

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES & EDUCATION DEPARTMENT

Job Availability Stabilizes, Organizational Capacity Improves

About the Community Outlook Survey

The Federal Reserve Bank of Philadelphia's Community Outlook Survey monitors the economic factors affecting low- and moderate-income (LMI) households in the Third Federal Reserve District, which includes Delaware, southern New Jersey, and the eastern two-thirds of Pennsylvania. To see previous reports or to register as a survey respondent, please visit <http://www.philadelphiafed.org/community-development/community-outlook-survey/>.

Overview

In April 2014, 55 organizations participated in the Community Outlook Survey and evaluated changes in key factors affecting LMI communities. In order to better understand how the needs of LMI households are being met, service providers were also asked to assess changes in the demand for their services, the capacity to serve their clients' needs, and their funding levels.

First quarter indicators suggest that most conditions affecting LMI households declined during the first three months of 2014. Only job availability finished the quarter no worse than it was at the end of 2013. Despite the increased demand for their organizations' services and decreased funding, respondents indicated overall that they more effectively met their clients' needs in the first quarter, which is an encouraging sign that LMI communities are continuing to receive essential services.

Several of the respondents' comments this quarter focused on issues related to affordable housing, with many organizations discussing challenges they have faced in creating additional affordable housing units throughout the Third District. Respondents also expressed concern that many LMI households have incomes that disqualify them from receiving certain benefits, yet they still cannot afford basic living expenses.

Figures 1 and 2 provide breakdowns of the services provided by the organizations surveyed and their responses pertaining to changes in various indicators affecting their organizations and LMI communities. Table 1 displays the first quarter diffusion indexes, which measure the direction and degree to which conditions

changed relative to the fourth quarter of 2013 and compares the indexes with those from the previous quarter (4Q2013) and from four quarters ago (1Q2013). Figures 3 and 4 display changes in the indicators over time and compare the actual indicators with respondents' expectations from the previous survey. Table 2 displays respondents' rankings of the top challenges facing LMI communities today. The final section contains selected comments made by respondents.

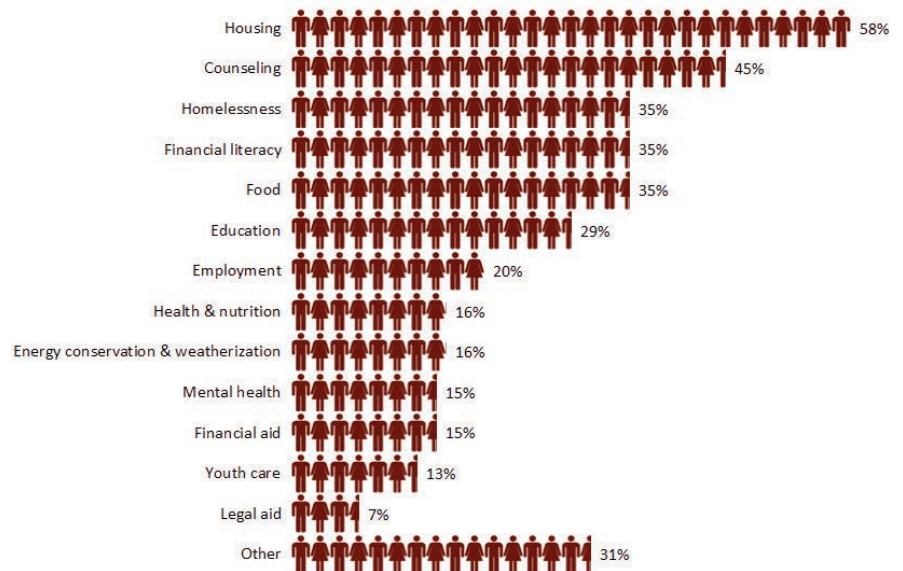
Respondent Breakdown and Observations

Community Outlook Survey participants are senior staff members from organizations that offer direct services to the Third District's LMI population. In the first quarter, 78 percent of the responding organizations were headquartered in eastern and central Pennsylvania, 13 percent in southern New Jersey, and 9 percent in Delaware. The sizes of the organizations varied widely, ranging from those with operating budgets near zero to those with budgets of more than \$20 million. The median operating budget was \$2 million, with the middle 50 percent of organizations' budgets falling between \$700,000 and \$5.2 million.

