MAKING HOUSING WORK
IN SMALL MARKETS

camoin associates

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Camoin Associates is the nation's only full-service economic development and lead generation consulting firm. We have been at the forefront of the current housing crisis, working with local and regional clients across the nation to find solutions. Our team includes experts who research the unique housing needs of the communities we work with and craft actionable and effective strategies to help restore healthy, balanced, and equitable local housing markets.

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EXECUTIVE SUMMARY

Small and emerging housing markets—including rural communities, micropolitan areas, and small towns and cities—face housing challenges that differ fundamentally from those of larger metropolitan areas.

While growth may be slower and rents lower, these communities often experience persistent housing shortages, aging and misaligned housing stock, and limited options for today's households. These conditions reflect structural barriers embedded in how housing is financed, regulated, and delivered in low-scale markets.

At the core of the challenge is a mismatch between local housing economics and conventional housing tools.

Achievable rents and sale prices frequently fall below the cost of new construction, even as fixed costs remain high.

Limited public-sector capacity constrains small jurisdictions' ability to secure financing, manage approvals, or sustain ongoing housing production, while thin developer ecosystems reduce competition and innovation.

As a result, traditional interventions—such as standard subsidy programs or zoning reforms—often yield slower and more modest results than in larger, high-demand markets.

This white paper argues that progress is possible when housing tools are deliberately tailored to the realities of small markets.

Effective strategies focus on three aligned actions:

1. Building or sharing capacity through regional partnerships and intermediaries
2. Right-sizing funding, infrastructure, and regulatory tools to make modest projects feasible
3. Expanding the pool of capable local and regional developers through training, early capital, and repeatable project models

Case studies from across the country demonstrate how these approaches can lower risk, reduce transaction costs, and translate policy into delivered units.

Housing in small markets should be treated as essential infrastructure—central to workforce stability, economic resilience, and the long-term viability of communities.

By grounding action in a clear local diagnosis, developing place-based messaging, and prioritizing tools that match capacity and market depth, local policymakers can move toward sustained housing delivery.

With the right alignment of partners, resources, and political will, small communities can make housing work for their residents and for their future.

INTRODUCTION

Small and emerging housing markets (e.g., rural communities, micropolitan areas, and small towns and cities with limited development activity) face housing challenges that differ fundamentally from those of larger cities.

While these places may experience slower population growth, lower rents, and weaker market fundamentals, they are nonetheless contending with persistent housing shortages, aging stock, and limited options aligned with today's household needs.

These conditions are not the result of temporary market cycles, but of structural barriers that shape how housing is financed, regulated, and delivered in low scale environments.

At the core of the challenge is a mismatch between local housing economics and the tools most commonly used to address housing affordability.

In small markets, achievable rents and sale prices frequently fall below the cost of new construction, while fixed costs—land development, infrastructure, soft costs, and regulatory compliance—remain high.

Limited public-sector capacity constrains local governments' ability to assemble complex financing, manage discretionary approvals, or support repeated housing production.

Small communities can use regulatory reforms, such as streamlined approvals and zoning that encourages higher densities, to attract more developers, but these reforms are generally insufficient to overcome regional housing market constraints.

As a result, traditional housing interventions that rely on scale, competition, or strong market demand often produce limited results, even where need is clear.

Housing is … central to the economic health and long-term viability of small markets.

Housing is critical infrastructure, central to the economic health and long-term viability of small markets. Housing availability increasingly determines whether employers can retain workers, whether schools and healthcare systems can function, and whether communities can sustain population and services over time.

When housing options are limited or increasingly unaffordable, even modest job growth becomes difficult to sustain, and communities risk entering a cycle of workforce shortages, population decline, or resident displacement.

This paper is grounded in a central paradox: The need for housing in small markets is often acute, even where market fundamentals are weak. Rents and sale prices may be too low to support new construction, yet housing shortages persist because existing stock is aging or is poorly aligned with the needs of a changing population.

These small-market housing challenges are not a failure of demand but a failure of alignment of development economics, regulatory frameworks, public capacity, and economic strategy.

Traditional housing tools designed for high-growth, high-cost markets underperform in these contexts, leaving a gap between need and delivery.

The sections that follow explore these structural barriers and highlight how housing tools can be tailored to work more effectively in small and emerging markets.

