

# COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

## Job Availability Improves, Concerns for Organizational Capacity Emerge

### 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 <http://www.philadelphiafed.org/community-development/community-outlook-survey/>.

### Overview

The 2Q2014 Community Outlook Survey was sent to participants in July 2014. A total of 78 organizations responded, providing insight on the conditions and challenges facing LMI communities across the Third District. Additionally, organizations were asked to assess changes in 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 LMI communities' service needs and the capacity of local service providers.

Overall, Q2 indicators suggest that the conditions affecting LMI households are stabilizing relative to Q1. Notably, job availability appears to be improving for the first time since 1Q2013, with the highest proportion of respondents reporting an increase in job availability since the survey was initiated in 2010. The availability of affordable housing continues to lag other indicators for the second consecutive quarter, with the proportion of respondents reporting declines similar to the long-term average.

After two consecutive quarters of improvement, organizational capacity had a substantial decline in Q2. During this period, two-thirds of respondents reported increases in demand for their services. This corresponds with continued reductions in funding levels.

A number of themes emerged in the participants' free response comments, providing important context for the trends suggested by the data. Job quality was a commonly cited concern, particularly the limited opportunities to earn a living wage that would enable LMI households to cover essential expenses. Other respondents commented on the ongoing dearth of affordable rental housing as well as the challenges of developing units within the means of LMI households. In combination, these observations may offer a potential explanation for why access to affordable housing has failed to improve in light of growing job availability. In terms of organization-

al capacity, the retrenchment of key funding sources was repeatedly identified as a major challenge to programmatic stability.

Figure 1 provides a breakdown of the services provided by organizations that participated in the Q2 survey. Figure 2 summarizes the self-reported changes in a variety of indicators pertaining to their organizations and the LMI communities they serve. Table 1 displays the first quarter diffusion indexes, which measure the direction and degree to which conditions changed relative to 1Q2014 and compares the indexes with those from the previous quarter (1Q2014) and from four quarters ago (2Q2013). Figures 3 and 4 display changes in the indicators over time and compare 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 contains selected comments made by respondents.

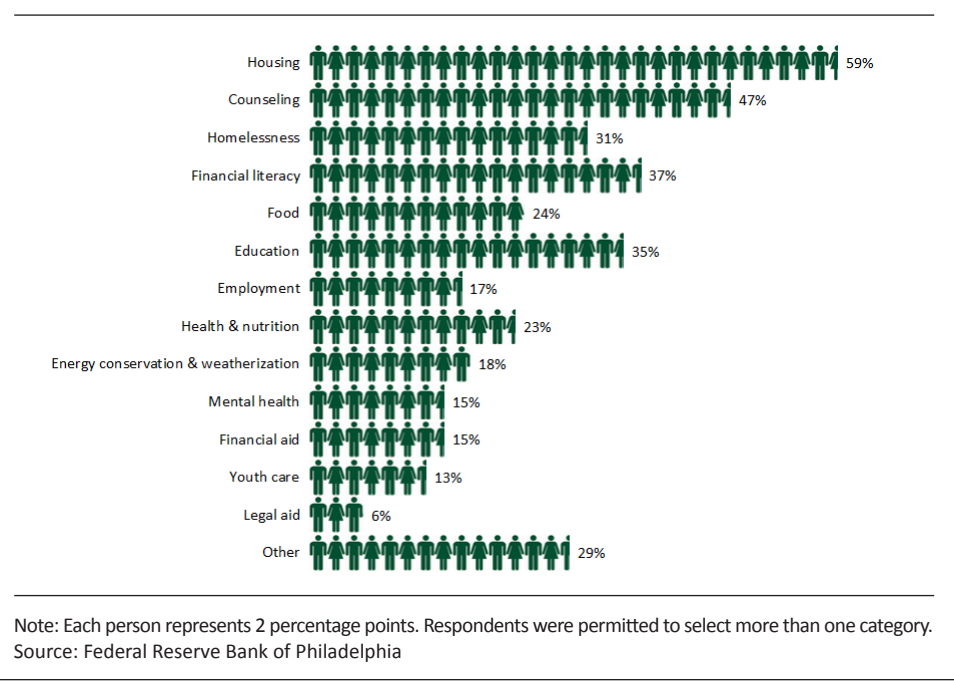
### Respondent Breakdown and Observations

