decline and stagnation in rural areas has become a core part of rural economic development philosophy. One way in which panelists suggested approaching this issue was by embracing immigration through community infrastructure and employer support. Leedy asked if there was a way to remove barriers, providing easier access to legal immigration. Navratil spoke of Storm Lake's long history with immigration and the lessons learned about the importance of providing language and other services. This is an area where employers can play a large role. Marie Barry (director of Community Economic Development, Rural Wisconsin Health Cooperative) spoke to the advantages of embracing immigration. This was accomplished in rural Wisconsin hospital systems by partnering with technical colleges to integrate and promote English language learning for non-native speakers. Other technical schools began offering certifications in Spanish. By embracing and supporting immigration, rural communities have tapped into a workforce that might otherwise go underutilized.

Targeting the "hidden talent pool," a term used by McNabb to refer to traditionally under-accessed communities, was another strategy mentioned to address labor shortages. This includes cultivating skills of people that employers may have historically overlooked, such as people impacted by the opioid epidemic, those formerly incarcerated, veterans, and new immigrants. Communities and employers can support these workers with specialized workforce development programs and services tailored to their needs. McNabb shared strategies from Northwest Lower Michigan, where the U.S. Department of Labor's National Dislocated Worker Grant was utilized to fund life coaches and recovery-friendly workplace facilities across 24 counties. Programs to support formerly incarcerated people returning to the workforce were also implemented. This included partnering with AmeriCorps in recruiting landlords to offer housing to those recently incarcerated, as well as utilizing a jail and release simulation to educate employers and public officials about the specific challenges this population faces. The panel closed by noting that in rural areas a "scattershot approach" is needed, as no one solution will address every workforce issue.

Skill gaps between employers and the labor force also serve as a barrier to employment—and present opportunities for improved labor retention and development. Navratil noted that in talking to employers, skill gaps were the most frequently mentioned barrier to employment. This trend appears to span industries and communities, from a teacher shortage noted in Storm Lake, Iowa, to shortages in construction workers throughout the state, as noted by Matt Daniels (director of Operations, Origin Homes). As is often the case, challenges beget opportunity, as panelists shared how training and education could serve as a means of worker retention and new business attraction.

Training and educational opportunities can be promoted both from the private and public sectors. Barry shared internal efforts for labor retention within rural Wisconsin healthcare organizations. One shift in narrative mentioned by Barry was a movement toward "cultivating talent that they already have in their buildings for the skills that they need in order to advance their operation." This takes the form of "earn as you learn" opportunities, as well as partnerships with technical colleges for in-house training, with hospital staff serving as both students and teachers. From the government side, Navratil discussed a partnership between Storm Lake School District and a local community college. High school students in their fifth year can attend the community college to pursue certifications or work toward their associate's degree.

Inaccessible or unaffordable services and amenities make it more challenging to attract workers to a community. Housing, access to childcare, transportation, and infrastructure (particularly broadband) were all mentioned as barriers to labor attraction and retention. The presence and affordability of these services serve both in creating a more accessible labor force and in attracting new population to rural communities, as Leedy pointed out.

Access to childcare was addressed most directly by McNabb, who outlined the childcare shortage in the Upper Peninsula (UP) of Michigan. A taskforce made up of all 16 UP counties, employers, and post-secondary institutions was created to address the issue. Findings from surveys and focus groups indicated employers that offered childcare were more likely to retain employees. They also recommended engagement and education on the issue—creating a webinar, providing online resources, and promoting the Michigan Tri-Share childcare program, which splits the cost of childcare between the employer, employee, and the state. Miller highlighted Michigan's Rural Readiness Grant Program, which awards \$50,000 to local governments and tax-exempt organizations providing workforce support.

Broadband infrastructure was another topic panelists cited as a barrier to workforce development. Broadband was first mentioned when an attendee asked about attracting younger workers to rural areas, for example, through remote employment. Panelists responded that business and community engagement in infrastructure development was a crucial tool in attracting young people to move to rural areas. This is a focus for panelist Nora Westbrook (Rural Innovation Initiative team lead, Center on Rural Innovation), who is working to build out tech entrepreneurship and industry in rural areas. Westbrook noted that one great predictor of success in rural America was participation in the growth of the tech economy. Westbrook argued that a community cannot compete in the tech economy without broadband internet access. To this end,

development of internet infrastructure in rural areas supports both sides of the labor market. Fast, reliable, and affordable internet access improves quality of life, helping to attract and retain population. It also plays a crucial role in business development and attraction, expanding the demand for labor in rural communities. However, Westbrook noted that access to capital is already a challenge in rural areas—and an even greater challenge for tech firms that offer little physical collateral. The Center on Rural Innovation stood up a fund to support rural tech start-ups, but Westbrook noted that more financing is needed.

