

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES & EDUCATION DEPARTMENT

Job Availability Continues to Improve, Housing Affordability Remains a Concern

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 encompasses Delaware, southern New Jersey, and the eastern two-thirds of Pennsylvania. To see previous reports or to register as a survey respondent, please visit www.philadelphiafed.org/community-development/community-outlook-survey/.

First Quarter 2015 Survey Overview

The 1Q2015 Community Outlook Survey was sent to participants in March 2015. A total of 45 organizations responded, providing insight on the conditions and challenges facing LMI communities across the Third District. Additionally, organizations were asked to assess changes in the demand for their services, their capacity to serve their clients' needs, and their funding levels. Together, these indicators provide a picture of the overall balance between the needs of LMI communities and the capacity of local service providers.

The household indicators for 1Q suggest a mix of improvement and stabilization in some aspects of household financial stability paired with persistent challenges in others. Job availability continued to improve for the fourth consecutive quarter, suggesting a meaningful shift from the decline and instability of the previous four years. However, the availability of affordable housing declined at an accelerated pace in 1Q, reversing the past year's trend toward stabilization.

Similarly, 1Q organizational indicators reflected a mix of promising and concerning trends. The continually growing demand for respondents' services remained a major challenge for meeting LMI communities' needs. However, for the second consecutive quarter, respondents indicated that their capacity to serve their communities improved and that they remained optimistic for the future.

Respondents' open-ended comments provided clarifying perspectives on the trends suggested by these indicators. Some highlighted how the need for quality affordable housing continued to dramatically exceed the resources available for

its development. Others described the barriers that certain communities face in accessing newly available employment opportunities. A handful of comments identified particularly vulnerable segments of the population, such as youth transitioning out of foster care. In terms of organizational capacity, some respondents reported difficulty obtaining funding for operations and staff.

Figure 1 provides a breakdown of the services provided by organizations that participated in the 1Q survey. Figure 2 summarizes the self-reported changes in indicators pertaining to the organizations and the LMI communities they serve. Table 1 displays the 1Q diffusion indexes, which measure the direction and degree to which conditions changed relative to 4Q2014, and compares the indexes with those from the previous quarter (4Q2014) and one year prior (1Q2014). Figures 3 and 4 display changes in the indicators over time, comparing their actual value with respondents' expectations from the previous survey. Table 2 displays respondents' rankings of the top challenges facing the communities they serve today. The final section of this survey contains selected comments from respondents.

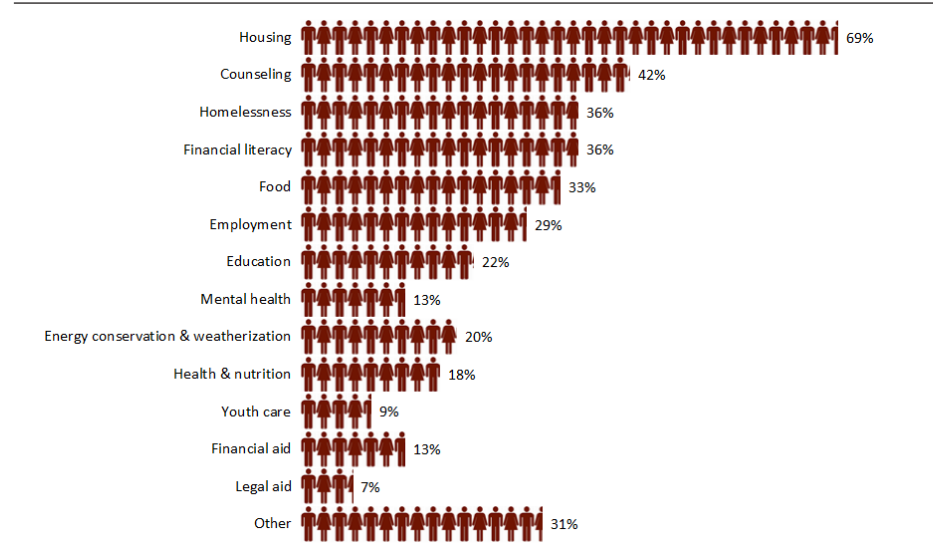
Respondent Breakdown and Observations

Community Outlook Survey participants are senior staff members of organizations that provide direct services to LMI individuals and households in the Third District. In 1Q, 68 percent of respondents were headquartered in eastern and central Pennsylvania, 23 percent in southern New Jersey, and 9 percent in Delaware. There was a substantial variation in the size and assets of respondent organizations, with a median operating budget of \$3.3 million and the middle 50 percent falling between \$517,000 and \$7.5 million.