The majority (58 percent) of the respondents who completed the survey in the first quarter indicated that their organizations offer housing services while slightly less than half (45 percent) provide counseling services. A breakdown of the types of services offered by these organizations is displayed in Figure 1. Other types of services included small business loans, substance abuse treatment, services for the aging, and home repair.

The Community Outlook Survey seeks to elicit respondents' perceptions of how conditions affecting LMI communities and organizations that provide services to LMI communities have changed relative to the previous quarter. The survey also asks respondents to predict how those same indicators will change in the upcoming quarter. The aggregated responses are displayed in Figure 2.

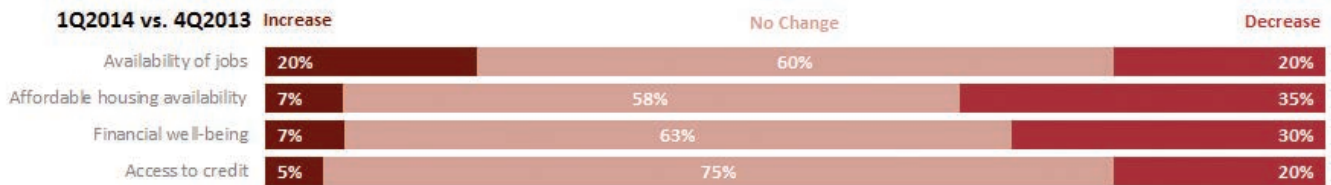
Figure 1: Types of Services Provided (Percentage of Respondents)



Note: Each person represents 2 percentage points. Respondents were permitted to select more than one category.
Source: Federal Reserve Bank of Philadelphia

Figure 2: Survey Responses

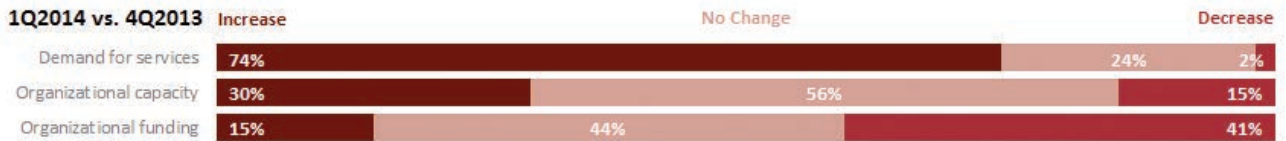
Household Indicators



Expectations for 2Q2014



Organizational Indicators



Expectations for 2Q2014



Note: Percentages may not sum to 100 due to rounding.
Source: Federal Reserve Bank of Philadelphia

For each household indicator, the majority of respondents reported observing no change in the first quarter of 2014 relative to the fourth quarter of 2013. There was a slight rise in the percentage of respondents who observed an increase in job availability (20 percent versus 14 percent in 4Q2013), while fewer respondents reported declines in both financial well-being (30 percent versus 36 percent) and access to credit (20 percent versus 27 percent) compared with the previous quarter's survey.

As was the case in the previous survey, more than three times as many respondents expect job availability to improve in the upcoming quarter compared with those who expect it to decline.

The breakdown of the demand for services indicator remains virtually unchanged from the previous quarter with roughly three-fourths reporting an increase in the demand for their services. The number of organizations that reported a decline in organizational capacity fell by 7 percentage points (15 percent versus 22 percent) in the first quarter and is both encouraging and surprising considering that funding levels dropped for 41 percent of the organizations.

Diffusion Indexes

The diffusion indexes* from the first quarter survey are displayed in Column A of Table 1. Indexes above 50 signal an overall improvement, while those below 50 signal an overall decline. An index of 50 indicates that conditions did not change relative to the previous quarter.

* Diffusion indexes are computed by aggregating the percentage of respondents who indicate an increase in a specific indicator with half the percentage of respondents who indicate no change, and then multiplying by 100. The exception is the demand for services index, which is computed by aggregating the percentage who indicated a decrease with half the percentage who indicated no change. The demand for services index deviates from the other indexes because a decrease in demand is deemed to be a sign of improvement among LMI households. See Figure 2 for percentages.