STRUCTURAL BARRIERS TO HOUSING IN SMALL MARKETS

Small markets are constrained by a reinforcing cycle of limited staff capacity, unfavorable project economics, and a limited developer ecosystem, which depresses housing delivery. As a result, interventions that work in large metropolitan areas, such as public subsidies and regulatory reforms, tend to yield modest, slower gains in small markets.

LIMITED PUBLIC-SECTOR CAPACITY

Many small-market jurisdictions operate with limited staff and financial resources dedicated to housing. Planning, housing, and economic development functions are frequently combined, and staff often do not specialize in housing policy, development finance, or long-term strategy.

As a result, local governments may struggle to develop and implement housing programs or comprehensive plans or manage complex, multi-year development projects.

Limited capacity also constrains the early work needed to build a pipeline (e.g., site identification, predevelopment support, and feasibility analysis), so fewer viable projects reach funding and entitlement stages.

These capacity limitations often lead to a reactive approach to housing, focused on individual projects rather than addressing broader community needs and guiding long-term development patterns.

> *A defining constraint in small markets is the mismatch between achievable rents and development costs.*

CHALLENGING DEVELOPMENT ECONOMICS

A defining constraint in small markets is the mismatch between achievable rents and development costs. Smaller and rural communities typically have lower rents and sales prices than larger markets, yet construction costs reflect regional and national labor, materials, and financing conditions.

Smaller project sizes also limit economies of scale and make it harder to spread fixed costs, increasing per-unit costs and developer risk.

This dynamic results in persistent financing gaps, even for modest projects, and limits the feasibility of new construction or substantial rehabilitation without significant public subsidy.

As a result of these challenges, small markets often struggle to attract experienced housing developers. Projects are typically smaller, offer lower returns on investment, and lack economies of scale. National and regional developers may prioritize larger markets, while local developers may lack the financial capacity or technical expertise to undertake complex projects independently.

This thin developer ecosystem is both a consequence of weak feasibility and limited capacity, and a reinforcing constraint that slows future production.

LIMITED IMPACT OF TRADITIONAL TOOLS

Because of these interrelated challenges, traditional housing interventions have less impact in smaller markets, even when they are effective in larger, high-demand markets.

Public subsidies may need to be larger per unit to close financial gaps, yet local fiscal capacity is limited, and staff may lack the capacity or technical knowledge to manage subsidy programs.

The result is higher administrative effort per unit and slower throughput, even when funds are available.

Zoning and regulatory reforms can help increase development feasibility and attract developers. However, in small communities, thin demand, small project scale, and persistent cost pressures mean these changes rarely overcome regional market challenges on their own.

Without targeted intervention, these conditions persist and reinforce one another, constraining housing production even as local needs grow.

TAILORING HOUSING TOOLS TO WORK IN SMALL MARKETS

Small markets can make housing tools work if those tools are adapted to local capacity, project scale, and market depth. This section outlines practical, sequenced, and right-sized strategies that directly address the constraints identified in the previous section and translate policy into viable projects.

BUILD CAPACITY FIRST

Regional Partnerships and Shared Services

WHY IT MATTERS

Many small jurisdictions lack the staff time and specialized expertise to originate deals, assemble funding, or manage complex closings. Regionalizing core functions creates scale without requiring every town or county to build a full in house team.

TOOLS THAT WORK

- **Create or join a regional housing partnership** (e.g., Council of Governments (COG), Metropolitan Planning Organizations (MPO), multi county consortium, or joint powers authority) to provide peer learning and shared services, including pre-development support, grant writing, environmental review, underwriting, compliance, and construction monitoring.
- **Stand up a pooled technical assistance bench** (e.g., on call consultants, pre qualified nonprofits, and university clinics) that jurisdictions can tap quickly. Supplement this with technical assistance materials such as housing "playbooks" to guide local actions.
- **Stand up or extend regional programs that blend funding.** Allow cities to buy into county-level programs to serve their residents without duplicating overhead, and scale successful models to adjacent counties.
- **Adopt a common project intake and pipeline process**—a single template for site readiness, pro forma assumptions, and funding eligibility—so projects move predictably from concept to closing.
- **Coordinate project readiness and funding timelines across multiple programs.** Designate a regional coordinator (e.g. COG, county government, and Community Development Financial Institution (CDFI)) to maintain a 12–18-month calendar, run quarterly pipeline reviews, and divide technical tasks (e.g., readiness, environmental, underwriting, and grant assembly).