Community Outlook Survey participants are senior staff members of organizations that provide direct services to LMI individuals and households in the Third District. In Q2, slightly less than 76 percent of respondents were headquartered in eastern and central Pennsylvania, 17 percent in southern New Jersey, and 8 percent in Delaware. There was a substantial variation in the size and assets of respondent organizations, with operating budgets ranging from near zero to \$95 million. The median operating budget was \$2 million, with the middle 50 percent falling between \$540,000 and \$6.5 million.

The largest proportion of respondents indicated that they provide services related to housing (59 percent), followed by those providing counseling services (47 percent). A breakdown of the types of services offered by these organizations is displayed in Figure 1. In addition to the listed categories, other respondents included emergency service providers, community and economic development organizations, and local government 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.

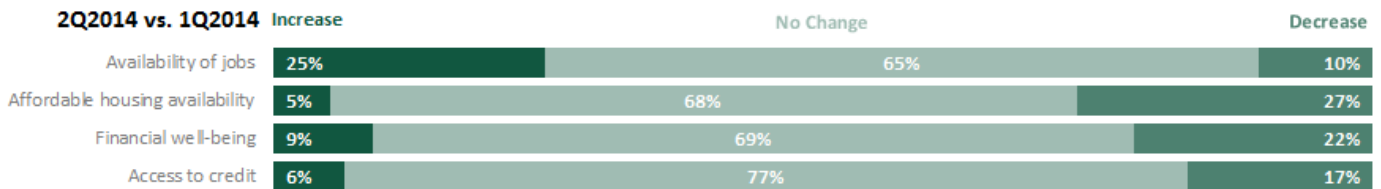
**Figure 1: Types of Services Provided (Percentage of Respondents)**



**Figure 2: Survey Responses**

**Household Indicators**

**2Q2014 vs. 1Q2014**

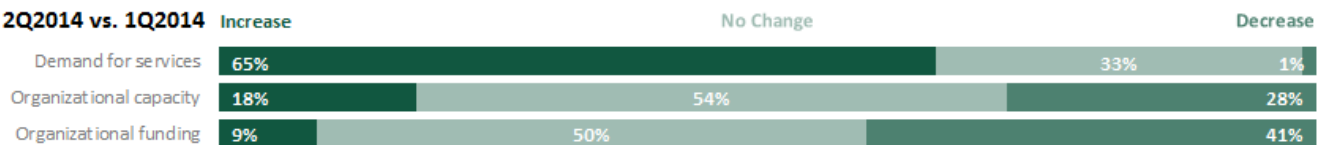


**Expectations for 3Q2014**



**Organizational Indicators**

**2Q2014 vs. 1Q2014**



**Expectations for 3Q2014**



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

While approximately two-thirds to three-quarters of respondents reported no change in any of the household indicators, there were notable shifts in the balance of those indicating changes. A quarter of participants indicated an increase in job availability (up from 20 percent in Q1), while the proportion indicating decreasing job availability fell by half (from 20 percent in Q1 to 10 percent in Q2). The percentage of respondents observing declines in affordable housing availability was 27 percent in Q2, down from 35 percent in Q1. Similarly, those indicating declines in financial well-being also decreased from 30 percent in Q1 to 22 percent in Q2.

Respondents continue to be optimistic about job availability, with 33 percent indicating that they expect an increase over the next quarter compared with 7 percent who expect a decline. Similarly, nearly a quarter of respondents believe that their cli-

ents' financial well-being will improve (24 percent), double the proportion of Q1 respondents who reported this expectation (12 percent).