The topic of housing as a barrier to employment was a common theme. Housing shortages, including workforce housing, were mentioned as a factor preventing growth. Government incentives meant for workforce development, such as the Rural Readiness Grant program in Michigan, fund housing services and development as a method of workforce development. Without a suitable and affordable housing stock, rural communities struggle to retain population, and employers struggle to attract labor. However, communities are coming up with creative solutions to the unique housing challenges they face.

Housing and zoning

Conference panelists highlighted rural communities' housing challenges including, but not limited to, lack of developers, dilapidated housing, missing municipal infrastructure, outdated ordinances, and minimal rental options. Rural communities have fewer resources to address these challenges than urban areas—fewer developers are available to work on projects, and the lack of housing stock, single-family, and multi-family, is more acute in general. Therefore, the unique difficulties around rural housing require innovative solutions and community input.

Conference panelists agreed the lack of developers is the largest obstacle to building housing in rural communities. Developers and contractors across the Midwest are reluctant to build housing in areas far from cities. They face the universal challenges of building housing—permit fees, risks with purchasing unwanted lots, etc.—and potentially lower demand. The current economic environment has also become a barrier to housing development, given a tight labor market and relatively high interest rates. In addition, building in rural areas may incur increased costs from missing utility connections, decreased guaranteed demand, and minimal access to labor. Daniels remarked that most developers typically build within a 45-minute drive of a metro area. Todd Blake (city manager, Fremont, Michigan) discussed his community's inability to attract developers; they could not compete with more populated areas with higher sale values, cheaper costs, and better access to labor, he said.

In response, municipalities and developers across the Seventh District are coming together to build rural housing. Municipalities are brainstorming new ways to attract developers with paved roads and utility connections, thereby reducing developers' costs. They are also offering large discounts on lot prices—at times they have provided land to developers for free—and waiving permit fees to attract builders. In Michigan, Fremont has given land away with a covenant that requires the developer to build in six months or lose the land. Developers are responding to these incentives. For instance, Daniels specializes in rural single-family new construction in Iowa. The firm has built single-family housing in 15 Iowa counties and aims to expand to all 99 counties. Daniels recommended that communities prepare the land to be “shovel ready,” with the necessary utilities and paved roads to attract developers. He also shared another innovative incentive, in which one city recently sold Daniels multiple parcels to build five houses at the same time, sharing his fixed costs across the units. From the demand side, Newton, Iowa, and Ripon, Wisconsin, have both implemented programs to attract buyers with incentives of up to \$10,000.

Alongside building new housing, many programs refurbish dilapidated structures to increase housing stock. Emilie LaGrow (village manager, Cassopolis, Michigan) shared how the village plans to use a \$1.9 million grant to repair over 100 homes in the next seven years. Blake described how Fremont amended the blight code to force owners to maintain their buildings. Fremont has even taken the owners to public hearings or hired contractors to fix the dilapidated buildings, placing the bill onto the owner's property taxes. Erin Chambers (community development director, Newton, Iowa) explained Newton City Council's adoption of a vacant building ordinance; it gives owners of vacant properties two years to place the property on the market and submit a property plan to city council. Otherwise, the unit will be placed upon a vacant property registry and the owner will face significant fines. Other cities have created historic downtown districts, focusing on updating character and housing. Funding solutions vary across the region and include low interest loans or fronting loans to fix dilapidated housing structures.

State government programs can support building rural housing. State legislation gives local governments the ability to designate areas as Tax Increment Financing (TIF) districts. TIF freezes property or sales tax at the current rate for 20 to 30 years, and the local government can use the revenue to encourage development or redevelopment. By reinvigorating underperforming areas, TIFs offer the potential to spur growth, but they also represent a long-term loss of tax revenue to the municipality.

Rural communities have implemented TIFs in residential areas, expanding beyond traditional commercial usage. In Hillsboro, Wisconsin, a town of 1,400 people, city planners used TIFs to build over 60 homes. Adam Sonntag (city administrator, Ripon) remarked that TIFs are the most effective tool to reinvigorate communities in Wisconsin. TIFs have also been used in [Ripon, Wisconsin](#), to fix dilapidated structures downtown and build housing. In Michigan, recent statewide TIF regulations permit new housing developments to qualify as brownfields, properties that are “contaminated, blighted, functionally obsolete, or are historic properties.” Fremont used state-approved TIFs to finance new housing developments. Policymakers in Newton, Iowa, have used TIFs-issued bonds in partnership with the Newton Housing Development for home constructions. They use the tax-increment revenue and lot sales to pay back the bonds. As a result, they are able to keep the lot sale price at a level that the local market can bear.