For entitlement communities, time and document Community Development Block Grants (CDBG) and HOME commitments early to leverage competitive funding rounds (e.g. Low-Income Housing Tax Credits, any state funding). For non-entitlement communities, track state CDBG cycles and manage application, public participation, and environmental steps so awards can be sequenced to strengthen layered financing.

GETTING IT DONE

- Start with 1–2 functions that remove the biggest bottlenecks (e.g., funding calendar, environmental review).
- Use interlocal agreements or memorandums of understanding to formalize roles, cost sharing, and decision rights.
- Track pipeline throughput, including concepts screened, applications submitted/won, and average time from intake to closing.

STATEWIDE FUNDING COORDINATION

VERMONT HOUSING AND CONSERVATION BOARD (VHCB)

VHCB serves as a statewide intermediary, blending federal, state, and local funds and providing centralized underwriting, compliance, and technical assistance—functions that many small towns cannot staff in-house.

By administering multiple programs under one roof and partnering with local sponsors, VHCB reduces duplication, standardizes project readiness processes, and moves small-scale projects through complex closings that could otherwise stall.

VHCB receives funding from transfer tax revenue, and the organization reported $106.5 million in investments statewide in housing and conservation in fiscal year 2025.

This model augments public sector capacity, closes feasibility gaps with tailored capital stacks, and supports a bench of capable project sponsors for repeat development efforts.

Learn More

MAKE FEASIBILITY WORK

Right-Size Funding and Regulatory Changes to Unlock Development

WHY IT MATTERS

In small markets, achievable rents and sale prices often won't cover total development costs. Tools must lower all-in costs, reduce risk, and fill gaps without disproportionately burdening local budgets. In addition, infrastructure investment and regulatory reform can reduce regulatory uncertainty, thereby lowering both development risk and costs and helping attract developers.

TOOLS THAT WORK

- **Predevelopment and site-readiness funds:** Offer small, quick-turn grants/loans for due diligence, concept plans, appraisals, and legal work to de-risk early stages and keep sponsors moving.

- **Targeted gap financing:** Create a local or regional revolving loan fund for acquisition and construction with below-market terms. Blend with state housing trust funds, available local funds, or federal entitlement funds, philanthropic funding, or capital from banks working to meet Community Reinvestment Act (CRA) requirements.

- **Alternate forms of subsidy:** Use publicly controlled land, fee waivers/deferrals, tax abatements (where authorized), and standardized specs to lower per-unit cost.

- **By right, small-scale entitlements:** Expand by-right approval for duplexes, fourplexes, cottage courts, Accessory Dwelling Units (ADUs), and small multifamily (≤20–40 units) with clear, predictable standards. Some markets offer pre-approved designs for ADUs and other new development styles. In thin markets, certainty is as valuable as additional density.

- **Infrastructure alignment:** Prioritize water/sewer and street improvements for identified housing sites; consider district-scale solutions (i.e., bundle several small infill sites into a single utility contract).

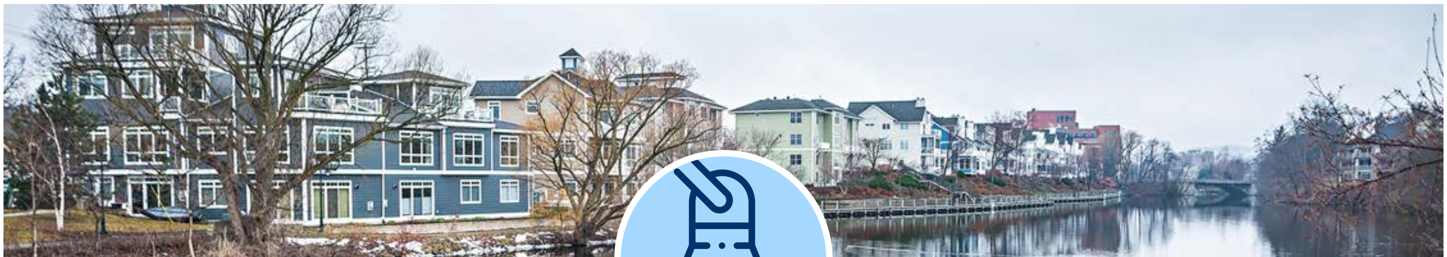
- **Repairs for older homes:** Provide funding for homeowners and landlords to make needed repairs to older housing. This is a cost-effective way to maintain housing quality and preserve older homes as part of the housing supply.