Table 1: Diffusion Indexes for Low- and Moderate-Income Indicators

	A	B	C ^a	D	E ^b
	1Q2014	4Q2013	1-Qtr Change	1Q2013	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	50.0	43.2	6.8	51.9	-1.9
Affordable housing availability	36.4	35.3	1.1	41.4	-5.0
Financial well-being	38.9	34.2	4.7	38.8	0.1
Access to credit	42.7	37.0	5.7	43.5	-0.8
Demand for services	13.9	13.2	0.7	14.5	-0.6
Organizational capacity	57.4	53.3	4.1	44.0	13.4
Organizational funding	37.0	42.2	-5.2	31.9	5.1
	2Q2014	1Q2014	1-Qtr Change	2Q2013	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	60.4	60.6	-0.2	66.0	-5.6
Affordable housing availability	46.2	42.4	3.8	51.3	-5.1
Financial well-being	50.0	45.8	4.2	49.4	0.6
Access to credit	50.0	44.4	5.6	52.6	-2.6
Demand for services	18.3	14.9	3.4	17.5	0.8
Organizational capacity	61.3	64.9	-3.6	49.4	11.9
Organizational funding	54.7	55.3	-0.6	34.9	19.8

Note: Numbers in bold italics indicate that the index is worse relative to one quarter or one year ago.

^aColumn C is calculated by subtracting Column B from Column A.

^bColumn E is calculated by subtracting Column D from Column A.

Source: Federal Reserve Bank of Philadelphia

Current Conditions

Five of the seven diffusion indexes (Column A, current conditions) fell below neutral in the first quarter, signifying worsening conditions for LMI communities. However, all but one improved relative to the fourth quarter of 2013.

The job availability index rose 6.8 points in the first quarter of 2014, to 50.0, which, despite the increase in the index, suggests that LMI individuals' ability to access quality jobs was roughly the same relative to the previous quarter. Still, this is encouraging given the slide in the index in the previous two surveys. The financial well-being (38.9) and access to credit (42.7) indexes also improved moderately in the first quarter, while the affordable housing availability index (36.4) experienced a nominal increase of 1.1 points. Shifting to the one-year changes, the first quarter 2014 household indexes were generally within 2 points (plus or minus) of their first quarter 2013 counterparts, with the exception of the affordable housing availability index, which was a full 5 points lower than it was one year ago.

The demand for services index (13.9) rose by less than 1 point in the first quarter of 2014, but it remains well below neutral and suggests that the rapid rise in the demand for organizations'

services may not let up any time soon. The organizational funding index (37.0) fell by 5.2 points in the first quarter, although it remains 5.1 points higher than it was one year ago. Lastly, the organizational capacity index (57.4) improved by 4.1 points in the first quarter of 2014, reaching a new high for a second consecutive quarter. This once again suggests that despite funding cuts and increasing demand for their services, service providers are better able to meet their clients' needs relative to the previous quarter. Since the first quarter of 2013, the organizational capacity index has risen by 13.4 points.