The ability of organizations to meet the needs of LMI communities appears to be in decline. Nearly two-thirds of participants reported an increase in demand for their services in Q2, down from 74 percent in Q1. However, the proportion of respondents indicating a decrease in their capacity to meet clients' needs increased from 15 percent in Q1 to 28 percent in Q2. Nine percent of participants reported an increase in organizational funding levels during this period, down from 15 percent in Q1. While the organizational indicators from Q1 suggested that capacity had not declined in response to reductions in funding, it now appears that there may have been a lag between funding losses and their consequences for service provision.

## Diffusion Indexes

The diffusion indexes\* from the second 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 <sup>a</sup>	D	E <sup>b</sup>
	2Q2014	1Q2014	1-Qtr Change	2Q2013	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	57.1	50.0	<b>7.1</b>	50.0	7.1
Affordable housing availability	39.1	36.4	2.7	42.9	<b>-3.8</b>
Financial well-being	43.6	38.9	<b>4.7</b>	34.6	<b>9.0</b>
Access to credit	44.8	42.7	<b>2.1</b>	40.9	3.9
Demand for services	17.9	13.9	4.0	19.2	-1.3
Organizational capacity	44.9	57.4	-12.5	44.3	<b>0.6</b>
Organizational funding	34.0	37.0	<b>-3.0</b>	30.4	3.6
	3Q2014	2Q2014	1-Qtr Change	3Q2013	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	63.2	60.4	<b>2.8</b>	59.6	3.6
Affordable housing availability	46.7	46.2	0.5	51.3	-4.6
Financial well-being	52.6	50.0	<b>2.6</b>	47.3	5.3
Access to credit	48.7	50.0	<b>-1.3</b>	46.7	2.0
Demand for services	19.7	18.3	1.4	21.4	-1.7
Organizational capacity	54.6	61.3	-6.7	52.6	2.0
Organizational funding	51.3	54.7	-3.4	44.2	7.1

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

<sup>a</sup>Column C is calculated by subtracting column B from column A.

<sup>b</sup>Column E is calculated by subtracting column D from column A.

Source: Federal Reserve Bank of Philadelphia

## Current Conditions

Three of the four diffusion indexes representing the conditions of LMI households fell below neutral in Q2, signifying continued declines in affordable housing availability, access to credit, and financial well-being (Table 1 column A). However, all four improved relative to their Q1 position (columns B and C). The job availability index — the only one of the household indexes to exceed 50 — continued its upward trajectory from Q1, growing 7.1 points to 57.1 in Q2. This suggests that, for the first time since 1Q2013, the job outlook for LMI households is improving. Compared with 2Q2013 (columns D and E), three of the four indexes improved over the past year. However, it is important to note that those falling below 50 are still in decline, just at a slower pace. Only the affordable housing availability index decreased from 2Q2013 to 2Q2014, suggesting that housing conditions for LMI communities are worsening at a faster pace than one year prior.

The organizational indicators present greater cause for concern. The capacity index declined a substantial 12.5 points, moving from a steadily improving 57.4 in Q1 to a worsening 44.9 in Q2 (columns A, B, and C). This represents the steepest single-quarter decline in this index since the survey first started. The organizational fund-

ing index continued to decline for the second consecutive quarter, potentially driving the decrease in organizational capacity. While the demand for services index increased 4 points during Q2 (column C), at 17.9 it remains the lowest of all seven indexes and is roughly in line with its 2Q2013 value (columns A and D).