GETTING IT DONE

- Identify interventions that effectively use limited public capacity and resources to address the most pressing issues or to leverage additional private investment.

- Publish a model capital stack for typical project types (e.g., 12–24-unit workforce rental, main street mixed-use, and scattered site rehabilitation) to guide sponsors.

- Pre-negotiate term sheets for local incentives (e.g., land value, fee policies, and abatements) and post them publicly to reduce negotiation friction.
- Pair entitlement reforms with expedited, checklist-based reviews and a single point of contact.



REDUCING COST AND RISK TO ENCOURAGE HOME REPAIRS

GRAND TRAVERSE COUNTY LAND BANK AUTHORITY, MICHIGAN

Since 2020, the Grand Traverse County Land Bank Authority has made changes to dedicate funding to home rehabilitation and streamline funding processes, ensuring the program can deliver impacts efficiently.

Over several years, the Land Bank Authority formalized and scaled this countywide strategy, which is designed for small budgets and thin construction markets.

The County dedicated funding to a standing grant program that provides funds (up to $50,000) for nonprofit organizations to rehabilitate existing homes for low-income households, using simple applications and quick reimbursements for materials, keeping scattered-site projects moving.

In addition, the Land Bank Authority has adopted a new, centralized CDBG application and governance framework to lower transaction costs and enable braiding of funds from local and federal sources. The Land Bank Authority, rather than nonprofit entities, acts as the “lead applicant” and is responsible for all compliance. It uses local funding to provide the small, $50,000 grants for materials and small projects, while using CDBG funds for larger-scale infrastructure and “health and safety” repairs. Together, these changes reduce transaction costs and compliance requirements for small nonprofits that invest in home repairs.

The Land Bank Authority introduced a standard, rolling application for rehabilitation projects in 2025, making it easier for small and scattered-site projects to receive funding. The program provides reimbursement for materials promptly rather than waiting for larger project completion milestones. This reduces developer and contractor risk.

Together, these actions right-size subsidies to support preservation, which is much more cost-effective than new construction, and reduce risk and costs for small, non-profit housing investors. They keep naturally affordable homes habitable that might otherwise be lost to deferred maintenance.

Learn More

Aligning Code, Fees, and Infrastructure

City of Madras, OR

Madras is a small city in central Oregon with a population below 8,000. In recent years, the City of Madras executed a coordinated sequence of policy and infrastructure changes designed to make small-scale housing development more financially feasible.

Guided by its 2018 Housing Action Plan, the City:

- Passed an ordinance reducing system development charges to lower upfront development costs
- Established a Housing Urban Renewal District to redirect property taxes from new housing construction to help buy down the cost of additional housing, with an emphasis on workforce housing
- Adopted code amendments that permitted higher-intensity middle housing types such as townhomes and quadplexes in commercial zones
- Eliminated or reduced parking requirements citywide
- Prioritized infrastructure investments to unlock housing development and received $2.3 million from the EPA to expand wastewater collection

These efforts produced measurable results: between 2019 and 2023, Madras added 419 housing units—an average of 82 units per year.

In 2025, the City adopted an updated Housing Action Plan, which sets a goal of adding 280 new homes between 2025 and 2030 and continues refining its tools by adjusting incentives and system development charges to better align with affordable housing types.

This approach demonstrates how infrastructure planning, code amendments, and fee structures can enable modest-scale builders to proceed without large-scale subsidies.

Learn More

GROW THE BENCH

Build Local Developer Capacity and Attract Co-Developers

WHY IT MATTERS

Even with funding and entitlements, **projects don't happen without capable sponsors.** Small markets need more entities that can reliably originate, finance, and deliver modest projects.

TOOLS THAT WORK

- **Developer incubator/accelerator:** Offer a 6–9-month cohort with classroom and project-based coaching (e.g., site control, pro formas, lender relations, and compliance). Provide micro-grants for pre-development.

- **Co-development pathways:** Pair local nonprofits or small developers with experienced regional partners for the first deal; require capacity transfer (e.g., shared staffing, shadow underwriting, and template sharing).

- **Engagement with mission-aligned property owners:** Connect with religious communities, non-profits, public sector partners, and other property owners who may be interested in developing or donating land to support community housing.

- **Standardized toolkits:** Publish pro forma templates, scope/contract templates, and step-by-step closing checklists. Host "office hours" with regional technical assistance providers and lenders.

- **Bundle small sites:** Package multiple small infill lots into a single request for proposals (RFP) to create economies of scale and attract competent builders.

