



Rural Development

October 19, 2017

Richard A. Davis
Acting Administrator

TO: State Directors
Rural Development

Rural Housing Service
1400 Independence Ave., S.W.
Washington, D.C. 20250

ATTN: Program Directors
Single Family Housing

Telephone (202) 692-0268

FROM: Richard A. Davis /s/ *Bryan Hooper*
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Rural Housing Service

SUBJECT: 2017-2018 Periodic Review of Rural Areas for Housing
Programs

PURPOSE:

The purpose of this notice is to provide guidance to field offices in conducting the 5-year periodic rural area review, which will include a rural-in-character (RIC) analysis for some areas. The scheduled date of implementation of the rural area changes resulting from this review is **June 4, 2018**. Other important dates are found in the “Implementation Timeframes” section of this notice.

BACKGROUND:

HB-1-3550, Chapter 5, Section 5.3 (C) (1), requires each Field Office to conduct periodic reviews of all areas under its jurisdiction every five years to identify areas that no longer qualify as rural for housing programs. The last rural area reviews were performed in 2012-2013 using the 2010 census data. The 5-year periodic review will utilize the 2015 American Community Survey (ACS) data.

“Rural” and “rural area”, for the purpose of establishing eligibility to participate in USDA housing programs, is defined in Section 520 of the Housing Act of 1949 (as amended) (Act).

EXPIRATION DATE:
June 30, 2018

FILING INSTRUCTIONS
Housing Programs

This definition can also be found in HB-1-3550, Chapter 5, Section 5.3(A). The Act defines “rural” and “rural area” as follows:

SEC. 520. 42 U.S.C. 1490 As used in this title, the terms “rural” and “rural area” mean any open country, or any place, town, village, or city which is not (except in the cases of Pajaro, in the State of California, and Guadalupe, in the State of Arizona) part of or associated with an urban area and which

- (1) has a population not in excess of 2,500 inhabitants, or
- (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character, or
- (3) has a population in excess of 10,000 but not in excess of 20,000, and
 - (A) is not contained within a standard metropolitan statistical area, and
 - (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development.

If an area is not “rural” under categories (1), (2), or (3) above, the area may still be considered rural if it falls under the “grandfather clause” of Section 520, which reads:

For purposes of this title, any area classified as “rural” or a “rural area” prior to October 1, 1990, and determined not to be “rural” or a “rural area” as a result of data received from or after the 1990, 2000, or 2010 decennial census, and any area deemed to be a “rural area” for purposes of this title under any other provision of law at any time during the period beginning January 1, 2000, and ending December 31, 2010, shall continue to be so classified until the receipt of data from the decennial census in the year 2020, if such area has a population in excess of 10,000 but not in excess of 35,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families. Notwithstanding any other provision of this section, the city of Plainview, Texas, shall be considered a rural area for purposes of this title, and the city of Altus, Oklahoma, shall be considered a rural area for purposes of this title until the receipt of data from the decennial census in the year 2000.

There are two instances in which the Act requires an area to be “rural in character” (RIC) areas under category (2) and the grandfather clause. Based on an analysis of existing category (2) areas, field offices may automatically consider areas with a population in excess of 2,500 but not 10,000 as RIC. Therefore, the RIC analysis will only be conducted for areas that are **not** considered “rural” under categories (1), (2) or (3), but may be “rural” under the grandfather clause. For example, if there is an area that has 15,000 people, and is located in a Metropolitan Statistical Area (MSA), that area is not considered rural under categories (1), (2) or (3). However, that area may still be considered “rural” if that area meets the requirements of the grandfather clause, including that the area is RIC.

The Rural Housing Service (RHS) conducted a study to identify RIC standards that could be applied nationwide. RHS research included a detailed review of decennial Census data, U.S. Census definitions for both rural and urban areas, population density of RHS existing rural areas,

regional input from Rural Development (RD) State Offices, and much more. At the conclusion of the study, RHS identified population density per square mile as the most appropriate metric when examining the rural character of an area. It provided an objective measure that could be applied nationally.

Therefore, to be considered “rural in character” under the grandfather clause, the area must have a population density less than or equal to 1,000 persons per square mile.¹

In calculating population density, any incarcerated prison population must be excluded from the total area population pursuant to Sec. 751 of the Fiscal Year (FY) 2017 Continuing Appropriations Act, PL 115-31 (FY2017 Appropriations Act).² Incarcerated prison populations should be excluded after FY2017 as well. The State Director should also account for other factors affecting population density, such as a local college/university student population, and ongoing or expected outmigration due to high unemployment or loss of a large employer, and other appropriate factors.

