

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

Service Providers Doing More with Less

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 January 2014, 79 service providers participated in the Fourth Quarter 2013 Community Outlook Survey and evaluated changes in key factors affecting the LMI community. 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, their capacity to serve clients' needs, and their funding levels.

Fourth quarter indicators suggest that conditions affecting LMI households continued to decline in the final months of 2013; the job availability index fell to its lowest level in more than two years. Demand for organizations' services remains high, although indicators suggest that, as a group, these organizations more effectively met the needs of their clients in the fourth quarter relative to the third quarter. Expectations for the first quarter of 2014 remain guarded, but increased relative to their counterparts from the previous quarter. Many organizations expressed concern about their continued loss of funding, a lack of livable-wage jobs, and an even steeper rise in demand for their services following the expiration of emergency unemployment compensation.

Figures 1 and 2 provide breakdowns of the types of services provided by the organizations surveyed and their responses pertaining to changes in various indicators affecting their organizations and the LMI community. Table 1 presents the fourth quarter diffusion indexes, which measure the direction and the degree to which conditions changed relative to the third quarter of 2013, and compares the indexes with those from the previous quarter (3Q2013)

and from four quarters ago (4Q2012). The formula used to calculate the diffusion indexes is provided in the footnote on page 3. 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 the LMI community. The final section contains selected comments made by respondents.

Respondent Breakdown and Observations

Participants in the survey represent senior staff members from organizations that offer direct services to the Third District's LMI population. Seventy-five percent of those who responded to the fourth quarter survey are located in eastern and central Pennsylvania, 19 percent in southern New Jersey, and 6 percent in Delaware. Six percent serve more than one state. The operating budgets of the organizations vary widely, ranging from nearly zero to more than \$20 million. The median budget was \$1.7 million, with the middle 50 percent falling between \$500,000 and \$5.2 million.

The organizations provide a diverse set of services to the LMI community. Just more than half (51 percent) provide services related to housing while more than one-third offer counseling (42 percent) or services for the homeless (35 percent). A breakdown of the types of services provided by these organizations is displayed in Figure 1. Other types of services offered by responding organizations include small business loans, veterans programs, substance abuse treatment, and home repair.

The primary objective of the Community Outlook Survey is to elicit 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. The aggregated responses are displayed in Figure 2.

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

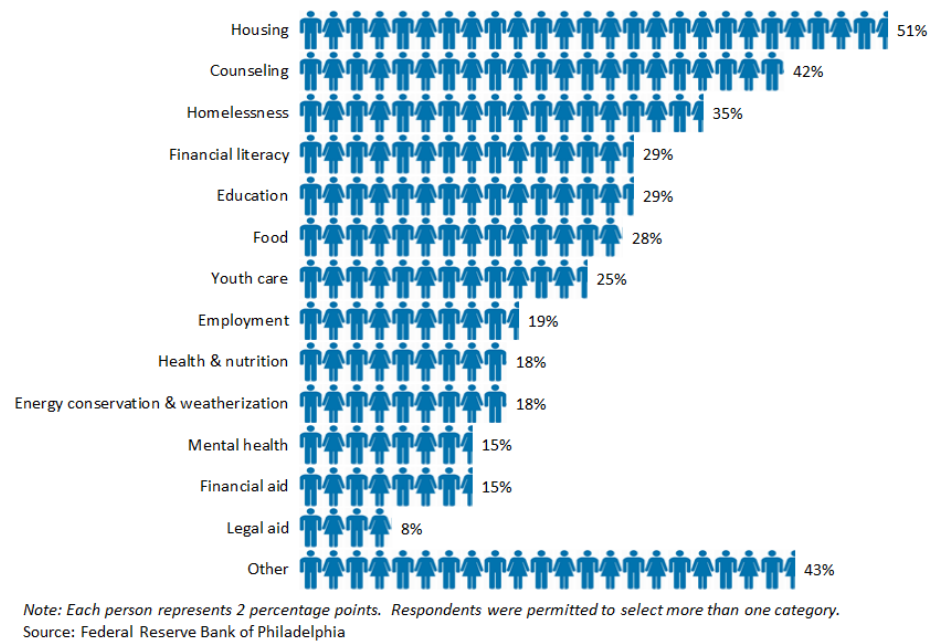
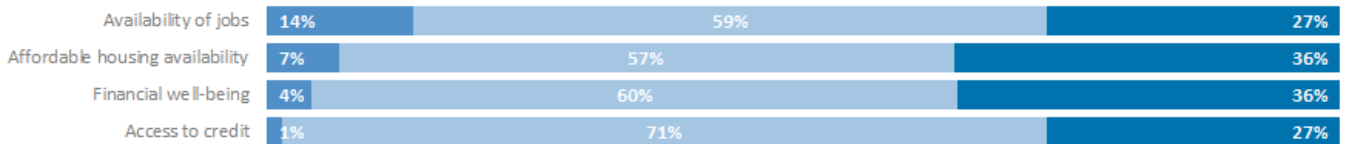