## Expectations

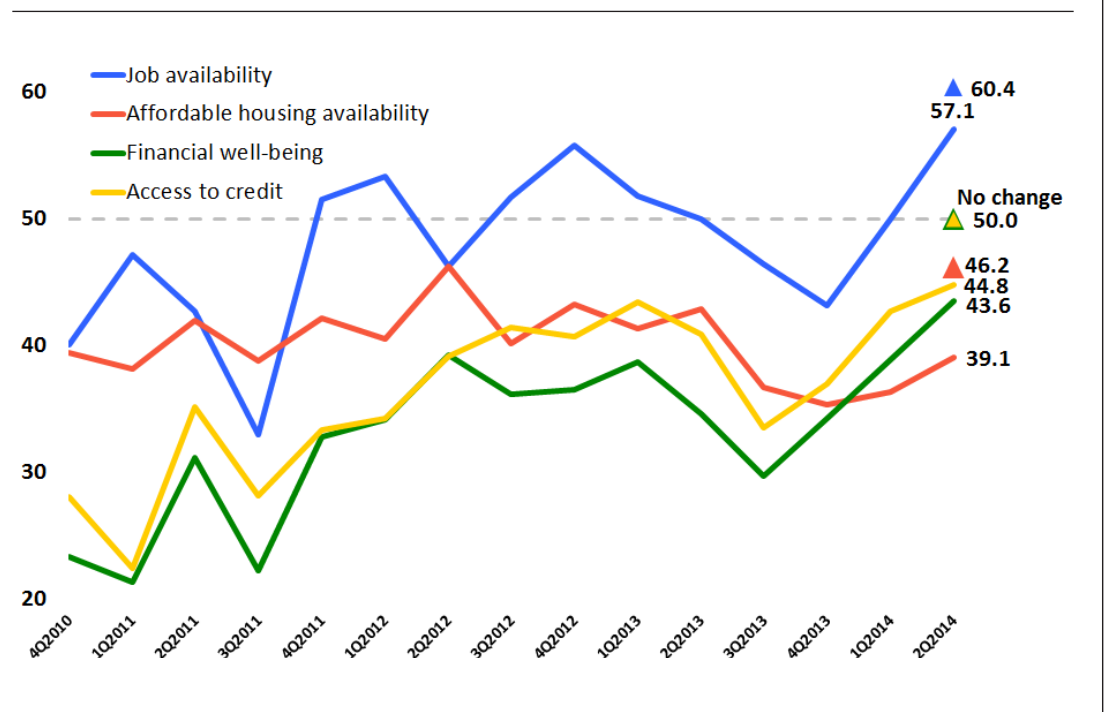
Given the strong increase in job availability between Q1 and Q2, it is unsurprising that respondents continue to be optimistic for the index in Q3 (columns A and C). Perhaps respondents are connecting this growth in job availability to improvements in financial well-being, as both indexes are expected to increase in roughly similar magnitudes in Q3 (column C). While Q3 expectations for affordable housing availability and access to credit are optimistic relative to the actual Q2 figures, they remain largely similar to the expectations expressed in Q1 (columns A and B).

Despite declines in organizational indexes during Q2, participants remain optimistic that capacity and funding will improve in Q3, though significantly less so than they were in Q1 (columns A, B, and C). The demand for services index is expected to remain relatively flat, suggesting that demand would continue to grow at approximately the same pace (column C).

## Trends

Figures 3 and 4 display the diffusion indexes over time. Each triangle represents respondents' expectations for 2Q2014 as was forecasted in the 1Q2014 survey. For example, in the 1Q2014 survey, respondents predicted that the first quarter 2014 job availability index would be 60.4, whereas the index was actually 57.1.