Rural housing solutions require reimagining housing beyond traditional structures. Historically, zoning in many places in the United States has prioritized detached [single-family housing](#). Berkeley, California, codified the cultural norm into single-family zoning in 1916, starting a wave of single-family dominated zoning laws. As Berkeley City Council considers [reversing course](#) in 2024, many rural conference panelists reported their communities have also reevaluated their own zoning guidelines. This issue is especially pressing, as states like Iowa have not largely updated their state zoning guidelines since the 1920s.

The Iowa Finance Authority hired Gary Taylor (professor, Department of Community and Regional Planning, Iowa State University) to create [The Online Guide to Iowa Zoning](#). The guide is an interactive mapping effort that uses local zoning maps to analyze the “influence of zoning and socioeconomic factors on Iowa’s housing supply” in over 300 Iowa cities. Preliminary results suggest 71% of Iowa’s housing stock is owner occupied, with renters occupying the remaining 29%. Furthermore, Taylor finds that before 2020, Iowa’s median house value and median rent grew alongside income. However, in 2021, Iowa’s median housing price skyrocketed relative to income growth and median rent. Additionally, Taylor finds that the median housing value in Iowa has outpaced the rate of inflation, when analyzing the Zillow home value index. In the past eight years, home values have risen 55%, while the inflation rate was 31%. When comparing Iowa’s 11 core metropolitan statistical areas, cities with majority single-family units experienced below-average growth. Conversely, cities with increased rental and multi-family options experienced above-average growth.

The research evidence matches the practitioners’ view. Many conference panelists across the Seventh District highlighted the need for market-rate rental housing and accessory dwelling units, an additional residential building that resides on the same lot as a primary residence, in their communities. In addition to single-family preferences, panelists discussed other ways many zoning ordinances also include antiquated practices. Leedy noted their community’s current zoning ordinance does not allow mobile or small homes, favors giving large plots of land, and certain areas lack sewer or municipal water. Ripon implemented flexible zoning for residential development, for example, allowing for accessory dwelling units and adopting Light Touch Density. In Cassopolis, the new planned housing development is a mix of single-family duplexes, triplexes, and quadplexes. Since not all community members can afford a mortgage, the city also plans to retain control of certain units to keep rentals available to accommodate people with different income levels. In addition, they have implemented programs to support modular and infill housing.

Conclusion

The challenges of labor attraction and housing shortages faced by rural communities have persisted since our 2022 conference. However, the focus on rural economic development has shifted toward place-making. Conference panelists highlighted the importance of creating a place where people want to live, not just a place where businesses want to locate. To name a few examples, this emphasis led to Marion, Wisconsin, building nature access through lakefront trails, Storm Lake, Iowa, investing in public schools, and Newton, Iowa, rehabilitating downtown districts.

Attracting people to live in a rural community requires access to affordable housing and amenities like broadband, transportation, and childcare. Throughout the conference, panelists shared innovative solutions to fund and develop these amenities. Many different grant programs have supported rural communities in financing development. Furthermore, communities have offered incentives to developers to build housing with shovel-ready lots. In addition, city planners and community officials have reevaluated zoning guidelines to expand land use and build more multi-family units.

Consistent community involvement is crucial to understanding present-day needs. Planning sessions and community meetings allow city planners and local governments to recognize residents’ concerns and engage with new ideas. As the first panel emphasized, communities can preserve their identity by shifting away from focusing on growth to being dynamic and open to new ideas and young voices. Thus, together, rural communities can create an environment where residents know their opinion is valued.

Our conference concluded with a bus tour of Newton, Iowa. Newton embodies the major themes that emerged during the conference: people-based strategies, emphasizing amenities, and affordable housing. Throughout the 1900s, Newton grew alongside its largest employer Maytag, building washing machines and dryers. When Maytag left Newton, the community

faced declining population growth, high unemployment, dilapidated structures, and a lack of affordable housing. Determined to reinvigorate, Newton turned to its pre-existing assets to redefine the community. City leadership tapped young people to separate Newton's identity from Maytag. Newton attracted new employers, diversified its labor market, and made huge strides in reducing unemployment. The city council approved the Newton Housing Initiative, which has provided incentives to expand the quantity and improve the quality of housing, including building multi-family units in Maytag's old manufacturing facility. Newton reflects strategies employed across the Seventh District that are contributing to rural success.

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