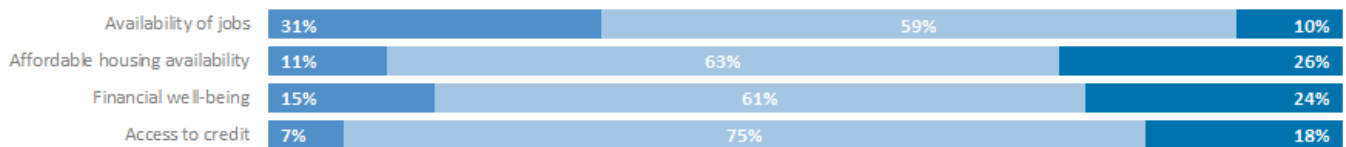
Figure 2: Survey Responses

Household Indicators

4Q 2013 vs. 3Q 2013 Increase No Change Decrease

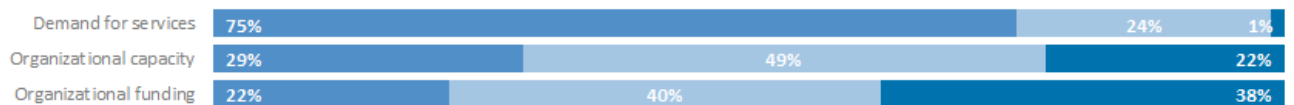


Expectations for 1Q 2014

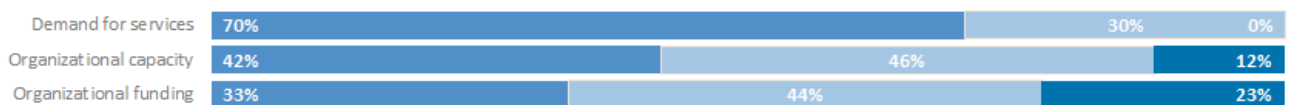


Organizational Indicators

4Q 2013 vs. 3Q 2013 Increase No Change Decrease



Expectations for 1Q 2014



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

For each household indicator, more than half of the respondents observed no change in the fourth quarter of 2013 relative to the third quarter.

There was a slight rise in the percentage of respondents who reported a decline in job availability (27 percent versus 21 percent in 3Q2013), while far fewer respondents reported a decline in the financial well-being of LMI households (36 percent, down from 48 percent the previous quarter).

Although expectations for the next three months suggest that jobs will become increasingly available to the LMI population, organizations anticipate that affordable housing availability, financial well-being, and access to credit will continue their downward trend.

While the breakdown of the demand for services indicator remained virtually unchanged from the previous quarter,

the indicators for organizational capacity and funding improved relative to the third quarter of 2013 survey.

In the fourth quarter of 2013, 22 and 38 percent noted a decrease in capacity and funding, respectively, compared to 32 and 54 percent in the third quarter. A greater percentage of respondents observed a rise in capacity compared with those who reported a fall. This trend is expected to continue into the first quarter of 2014.