As displayed in Figure 1, the largest proportion of respondents provides services related to housing (69 percent), followed by those who provide counseling services (42 percent). In addition to the listed categories, other respondents included community development lenders and public social service agencies.

The Community Outlook Survey aggregates respondents' perceptions of how conditions affecting the LMI community and their organizations have changed relative to the previous quarter. The survey also asks respondents to predict how those same indicators will change in the upcoming quarter. A summary of these responses is displayed in Figure 2.

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

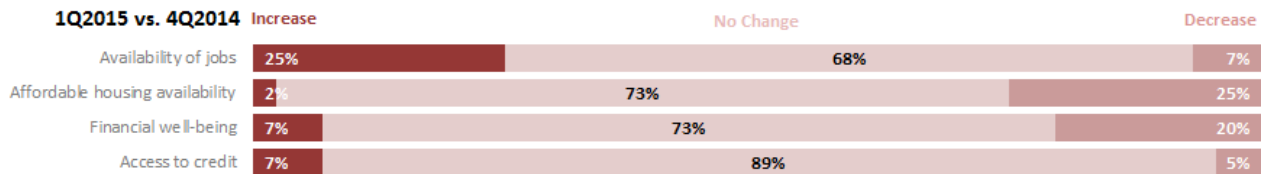


Note: Each person represents 2 percentage points. Respondents were permitted to select more than one category. Source: Federal Reserve Bank of Philadelphia

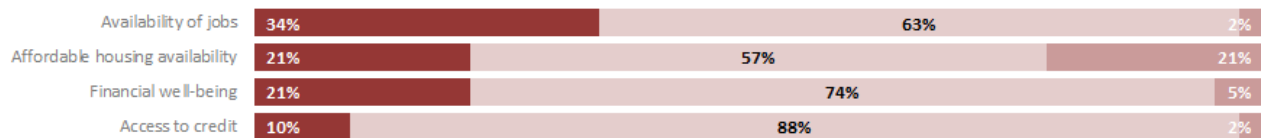
Figure 2: Survey Responses

Household Indicators

1Q2015 vs. 4Q2014

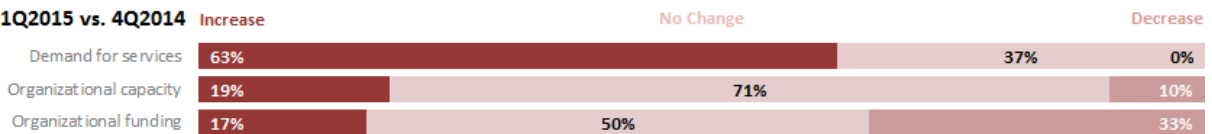


Expectations for 2Q2015



Organizational Indicators

1Q2015 vs. 4Q2014



Expectations for 2Q2015



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

For all four household indicators, the percentage of respondents who indicated that there had been no change between 4Q2014 and 1Q2015 grew, with almost nine out of 10 respondents reporting no change in access to credit during this period. The proportion of respondents who reported increases in the availability of jobs and affordable housing declined considerably, though substantially more respondents reported increases in job availability than decreases in 1Q.

As in past surveys, most respondents did not anticipate changes in the household indicators during 2Q. Similar to 4Q2014, the proportion of respondents who anticipated increases in the availability of affordable housing was roughly equivalent to the proportion that anticipated decreases, though considerably fewer expected no change. By contrast, a larger proportion of respondents predicted no change in their clients' ability to access credit.

Respondents' assessments of the change in demand for their services and organizational funding were consistent with 4Q2014, with most observing increases in demand paired with stagnant or declining funding levels. Encouragingly, the proportion reporting increases in organizational capacity continued to exceed the proportion reporting declines for the second consecutive quarter.

Again, expected changes in organizational indicators during 2Q were in line with those that respondents reported for 1Q. The majority expected the demand for services to continue to increase in 2Q2015 but also anticipated no change in organizational capacity or funding. However, a notably smaller proportion of respondents predicted decreases in their organizational capacity over the next quarter compared with predictions from 4Q2014.