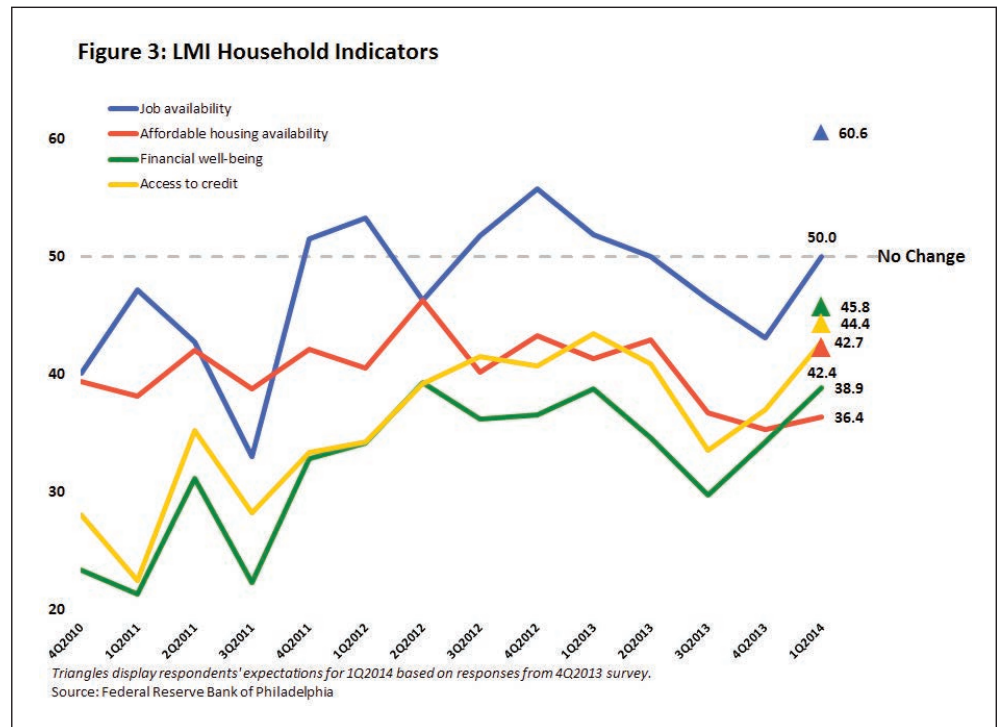
Expectations

On the whole, respondents' expectations (Column A, expectations) for the second quarter of 2014 are optimistic compared with the observed indexes from the first quarter of 2014 (Column A, current conditions). With regard to the household indexes, respondents are generally more optimistic about the second quarter of 2014 than they had been for the first quarter of 2014 (Column B, expectations), while the opposite is true for the organizational indexes. Respondents expect only two of the seven indicators to decline in the second quarter of 2014.

Trends

Figures 3 and 4 display the diffusion indexes over time. Each triangle represents respondents' expectations for the first quarter of 2014 as forecasted in the fourth quarter 2013 survey. For example, in the fourth quarter of 2013, respondents predicted that the first quarter 2014 job availability index would be 60.6. The index was in fact 50.0.

For the second consecutive quarter, the household indexes (Figure 3) showed improvement, although three of the four remain below neutral. All four household indicators fell short of expectations, with the most substantial discrepancy occurring between the actual and expected job availability index. Respondents had anticipated a moderate improvement in job availability, but on the whole, employment opportunities for LMI communities in the Third District did not change in the first quarter.



The organizational capacity and funding indexes (Figure 4) underperformed their expected counterparts in the first quarter of 2014, while the demand for services index closely mirrored expectations. The organizational capacity index continued its steady ascension over the past year and now sits 5.8 points above its fourth quarter 2010 level, while the other two organizational indicators are near, or just below, their fourth quarter 2010 levels.