Diffusion Indexes

The diffusion indexes* from the fourth quarter survey are shown 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 remained unchanged from one quarter to the next.

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

	A	B	C ^a	D	E ^b
	4th Qtr 2013	3rd Qtr 2013	1-Qtr Change	4th Qtr 2012	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	43.2	46.4	-3.2	55.8	-12.6
Affordable housing availability	35.3	36.8	-1.5	43.3	-8.0
Financial well-being	34.2	29.7	4.5	36.6	-2.4
Access to credit	37.0	33.6	3.4	40.8	-3.8
Demand for services	13.2	14.0	-0.8	21.4	-8.2
Organizational capacity	53.3	47.1	6.2	45.7	7.6
Organizational funding	42.2	27.7	14.5	35.7	6.5
	1st Qtr 2014	4th Qtr 2013	1-Qtr Change	1st Qtr 2013	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	60.6	47.8	12.8	60.6	0.0
Affordable housing availability	42.4	43.9	-1.5	46.4	-4.0
Financial well-being	45.8	36.6	9.2	42.0	3.8
Access to credit	44.4	40.2	4.2	43.9	0.5
Demand for services	14.9	14.6	0.3	20.0	-5.1
Organizational capacity	64.9	46.9	18.0	53.7	11.2
Organizational funding	55.3	36.9	18.4	40.0	15.3

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

*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.

Current Conditions

Six of the seven diffusion indexes (Column A, current conditions) fell below neutral in the fourth quarter, signifying worsening conditions for LMI communities.

The job availability index (43.2) dropped for the second consecutive quarter and reached its lowest point since the third quarter of 2011. Similarly, the affordable housing index (35.3) declined for the third consecutive quarter and signifies a new low in the survey's three-year history.

The financial well-being and access to credit indexes, although also still below neutral, are up 4.5 and 3.4 points, respectively, from the past quarter. However, their overall values point to a continued steady decline in the indicators.

The demand for services index dropped less than one point in the fourth quarter of 2013 but remains well below

50, which suggests that the demand for organizations' services continues to rise rapidly within the Third District.

However, the organizational capacity index rose 6.2 points in the fourth quarter to 53.3. This is a hopeful sign that some organizations have been able to meet the increased demand despite low funding. The organizational capacity index reached its highest point since the start of the survey and the index was above 50 for only the second time (4Q2010) in the survey's history.

Likewise, the organizational funding index also reached a new high in the fourth quarter of 2013, although it remained below neutral. The index increased dramatically in the fourth quarter, up 14.5 points from one quarter ago.

Expectations

On the whole, respondents' expectations (Column A, expectations) for the first quarter of 2014 are optimistic compared to the observed indexes from the fourth quarter of 2013 (Column A, current conditions).

Furthermore, respondents are largely more optimistic about the first quarter of 2014 than they had been for the

fourth quarter of 2013 (Column B, expectations). Only the expected affordable housing index is lower than its counterpart in the previous survey, down 1.5 points to 42.4.

However, respondents still expect four of the seven indicators to decline in the first quarter of 2014.