Diffusion Indexes

The diffusion indexes* from the 1Q 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
	1Q2015	4Q2014	1-Qtr Change	1Q2014	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	59.1	62.7	-3.6	50.0	9.1
Affordable housing availability	38.6	46.6	-8.0	36.4	2.2
Financial well-being	43.2	41.7	1.5	38.9	4.3
Access to credit	51.1	47.5	3.6	42.7	8.4
Demand for services	18.3	18.0	0.3	13.9	4.4
Organizational capacity	54.8	51.6	3.2	57.4	-2.6
Organizational funding	41.7	39.3	2.4	37.0	4.7
	1Q2015	4Q2014	1-Qtr Change	1Q2014	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	65.9	64.7	1.2	60.6	5.3
Affordable housing availability	50.0	50.8	-0.8	42.4	7.6
Financial well-being	58.3	55.0	3.3	45.8	12.5
Access to credit	53.6	48.3	5.3	44.4	9.2
Demand for services	20.5	18.6	1.9	14.9	5.6
Organizational capacity	63.8	55.9	7.9	64.9	-1.1
Organizational funding	53.8	50.9	2.9	55.3	-1.5

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

The overall picture of households' conditions in 1Q2015 looks somewhat different, though not clearly stronger or weaker, than the prior quarter as shown in Table 1. As noted previously, job availability continued to improve for the fourth consecutive quarter. Though the job accessibility index declined from 4Q2014, the 1Q2015 value is still the second highest to date. Additionally, at 51.1, the 1Q2015 value of the access to credit index suggests modest improvement in this condition for the first time since the beginning of the survey, following a steady trend of increases that began in 3Q2013. At the same time, the availability of affordable housing continues to deteriorate, and there has been little change in the financial well-being index over the past four quarters, though its long-term trend suggests gradual stabilization.

Notably, the organizational funding index increased somewhat between 4Q2014 and 1Q2015 (though it remained below 50), bucking prior years' trends of spiking during the holiday season and then declining sharply in the first quarter of the new year. Additionally, organizational capacity appears to be improving for the second consecutive quarter, though the demand for services index remains far from stabilization.

Expectations

Respondents were optimistic about the financial stability of LMI households during 2Q2015, predicting continued improvements in job availability and access to credit, as well as stabilization in the still-lagging availability of affordable housing index. Given that the access to credit index outperformed expectations during 1Q2015, the anticipation of its continued increase may reflect on-the-ground observations of improving conditions. Though the observed financial well-being index has stagnated in recent quarters, respondents have associated their expected increases in the other household indexes with its improvement as well.

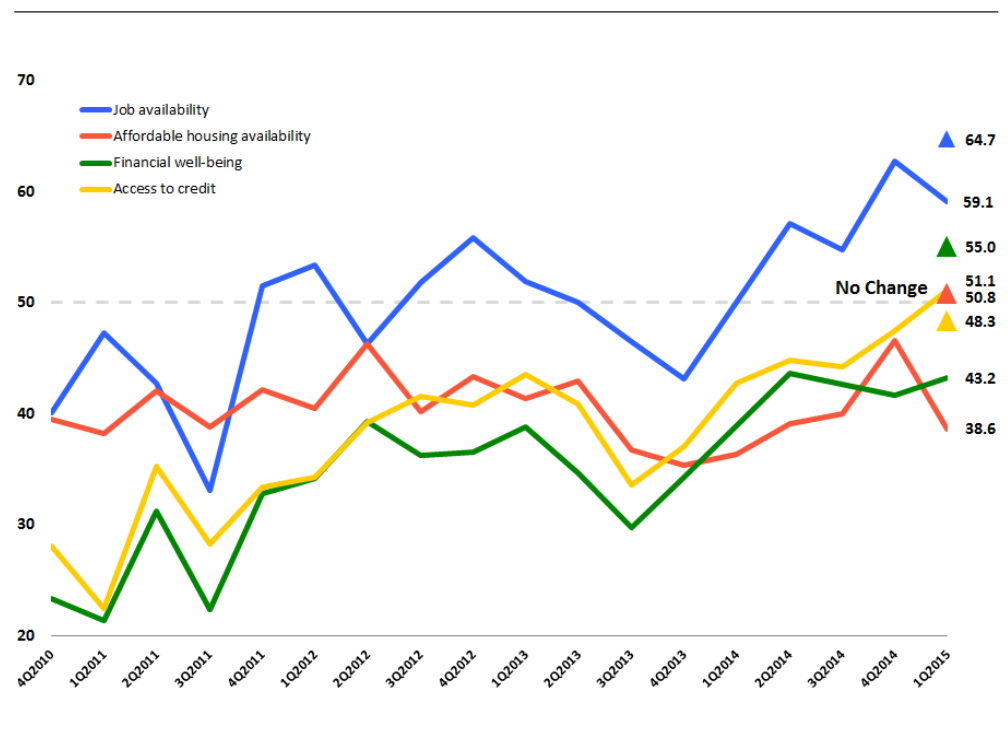
In terms of the organizational indexes, respondents predicted that the upward trend in organizational capacity would continue in 2Q2015, which is associated with an expectation of increased funding. However, as in past surveys, respondents continued to anticipate a rapid growth in the demand for their services.