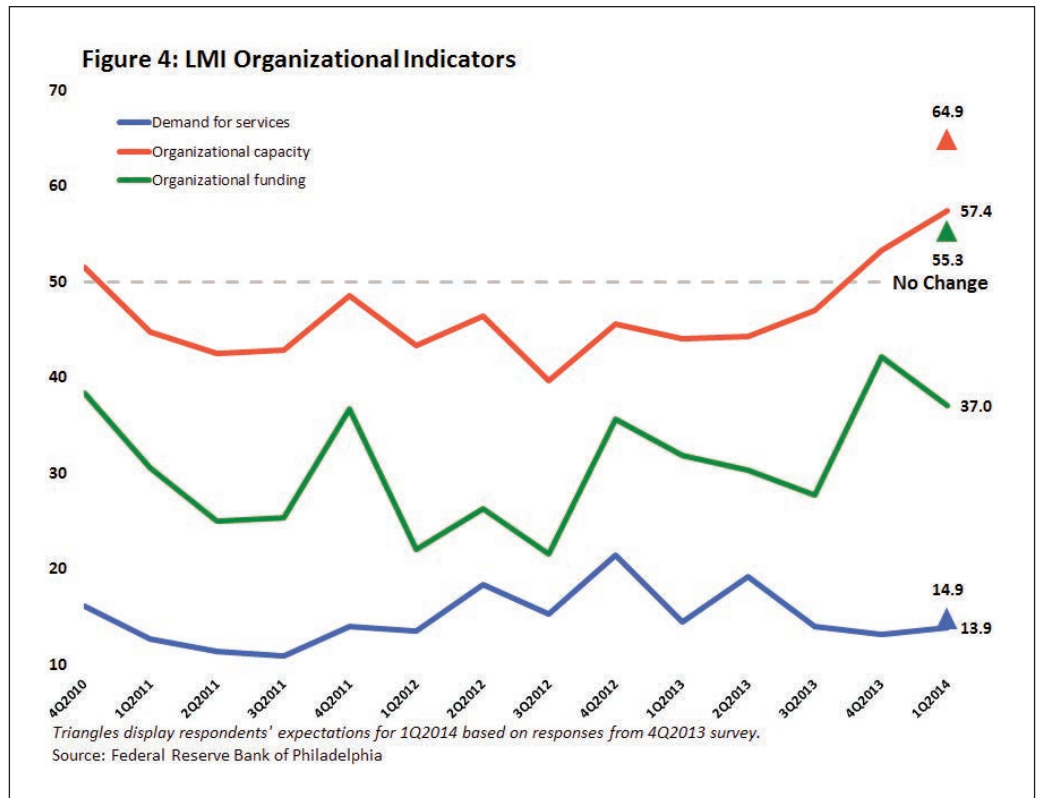


Table 2: Challenges Across Time^a

	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10
Challenges affecting LMI households' access to credit														
Lack of cash flow	75	80	74	77	73	70	77	77	71	62	72	66	70	66
Lack of financial knowledge	65	73	69	79	74	77	71	60	78	68	65	66	72	71
Underwriting standards/credit ratings	60	77	81	83	71	74	71	75	75	62	72	66	72	84
Interest rates and other lending costs	35	29	24	29	20	17	13	9	20	17	14	26	31	28
Lack of trust in banks	24	32	34	31	24	24	18	23	37	24	22	16	22	20
Regulatory issues	16	16	16	18	18	23	9	14	14	14	11	12	15	8
Challenges affecting the availability of affordable housing in community														
Development costs ^b	64	66	66	65	57	67	55	59	66	49	62	56	55	63
Lack of capital	62	61	61	72	73	63	68	69	74	69	75	74	77	66
Competition for grant/subsidy funding	58	61	64	62	58	64	70	69	64	63	72	56	65	61
Organizational capacity	34	31	40	33	33	29	27	22	31	19	31	27	25	23
Community opposition	28	30	24	22	20	35	28	26	31	22	20	27	23	29
Regulatory issues	17	24	27	21	24	17	20	26	21	10	18	18	18	18
Lack of demand	2	1	3	1	2	3	5	3	2	4	5	0	1	2
Challenges affecting organization's financial sustainability														
Lack of government funding	76	74	79	76	77	75	81	79	77	81	78	77	86	61
Lack of grant funding	63	71	61	68	72	68	76	74	72	67	72	69	67	67
Market conditions/lack of earned income	19	28	21	33	41	36	20	34	28	39	34	31	36	36
Lack of bank financing	17	10	20	18	15	14	15	10	10	13	5	14	22	18

^a Respondents were permitted to select more than one category.

^b Beginning in 3Q2011, the category "costs" was changed to "development costs."

Source: Federal Reserve Bank of Philadelphia

Challenges

Each quarter, we ask participants to select the challenges they believe are most detrimental to LMI households' access to credit, the availability of affordable housing, and their organizations' financial sustainability. Table 2 displays the percentage of respondents who selected each category over time. Lack of cash flow, lack of financial knowledge, and underwriting standards/credit ratings continue to greatly inhibit

LMI households' access to credit, although the latter two were selected less frequently than in past quarters. As a joint factor, interest rates and other lending costs (35 percent) are becoming more common issues in recent quarters as well. For challenges affecting the availability of affordable housing and organizations' financial sustainability, the main inhibiting factors from three years ago are still just as prevalent in the current quarter.

Selected Comments

In each survey, we ask respondents to share challenges that have inhibited their ability to provide services to LMI households in addition to general observations about their organization or service area. Selected comments from their responses are included below. The comments have been edited for publication.