- **Predictable dispositions:** Use transparent, criteria-based processes for public land sales/leases and facade/rehab programs to reward performance and speed learning. Consider pre-approving known developers (i.e., developers who have completed a sponsored training or technical assistance program) to expedite bid and disposition processes.

GETTING IT DONE

- Start with one prototype (e.g., quadruplex or 12–24-unit walk-ups with workforce rents) and repeat it to shorten learning curves and lower soft costs.

- Require post-project reviews to capture lessons and update templates.

NONPROFIT-LED LOCAL CAPACITY BUILDING

NEIGHBORWORKS NETWORK

The national NeighborWorks Network strengthens housing delivery in small and midsized communities by pairing local implementation with national infrastructure. With more than 240 nonprofit affiliates operating across urban, suburban, rural, and tribal geographies, NeighborWorks reaches many places where public-sector capacity is limited and conventional development tools underperform. Local affiliates—often community development corporations or housing nonprofits—are deeply embedded in their markets and positioned to respond to place-specific housing needs.

The program's core strength lies in its integrated capacity-building approach. Affiliates receive structured training in real estate development, asset management, financial stewardship, and organizational governance, supported by peer learning and ongoing technical assistance.

This training is paired with access to flexible capital, including predevelopment loans, operating support, and revolving funds, enabling organizations to translate knowledge into projects.

These resources are designed for modest-scale development, making them especially well-suited to small markets where projects are smaller, timelines are longer, and traditional financing can be difficult to secure.

Importantly, the model emphasizes repeat development and institutional learning rather than one-off projects, allowing organizations to build track records, reduce risk, and take on more complex work over time.

[Learn More]

TRAINING AND EARLY CAPITAL FOR LOCAL DEVELOPERS

WASHINGTON STATE DEPARTMENT OF COMMERCE

The Washington State Department of Commerce's Capacity Building, Outreach and Support Program is designed to expand who can develop housing, not just to support individual projects.

The program combines predevelopment technical assistance and early-stage financial support to help small-scale developers, particularly rural developers and others with barriers to access, build the skills needed to originate, finance, and deliver housing. This hands-on approach demystifies the development process and lowers the learning curve that often keeps new sponsors from entering the field.

Critically for small markets, the program links education to early capital. Access to predevelopment grant funding allows participants to apply training to real sites and real deals—conducting due diligence, securing entitlements, and assembling financing. This early support reduces risk for both sponsors and lenders and helps projects progress far enough to attract additional public and private resources.

The program's impact extends beyond any single project. By emphasizing repeat development and long-term capacity, the program helps create durable local housing ecosystems. In 2024, the program awarded over $2 million to 12 organizations.

Learn More

IMPLEMENTATION CONSIDERATIONS

Gain Community Buy-In Through Political Leadership

Political leadership is a prerequisite for action. Housing decisions are highly visible, impacts are concentrated, and local elected officials often play a direct role in project outcomes.

Leaders must clearly articulate the importance of attracting and allowing housing development to support long-term community prosperity.

Successful implementation often relies on straightforward, place based messaging that connects housing investments to local priorities such as retaining young families, supporting employers, and allowing seniors to age in place.

Demonstration projects and pilot programs can help build confidence and shift conversations from abstract policy debates to tangible outcomes.

Align Housing with Economic and Workforce Goals

Housing availability is closely intertwined with economic development in small markets, where employers may struggle to recruit and retain workers due to limited housing options.

Investing in housing to increase population density within a neighborhood can also increase the viability of adjacent commercial centers, such as aging downtowns.

Housing policies are strongest when they are explicitly linked to workforce needs, business retention, and the viability of neighborhoods and essential services.

Aligning housing, economic development, and workforce strategies can unlock new partners, including employers, hospitals, and educational institutions, and justify public investment as part of a broader economic resilience strategy.

Advocate and Partner Beyond the Local Level

Many of the most effective interventions ultimately require regional, state, or philanthropic resources. Local governments, therefore, need to act as advocates as well as implementers.

This includes documenting feasibility gaps, aligning zoning and fee policies to reduce risk, and presenting clear project frameworks to State-level policymakers and external partners.

Regional partnerships and shared services can amplify this advocacy by aggregating demand across jurisdictions and reducing administrative burden.

Phase Strategies to Match Capacity and Market Conditions

Implementation should be phased to align with local capacity and market realities.