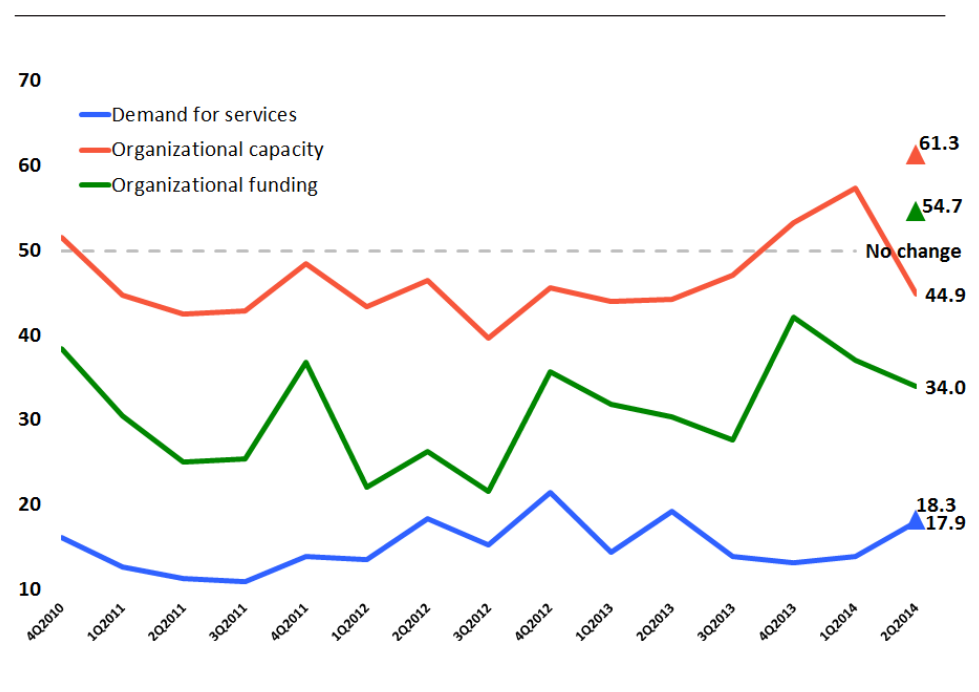
**Figure 3: LMI Household Indicators (4Q2010 to 2Q2014)**



Triangles display respondents' expectations for 1Q2014 based on responses from the 4Q2013 survey.  
Source: Federal Reserve Bank of Philadelphia

For the third consecutive quarter, all three household indexes have reflected increases, though three of the four remain below 50. Each fell short of Q1 expectations, though the gap between the expected and actual job availability index was significantly narrower than in Q1. Since the beginning of the survey in 4Q2010, the overall trend for the job availability, financial well-being, and access to credit indexes has been positive, if somewhat variable, suggesting that these conditions are either improving or stabilizing from their initial postrecession decline. However, the availability of affordable housing index, at 39.1 in 2Q2014, has seen little change from its 4Q2010 value of 39.4. This may indicate that the challenges of accessing affordable housing will continue to persist as other indicators recover, suggesting either a lag in postrecession recovery or the existence of independent causal factors.

**Figure 4: LMI Organizational Indicators (4Q2010 to 2Q2014)**



Triangles display respondents' expectations for 1Q2014 based on responses from the 4Q2013 survey.  
Source: Federal Reserve Bank of Philadelphia

**Table 2: Challenges Across Time<sup>a</sup>**

	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11
<b>Challenges affecting LMI households' access to credit</b>														
Lack of cash flow	76	75	80	74	77	73	70	77	77	71	62	72	66	70
Lack of financial knowledge	71	65	73	69	79	74	77	71	60	78	68	65	66	72
Underwriting standards/credit ratings	65	60	77	81	83	71	74	71	75	75	62	72	66	72
Interest rates and other lending costs	19	35	29	24	29	20	17	13	9	20	17	14	26	31
Lack of trust in banks	28	24	32	34	31	24	24	18	23	37	24	22	16	22
Regulatory issues	15	16	16	16	18	18	23	9	14	14	14	11	12	15
<b>Challenges affecting the availability of affordable housing in community</b>														
Development costs <sup>b</sup>	56	64	66	66	65	57	67	55	59	66	49	62	56	55
Lack of capital	60	62	61	61	72	73	63	68	69	74	69	75	74	77
Competition for grant/subsidy funding	54	58	61	64	62	58	64	70	69	64	63	72	56	65
Organizational capacity	26	34	31	40	33	33	29	27	22	31	19	31	27	25
Community opposition	27	28	30	24	22	20	35	28	26	31	22	20	27	23
Regulatory issues	19	17	24	27	21	24	17	20	26	21	10	18	18	18
Lack of demand	3	2	1	3	1	2	3	5	3	2	4	5	0	1
<b>Challenges affecting organization's financial sustainability</b>														
Lack of government funding	78	76	74	79	76	77	75	81	79	77	81	78	77	86
Lack of grant funding	78	63	71	61	68	72	68	76	74	72	67	72	69	67
Market conditions/lack of earned income	33	19	28	21	33	41	36	20	34	28	39	34	31	36
Lack of bank financing	21	17	10	20	18	15	14	15	10	10	13	5	14	22

<sup>a</sup>Respondents were permitted to select more than one category.