Access to Credit

"Our society pushes consumerism and use of credit, punishes harshly for poor use of credit, but falls very short on proper education for credit use and issues."

"Eighty-five percent of our prospective applicants have severe credit issues that prevent them from advancing to an application with our program. I feel that lack of credit education, as well as a lack of qualified, reputable credit counseling and credit repair services, prohibit LMI households from moving forward effectively. It would be helpful if there were more than two reputable nonprofit credit counseling centers to which we could refer people."

"Access to credit and financial literacy seem to be large issues with this population and create barriers to success moving forward."

Affordable Housing

"Creating affordable rental units in the current market still requires rents that are higher than many of the truly low-income families can afford. A family or individual must be at the very top of the 50 percent income limit to pay only 30 percent of their income for rent and utilities, which is the commonly accepted standard of affordability. For example, if a single mother with two kids has a full-time job earning \$10 per hour (and has no other household expenses such as car insurance or day-care costs), 30 percent of her income would be \$520 per month. It is almost impossible, if not impossible, to create a two-bedroom apartment that would house this family for \$520 per month with all utilities included. The Housing Choice Voucher program has been short funded for years and waiting lists for these programs are closed so there is no help for LMI

families from those programs. There are more LMI families and fewer rental subsidies, which means families are paying 40 to 50 percent just for rent."

"We are in the process of developing apartments for low-income individuals, but funding the project has been difficult."

"Tourism is the top industry in Adams County. Income increases from spring through fall, but then drops off drastically. Since it is a huge tourist area, many in the community do not want additional affordable housing units, which are desperately needed."

"Recently we were able to combine four expiring LIHTC [Low-Income Housing Tax Credit] properties, which were physically deteriorating and had substantial cash flow problems, into one new project. The new project was resyndicated, obtained a new allocation of LIHTC, and the debt was restructured. It is now totally renovated, fully occupied, and cash flowing."

"LMI people work very hard and deserve to live in the communities in which they work, but there isn't enough affordable housing."

Capacity

"Because of staffing shortages due to funding cuts and layoffs, our intake system only has the capacity to answer 40 percent of the phone calls we receive from potential clients. As a result, we have developed an online intake system that allows individuals to apply for our program's services 24/7."

"To leverage our staff, we have one person meet and screen all our clients for all services. This streamlined the intake process for all our programs."

Counseling

"One of our biggest challenges is getting people to seek housing counseling early enough to make a real difference and keeping them engaged long enough to be successful. I just got word this week that a longtime client finally received a modification after more than four years of effort."

Demand for Services

“We are experiencing an increased demand for VITA [Volunteer Income Tax Assistance] and FAFSA [Free Application for Federal Student Aid] services. We expanded both our volunteer base and our [free tax preparation and Earned Income Tax Credit services] to address the volume increase and are projecting a 30 percent increase over last year.”

Funding

“A lack of funding for youth programs has forced us to scale back by 50 percent a summer program that has provided recreational, nutritional, and educational programs for more than 500 at-risk youth each summer since 1970.”

“Due to the excessive amount of applicants applying for the same monies, funds are limited.”

“Demand for our housing legal services has increased 120 percent. We have sought city funding to address [this issue] by testifying at several hearings, meeting with leaders, and writing proposals. To date, no funding has been awarded, despite the fact that we serve the most vulnerable homeowners — low-income elders.”

“The Office of Long-Term Living in Pennsylvania had established a two-year grant for youth development within the disabled community that focused on the transitional years when youth move out of their parents’ homes and begin living independently as adults. Though we have seen gains in this area through increased staff involvement at a number of Philadelphia schools and increased youth involvement at the center, the state is no longer funding this program. We wish to continue to deliver this important service and currently seek additional funding through grants, foundations, and increased individual donations.”

“[Our organization] is in great need of an area in which our senior program participants can meet following the sale of the original meeting place. We have the square footage available to renovate our lower level but do not have sufficient funds to do the renovations. The renovations would also provide us with classrooms for our education program. We have afterschool and summer programs for students in grades 1–12. We need to expand it to include preschool and have more classrooms for the current grades. We applied for and secured a grant from the state, but the monies will only cover half of the cost of the renovations. With a growing low-income population and a growing number of children in the poverty-stricken community, it is crucial that we provide the education assistance needed to help this community with upward mobility.”