Small jurisdictions benefit from starting with low-cost, high-impact actions, such as by-right approvals, clear fee policies, or pre-development funds, before taking on more complex financing or infrastructure initiatives.

Building partnerships and capacity at the regional level first can help secure the resources and support to advance more complex projects.

Phased approaches also allow communities to build capacity and experience, test assumptions, and adjust tools as market conditions change.

CONCLUSION

1 | Housing challenges in small and emerging markets are structural, but not intractable.

As this paper has shown, persistent undersupply in rural and micropolitan communities stems less from a lack of need than from a fundamental mismatch between local market conditions and the tools typically used to produce housing.

Lower achievable rents, high fixed development costs, limited public-sector capacity, and a thin developer ecosystem combine to constrain housing delivery, even in areas with acute shortages.

2 | Addressing this mismatch requires adopting approaches tailored to the realities of small markets.

The most effective solutions are those that align housing tools with local capacity, project scale, and market depth.

Building or sharing capacity through regional partnerships, intermediaries, and pooled technical assistance allows small jurisdictions to originate and manage projects that would otherwise stall.

Right-sizing funding and regulatory tools through predevelopment capital, predictable by-right approvals, infrastructure alignment, and cost-reducing incentives can make modest projects feasible without overburdening limited local budgets.

At the same time, investing in the growth of local and regional developers expands the pool of capable sponsors and enables repeat, incremental housing production over time.

Many of the most impactful interventions will require coordination beyond the local level, underscoring the importance of regional collaboration and state-level alignment.

3 | Housing in small markets should be treated as essential infrastructure rather than a discretionary or episodic investment.

Housing availability underpins workforce stability, economic resilience, and the long-term viability of schools, healthcare systems, and local businesses. When aligned with economic development and workforce goals, housing strategies can unlock new partners and justify sustained public and philanthropic support.

4 | Small markets will not solve their housing challenges by replicating big-city models at a smaller scale.

Progress depends on coordinated, capacity-aware, and collaborative approaches that acknowledge structural constraints while building practical pathways to delivery.

With the right alignment of tools, partners, and political will, small communities can make housing work for their residents and for their future.

Progress depends on coordinated, capacity-aware, and collaborative approaches that acknowledge structural constraints while building practical pathways to delivery.

A CALL TO ACTION FOR LOCAL POLICYMAKERS

Local leaders who want to make progress on housing in small and emerging markets should start by grounding action in a clear understanding of their own market realities—and then move deliberately from analysis to implementation.

1 | Diagnose local housing challenges with precision.

Go beyond regional averages and statewide narratives. Assess achievable rents and prices, construction costs, infrastructure constraints, developer capacity, and public sector staffing limitations. Identify where feasibility breaks down for typical small scale projects and where existing tools fall short.

A shared, data informed diagnosis creates a common starting point for decision makers, staff, and partners.

2 | Develop place-based messaging that builds durable support.

Housing conversations in small communities are most effective when they connect directly to local priorities—workforce retention, school enrollment, healthcare access, downtown vitality, and residents' ability to age in place.

Frame housing as essential infrastructure and an economic necessity, not a speculative or abstract policy goal. Use concrete examples, pilot projects, and local data to shift discussions from fear of change to shared outcomes.

3 | Focus on tools that match local capacity and market depth.

Rather than replicating large city models, prioritize a short list of right sized interventions:

- Leverage shared or regional capacity.
- Ensure predictable approvals for modest projects.
- Provide targeted predevelopment and gap financing.
- Implement programs that reduce cost and risk for small builders and nonprofit sponsors.
- Identify sites, resources, and partners that can advance housing development.
- Sequence actions so early wins build confidence and institutional capacity for more complex efforts over time.

4 | Seek partners and resources beyond the local level.

Many of the most effective solutions require coordination with counties, regions, states, lenders, and philanthropic organizations. Local governments play a critical role by aligning zoning, fees, and infrastructure decisions and by presenting clear, investable projects that external partners can support.

Small markets cannot afford to wait for market forces alone to solve their housing challenges. With a clear diagnosis, disciplined messaging, and tailored tools, local policymakers can move from understanding the problem to delivering housing that supports their community's long term resilience and prosperity.

Camoin Associates Can Provide Data and Thought Partnership for Your Community

Contact **Sarah Kirk, Senior Economic Data and Research Analyst**, to learn how we can help you understand your local housing challenges and identify market-aligned opportunities to build your housing capacity.

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