Trends

Figures 3 and 4 display the diffusion indexes over time. Each triangle represents respondents' expectations for 1Q2015 as forecasted in the 4Q2014 survey. For example, in the 4Q2014 survey, respondents predicted that the 1Q2015 affordable housing availability index would be 50.8, whereas the index was actually 38.6.

The job availability, access to credit, and financial well-being indexes continue to demonstrate clear, though somewhat jagged, positive overall trends. As other household indicators continue to stabilize and improve, the availability of affordable housing remains a persistent concern that appears less responsive to general improvements in economic conditions.

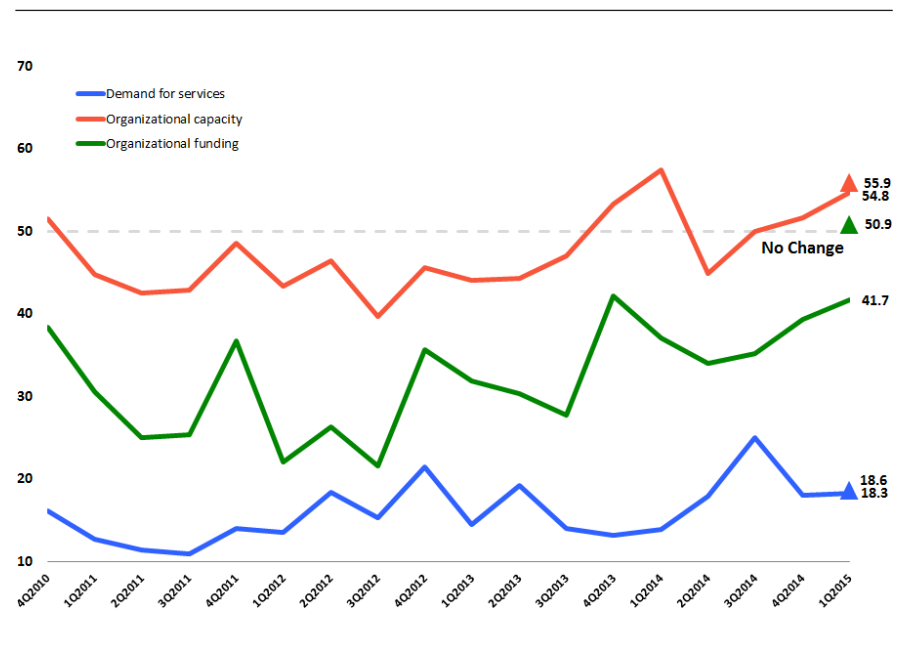
Figure 3: LMI Household Indicators (4Q2010 to 1Q2015)



Triangles display respondents' expectations for 1Q2015 based on responses from the 4Q2014 survey.
Source: Federal Reserve Bank of Philadelphia

Organizational indicators have remained relatively consistent since the beginning of the survey, though recent improvements in organizational capacity and the stabilization of funding levels may suggest a promising trend. However, as growth in demand for services continues to outpace these indexes, there continue to be substantial gaps in organizations' ability to meet their communities' needs.

Figure 4: LMI Organizational Indicators (4Q2010 to 1Q2015)



Triangles display respondents' expectations for 1Q2015 based on responses from the 4Q2014 survey.
Source: Federal Reserve Bank of Philadelphia