Trends

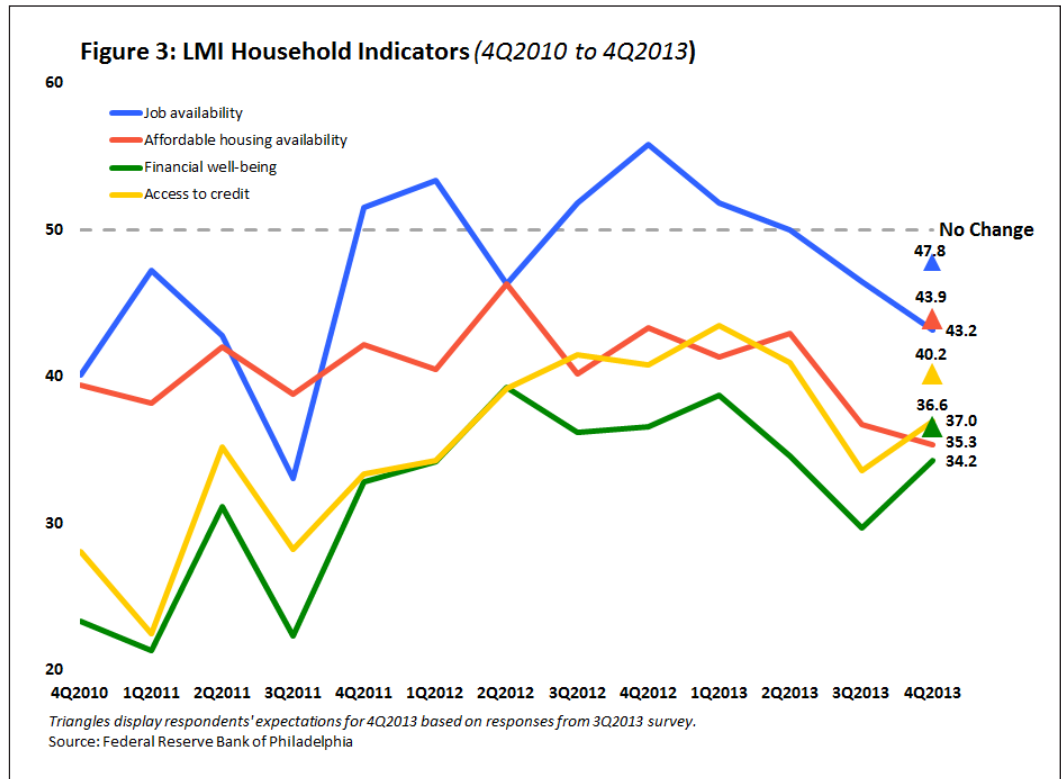
Figures 3 and 4 display the diffusion indexes over time. Each point represents the diffusion index for the corresponding quarter. Each triangle represents respondents' expectations for the fourth quarter of

2013 as forecasted in the third quarter 2013 survey. For example, in the third quarter of 2013, respondents predicted that the fourth quarter 2013 job availability index would be 47.8. The index was in fact 43.2.

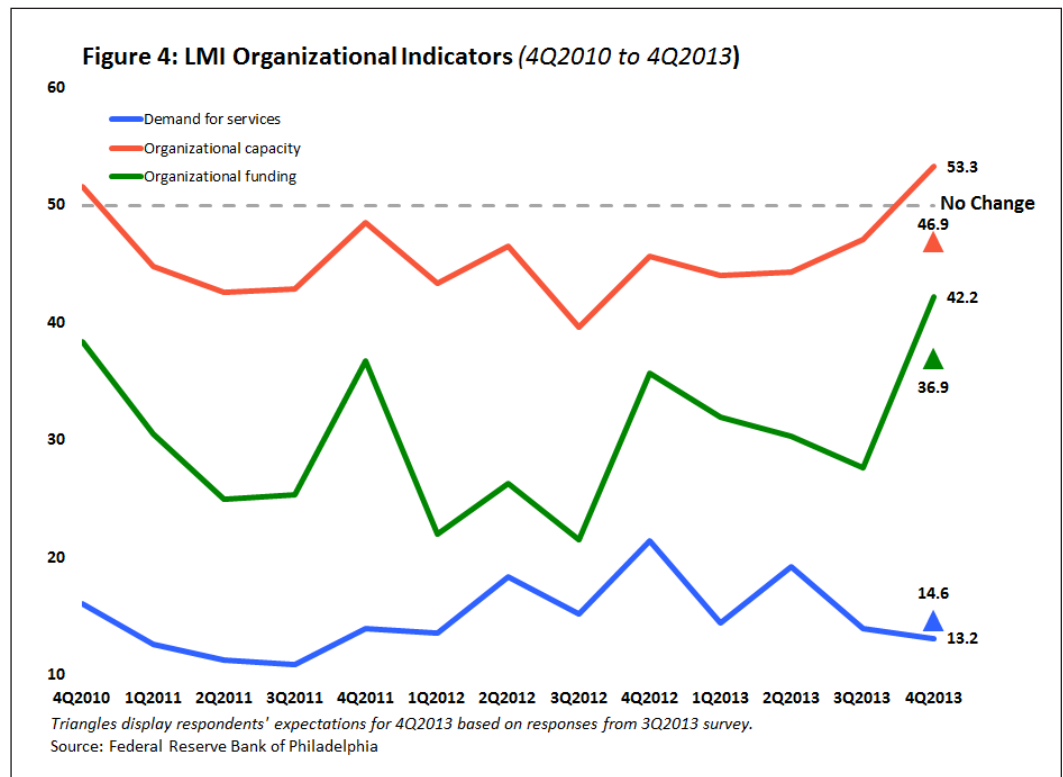
Following a three-quarter-long skid in the household indexes beginning in the first quarter of 2013 (Figure 3), the financial well-being and access to credit indexes began to recover in the fourth quarter, but remain well below neutral.