Home Repair, Energy Conservation & Weatherization

“We are embarking on a neighborhood revitalization initiative to improve the quality of life for residents of a four-block area. The plan includes repairing homes, landscaping, and

rehabbing five abandoned units. Our challenge was getting the local municipality to buy into our idea and agree to help move the project forward. After hearing our comprehensive plan, complete with information about how the project would positively impact the neighborhood and increase tax revenue for the city, they became excited and open to the possibility. The community supported the request for funding and for access to the abandoned properties with a resolution. Now we have to determine how to move forward with the acquisition of the abandoned properties once we learn who owns them.”

“Our mission expanded from rebuilding one to two homes per year and making simple repairs to the homes of LMI families affected by Superstorm Sandy to rebuilding 15 to 20 homes per year. To achieve this goal, we collaborated with the local municipalities, other nonprofits, local businesses, Voluntary Organizations Active in Disaster, and Long Term Recovery Groups. We also obtained significant funding from major foundations and funding sources and engaged many more volunteers in our mission work.”

Job Availability

“We had many clients who were desperately trying to find a job locally but could not find work. We sent our volunteers out to local businesses for a ‘one-on-one chat to make a one-on-one match’ and have had great success finding full-time jobs this way.”

“Local, well-paying jobs, with the potential to grow, ready or not, are needed. People have experienced very little real recovery.”

“Unemployment and underemployment continue to plague low-income households, making their ability to afford basics such as food, clothing, and shelter more difficult each year.”

“We need more permanent jobs. Most employment is part-time.”

“There is a great need for livable-wage employment opportunities.”

“LMI households do not receive decent pay for their work and rarely receive benefits such as paid sick leave.”

Miscellaneous

“Many families who are delinquent on their rent wait two to three months before seeking assistance. By then, the amount owed is too large for the agencies to assist them.”

“LMI families need affordable housing, employment opportunities in their communities, and access to public transportation. Housing and transportation costs are continually taking up more of a family’s income and SNAP and unemployment benefits are being reduced. Energy costs are also continually increasing.”

“Families caught in the wage gap (i.e., those who have lost access to benefits, yet do not earn enough to pay for all their basic living costs) lack access to food. We work with local producers to glean fruits and vegetables, bringing in 87,000 pounds of fresh produce for LMI families.”

“As costs go up, supplemental resources are becoming scarcer. Food cupboards are emptying, and soup kitchen lines are lengthening. Sometimes it is the small supplemental services that keep households afloat. People are sinking and losing hope.”

“It is a tough competitive market for small business owners.”

“Language barriers in our mostly Latino community have

contributed to housing, financial, and educational challenges that need our attention.”

“The number of families whose income is above traditional cutoffs — and therefore ineligible for assistance — yet unable to afford basic living costs, is growing.”

“Many LMI households are headed by seniors who are housing multiple generations and raising grandchildren. By and large, seniors cannot increase their income and are facing flat social security income, yet the cost of living, including real estate taxes, utilities, and health care, has vastly increased.”

“Right now, foundations are feeling the full brunt of five-year averaging of asset returns as the basis of their giving.”

Survey Methodology

January 2011 marked the launch of the Federal Reserve Bank of Philadelphia’s Community Outlook Survey, a quarterly online poll. Respondents represent a variety of organizations providing services to LMI populations throughout the Third District, and the survey is sent to one representative per organization. The survey contains questions about the financial well-being of LMI populations, as well as the service providers’ capacity to meet their clients’ needs. Respondents are asked how selected conditions compare with those in the previous quarter, as well as expectations for the next quarter. The data collected help the Philadelphia Fed further assess the general status of LMI households and assist the Bank in its efforts to encourage community and economic development and promote fair and impartial access to credit. There is some variation in respondents from quarter to quarter, and the data collected represent the opinions of those organizations that responded, not the opinions of all service providers to LMI populations in the Third Federal Reserve District.



To view this survey online, scan your smartphone here.

Any questions, concerns, or comments about the Community Outlook Survey should be directed to Daniel Hochberg at Phil.COSurvey@phil.frb.org.