Table 2: Challenges Across Time^a

	1Q15	4Q14	3Q14	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11
Challenges affecting LMI households' access to credit														
Lack of cash flow	79	77	75	76	75	80	74	77	73	70	77	77	71	62
Lack of financial knowledge	72	60	73	71	65	73	69	79	74	77	71	60	78	68
Underwriting standards/credit ratings	77	68	69	65	60	77	81	83	71	74	71	75	75	62
Interest rates and other lending costs	35	18	24	19	35	29	24	29	20	17	13	9	20	17
Lack of trust in banks	33	26	27	28	24	32	34	31	24	24	18	23	37	24
Regulatory issues	16	10	11	15	16	16	16	18	18	23	9	14	14	14
Challenges affecting the availability of affordable housing in community														
Development costs ^b	63	58	58	56	64	66	66	65	57	67	55	59	66	49
Lack of capital	51	63	64	60	62	61	61	72	73	63	68	69	74	69
Competition for grant/subsidy funding	63	61	65	54	58	61	64	62	58	64	70	69	64	63
Organizational capacity	23	15	35	26	34	31	40	33	33	29	27	22	31	19
Community opposition	14	19	31	27	28	30	24	22	20	35	28	26	31	22
Regulatory issues	16	18	20	19	17	24	27	21	24	17	20	26	21	10
Lack of demand	5	5	5	3	2	1	3	1	2	3	5	3	2	4
Challenges affecting organizations' financial sustainability														
Lack of government funding	60	60	67	78	76	74	79	76	77	75	81	79	77	81
Lack of grant funding	56	60	75	78	63	71	61	68	72	68	76	74	72	67
Market conditions/lack of earned income	21	19	29	33	19	28	21	33	41	36	20	34	28	39
Lack of bank financing	7	6	7	21	17	10	20	18	15	14	15	10	10	13

^aRespondents were permitted to select more than one category.

^bBeginning 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.

The top challenge affecting LMI households' access to credit was lack of cash flow (indicated by 79 percent of respondents). Development costs (63 percent) and competition for funding (63 percent) remained the primary challenges to the availability of affordable housing, followed by lack of capital (51 percent). Finally, lack of government funding and grant funding (60 and 56 percent, respectively) remained the top challenges to organizations' financial sustainability.

Selected Comments

In each survey, we ask respondents to share challenges that have inhibited their ability to provide services to LMI households, as well as to provide general observations about their organizations or service areas. Selected comments from their responses are included here. The comments have been edited for publication.

Housing Affordability

"This area needs affordable housing. We are currently building 50 townhouses, but this will not address the need for one-bedroom units for seniors and people with disabilities."

"Declining public funding is a major issue. There is no way to decently house most LMI households without a subsidy, and the hardships this causes, especially to the children, are very significant."

Housing Quality

"A challenge we have yet to resolve is the need that LMI households have for critical repairs. We hope to grow our exterior home repair program into a larger one capable of critical home repairs, but we are still in the early stages of development."

"Far too many families in our neighborhood are paying rents in excess of 50 percent their gross incomes, making it impossible for them to move ahead. At the same time, the quality of the rental housing is embarrassingly poor. There needs to be an infusion of capital for the purpose of creating quality, well-designed, efficient, and affordable rental housing if we have any chance of elevating the quality of life in the neighborhood."

Access to Jobs

"We started the Vehicle Assistance Program to help consumers obtain a vehicle or get repairs. Just in our two-county portion of the program (there are six total counties involved as partners),

we had 400 callers and are only going to be able to assist approximately 25 of them. This was a discretionary, one-time funded program, as a pilot. There are really no grants out there for this type of program."

"Philadelphia has done well reinventing itself as a great city (meaning downtown) to live in with new condos, a restaurant renaissance, shopping walkways, parks, museums, and a newly ignited nightlife. What it has failed to do is to create jobs for the rest of the city, most of whom live in abject poverty. People need jobs."

"Lots of folks do not have legal status and can't drive because the state will not allow them to get driver's licenses. This makes it next to impossible to find a job, as the jobs they can get are too far for them to walk."

Vulnerable Populations

"The number of older youth transitioning out of care is increasing. We need funding to help them with their transition to independence."

"One of the markets we serve is refugees/immigrants. Some are scared to borrow and don't have credit. We just introduced a loan product to help them establish credit that they seem to be responsive to."

"Central Dover faces a very low homeownership rate and a high incidence of single female parent households with low incomes and limited access to services and opportunity."

Organization Capacity

"Funders are hesitant to provide unrestricted funds or cover overhead expenses. This is still a major unresolved challenge."

"Our ability to train or find qualified professionals to work in the service field is difficult because of low and unstable wages and job insecurity."

Survey Methodology

The Federal Reserve Bank of Philadelphia's Community Outlook Survey, a quarterly online poll, was first launched in January 2011, covering 4Q2010 data. 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 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 addressed to Eileen Divringi at phil.cosurvey@phil.frb.org.