<sup>b</sup>Beginning in 3Q2011, the category "costs" was changed to "development costs."

Source: Federal Reserve Bank of Philadelphia

Though the Q2 demand for services index was well aligned with Q1 expectations, organizational capacity and funding indexes were substantially lower. Looking at the historical performance of each organizational indicator, none has demonstrated a consistently increasing or decreasing trend. The organizational funding index appears to be cyclic, with in-

dexes coming in the highest in the fourth quarter of each year and declining somewhat in the intervening quarters (again, however, the index has always remained below 50, suggesting funding levels have been continuously declining over the lifetime of the survey). The continued decline in this index during Q2 is consistent with this pattern.

---

## 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. As in past surveys, lack of cash flow, lack of financial knowledge, and underwriting standards/credit ratings continue to be the most commonly cited barriers to LMI households' ability to access

credit (identified by 76 percent, 71 percent, and 65 percent of respondents, respectively). Lack of capital was the most widely observed barrier to affordable housing availability (60 percent), followed by development costs (56 percent) and competition for grant/subsidy funding (54 percent), all three of which have continually been cited as dominant challenges since the outset of the survey. The percentage of participants who elected the lack of grant funding as a challenge affecting their organizations' financial stability reached its highest point in Q2 at 78 percent, tying with the lack of government funding.

---

## 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 here. The comments have been edited for publication.

### *Neighborhood Development*

"We are working to revitalize Cherry Street in Norristown and are trying to have residents there engage in our process. It has been difficult to get them to come to community meetings and learn more about our program. Recently, a group did join us for a community meeting and, while there, let us know about a 'squatter' situation in one of the homes. We contacted our support in the municipality and were able to remove the squatters, thus building trust with the residents."

"Although we are poised to rehab five homes in the next year and move LMI families in through our program, we cannot seem to work through the bureaucracy that exists to keep them blighted and unoccupied. We are running up against barriers with the municipality, county, and reinvestment authority and find it almost impossible to get clear title. In speaking with other cities in PA, they seem to have taken their properties through eminent domain, wiped their history, and put out RFPs to NPOs to rehab and revitalize communities. Instituting something like that in Norristown would be a win-win for everyone."

"In working through the issues of neighborhood revitalization, it is becoming more apparent that while we can fix the outsides of the dwellings with paint and wood, often, to improve the quality of life with the LMI people we serve, we must dig deeper into issues of financial literacy, credit, education, career counseling and placement, food access, etc., to truly be effective. When we have addressed the neighborhoods holistically, only then will we transform them."

### *Access to Credit and Financial Services*

"Bank fees often piled up too high for many low-income people who could not pay them as well as their other bills. Thus, they can no longer be serviced by banks and must resort to money orders and cash transactions. This makes it difficult to build assets."

"We continue to have difficulty finding banking products for LMI consumers to enter mainstream banking with little or no fees."

"LMI households are afraid of their credit problems. Many do not realize that they can fix their issues by checking their credit report and paying down old debt."

"There is a generational lack of understanding across the entire financial system in some areas of the county that needs to be overcome."

"Many of the households are receiving stagnant wages or they have not had a credit card in their life, which has impacted their ability to build their credit standing."

"We met too many people who were renting furniture, signing up for payday loans, or getting high-interest loans from used car dealers. Thus, we now require applicants to close out these contracts and sign a Predatory Lending Policy statement before we can authorize assistance."

### *Affordable Housing*

"HUD Funding for rapid rehousing of low-income families requires that they earn less than 30 percent of the area median income to qualify. Anyone earning that amount will see a housing cost burden of more than 50 percent in Chester County unless they can get into federally subsidized housing, for which the criteria is often prohibitive and the waiting list is too long."

“We are struggling to secure affordable property on which to build or to renovate for sale as affordable homeownership to LMI households in our community. We were able to obtain two foreclosed properties from a national bank, which helped, but we are still struggling to determine feasible, affordable properties for our next projects.”