IMPLEMENTATION:

To facilitate the periodic review process, the [GIS portal for USDA-RD](#) (RD GIS Portal) has been updated with the most recent population data based on the American Community Survey 2015. This data will be used to determine an area's population. The RD GIS Portal will be used to collaborate with and convey map changes to the RD GIS Specialist. An RD GIS Portal Collaboration Guide will be published on SharePoint upon release of this notice. Access to the guide will be provided to all State Offices within 30 days of this notice. Though map changes should be conveyed throughout the early stages of the periodic review, final map changes must be conveyed to the RD GIS Specialist no later than April 15, 2018.

I. Population Review

For ease of conducting the reviews, the RD GIS Portal has been updated with multiple map layers. This will help RHS Field staff determine an area's population, current eligibility status, and whether additional review is needed in any area to ascertain program eligibility. The map layers are as follows:

- Current Ineligible Areas
- Proposed New Ineligible Areas
 - This layer shows areas that exceed the base rural area definition in categories (1), (2) and (3) of the statute, without considering eligibility under the grandfather clause. The layer also shows areas that have been annexed by ineligible cities.

¹ In addition to its nationwide relevance and application, this definition complements the U.S. Census Bureau designation of “Urban Fringe,” which is defined as a densely settled area surrounding a central place that “generally consists of contiguous territory having a density of at least 1,000 persons per square mile.” The population density of areas deemed rural in character must therefore be less than those considered Urban Fringe. See “Urban and Rural Definitions”; October 1995; <https://www.census.gov/population/censusdata/urdef.txt>.

² Sec. 751: “For the purposes of determining eligibility or level of program assistance for Rural Development mission area programs the Secretary shall not include incarcerated prison populations.”

- Cities and Census Designated Places population (based on ACS 2015) grouped by population
 - 10,001 to 20,000
 - 20,001 to 35,000
 - > 35,000
- New Ineligible Areas with Population Greater Than 35,000
 - This layer shows all areas that are no longer eligible based on population and includes all areas that are now over 35,000 population and not currently showing as ineligible. These areas will automatically be converted to ineligible, but are subject to and must be included in the public notice requirement discussed in HB-1-3550, Chapter 5, paragraph 5.3.
- MSA Feb. 2013 Definition
 - This is the current MSA layer.

II. Overview of RIC Analysis

When a RIC analysis is required for areas that may qualify as “rural” under the grandfather clause, as discussed in the “Background” section of this notice, there are several factors to be considered in the calculation of population density:

- A. *Prison Population.* Pursuant to Section 751 of the FY2017 Appropriations Act, for FY 2017, when a prison is located in the area, the population must be adjusted to exclude incarcerated prison population when conducting the RIC analysis.
- B. The RD State Director should consider other factors in the RIC analysis. Other factors that the State Director should consider in the RIC analysis include, but are not limited to, the following:
 - *Economic Vitality:* The local economy may be adversely affected by industry or market conditions such as high unemployment, recent loss of a large employer, or similar factors. If so, the area may be currently or imminently subject to out-migration that affects the RIC analysis.
 - *Colleges and Universities:* The RIC analysis should account for local colleges and universities, as the student population fluctuates and may be transient.
 - *Prison Population.* While Section 751, referenced above, applies to only FY2017, State Directors should continue to account for incarcerated prison populations beyond FY2017 in the RIC analysis.

III. Identifying and Reviewing Areas for RIC

To assist in identifying areas that need to be reviewed for a RIC determination, the [GIS portal for USDA-RD](#) has been populated and customized. The portal must be used to identify areas that meet certain conditions and require a RIC determination review which may lead, depending on the outcome, to a rural area designation change. Technical instructions for conducting the reviews are

found in the RD GIS Portal Collaboration Guide, which will be posted to SharePoint upon publication of this notice.

IMPLEMENTATION TIMEFRAMES:

Public Notice: HB-1- 3550, paragraph 5.3 requires: (1) a 90-day public notice; (2) a 30-day public inspection period; and (3) a 30-day final notice.

Critical Timeframes: To ensure a uniform nationwide implementation date, all public notices, public inspections, and supporting documentations must adhere to the following deadlines:

<i>Action</i>	<i>No Later Than</i>
Publish 90-Day Notice	December 1, 2017
Announce 30-Day Public Inspection	March 1, 2018
Publish 30-Day Final Notice	April 1, 2018
Submit HB-1-3550, Attachment 5-D with Supporting Documentation to: SFHGLD@WDC.USDA.GOV ; AND, SFHDIRECTPROGRAM@WDC.USDA.GOV	April 15, 2018
Nationwide Implementation Date for Map Changes	June 4, 2018

Questions regarding this notice may be directed to Dean Daetwyler of the Single Family Housing Guaranteed Division at 202-690-0514, or to Scott Nista of the Single Family Direct Loan Division at 804-287-1532.