“The problem remains the same ... we have more and more individuals and families needing housing, with fewer and fewer units available.”

“LMI households cannot find affordable housing. If they lose current housing, there are not many choices for them.”

“Affordable housing also must be close to or easily accessible to public transportation and jobs in the community.”

“Post the Great Recession, the local demand for rental affordable housing has increased and the demand for purchasing affordable housing has decreased.”

“Funding for LMI housing has become increasingly constrained and competitive as the federal government has cut funding. Our most recent strategy has been to apply for operating support through the Philadelphia Housing Authority, another federal source, but one we had not previously tapped. That seems to be working, although the regulatory requirements are significant and unfamiliar to us. Affordable housing for sale has become nearly impossible to develop in Philadelphia due to reductions in funding. We do not yet have a way to resolve that problem.”

“We will be starting a rapid rehousing program in November with a HUD grant. One of the regulations says that we cannot be reimbursed for case management for the clients after the first 30 days of their participation. Thirty days just isn’t enough time to move people from emergency to transitional housing.”

“The level of funding provided by the federal government is insufficient to support the number of federally assisted units allocated to our organization and is not sufficient to support adequate staffing. We reduced the number of units served and the number of staff, but we are still losing money.”

## *Employment*

“The biggest issue is finding jobs at a living wage. These people want to work! Many of the jobs don’t pay enough to cover the gas to get there, much less contribute to the household. The cost of daycare is another barrier. How is a mother supposed to work when daycare and gas cost more than she can make? If she works multiple jobs, then who is raising the children?”

“LMI households are still struggling to earn/obtain sustainable wages/employment that not only allows them to save for the future but also to dig themselves out of the credit issues many of them have caused for themselves.”

“There is a lack of family-sustaining jobs in this community, which continues to lead to families living on the edge, just one paycheck away from disaster.”

“Many lack the skills to hold jobs that would support their families, but many also have unrealistic ideas on what income levels they will accept if employed.”

“With the closing of a number of casinos, we are just beginning to see an influx of people who have been laid off. The estimate is between 5,000 and 8,000. We will have to feed, clothe, and shelter a certain percent of these people who are living from paycheck to paycheck.”

## *Demand for Services*

“In response to a reduction in funding for direct rent/utility assistance, we have increased our emphasis on case management services, hoping to educate LMI households on how to improve their financial situation. However, it’s very difficult to keep LMI households engaged in longer-term case management when they can’t pay their bills in the short term.”

“We have shifted our focus to provide more comprehensive services to the families we serve with the anticipated result of having a long-term impact on at least some of the families we serve rather than continuing to put Band-Aids on problems with no long-term results.”

“Nothing will work if individuals are not the focus — their education, dealing with their addiction issues, etc. They can’t be approached as a ‘group’ — access to affordable housing and credit are, in many cases, the least of the problems.”

“I believe the public in general does not understand the intense needs of the homeless — housing is just one component — there are many others areas in which these folks need assistance.”

“With multiple diagnoses, sometimes it is very difficult to get a person placed in a facility or transitional program that can accommodate all of the needs of the client.”

## *Funding*

“A reduction in indirect funding from a large state contract compromised our ability to maintain sound administrative functions that were already lean. We affiliated with another organization to provide back-office services. After a year of experience, we ended the relationship because it was not effective. We hope to expand into new service areas to generate revenue sufficient to run an organization appropriately.”

“In an effort to generate income to reduce budget constraints, the agency is willing to sell its undeveloped land. Due to a stagnant real-estate market and development costs, there is a lack of willing buyers.”

## Capacity

“Our main challenge to capacity building is attracting the providers who are willing to relocate to the area and serve the primarily Spanish-speaking clients.”

“Our free tax preparation services are predominantly volunteer based. During the last tax season, we have faced a significant reduction in the number of volunteers. To offset the impact, we have begun to use alternative means to keep up with persistent demand by using a ‘drop-off’ method.”

### 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 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](mailto:Phil.COSurvey@phil.frb.org).