The job availability and affordable housing availability indexes, in contrast, continued to fall to their lowest levels in more than two years.

Respondents' expectations for the fourth quarter were relatively close to the actual observed levels, albeit slightly more positive.



The organizational capacity and funding indexes (Figure 4) outperformed their expected counterparts in the fourth quarter while the demand for services index closely mirrored expectations. It is likely that uncertainty about the length of sequestration in the fourth quarter had depressed respondents' expectations for that quarter. Focusing on the overall trends, one can see that the indexes have recovered to near, or just above, their fourth quarter 2010 levels.



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, underwriting standards and credit ratings, and lack of financial knowledge continue to greatly inhibit LMI

households' access to credit, while development costs, competition for grant and subsidy funding, and lack of capital have hindered the development of new affordable housing units.

Service providers cite lack of government funding and lack of grant funding as the most challenging factors in regards to their own sustainability.

Table 2: Challenges Across Time^a

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Challenges affecting LMI households' access to credit													
Lack of cash flow	80	74	77	73	70	77	77	71	62	72	66	70	66
Underwriting standards/credit ratings	77	81	83	71	74	71	75	75	62	72	66	72	84
Lack of financial knowledge	73	69	79	74	77	71	60	78	68	65	66	72	71
Lack of trust in banks	32	34	31	24	24	18	23	37	24	22	16	22	20
Interest rates and other lending costs	29	24	29	20	17	13	9	20	17	14	26	31	28
Regulatory issues	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	66	66	65	57	67	55	59	66	49	62	56	55	63
Competition for grant/subsidy funding	61	64	62	58	64	70	69	64	63	72	56	65	61
Lack of capital	61	61	72	73	63	68	69	74	69	75	74	77	66
Organizational capacity	31	40	33	33	29	27	22	31	19	31	27	25	23
Community opposition	30	24	22	20	35	28	26	31	22	20	27	23	29
Regulatory issues	24	27	21	24	17	20	26	21	10	18	18	18	18
Lack of demand	1	3	1	2	3	5	3	2	4	5	0	1	2
Challenges affecting organization's financial sustainability													
Lack of government funding	74	79	76	77	75	81	79	77	81	78	77	86	61
Lack of grant funding	71	61	68	72	68	76	74	72	67	72	69	67	67
Market conditions/lack of earned income	28	21	33	41	36	20	34	28	39	34	31	36	36
Lack of bank financing	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

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 community development corporation has developed townhomes for sale to LMI families and is having a difficult time selling them because of credit restrictions.”

Affordable Housing

“We struggle at all times to assemble good development sites and have depended on the ability of the city of Philadelphia to condemn privately owned vacant land and houses. That ability has now been slightly impaired by the state, but the bigger issue is lack of funding. The city lacks the resources to support condemnation of abandoned properties, and the current real estate market resurgence has made even significantly blighted properties much more expensive to acquire. The new Philadelphia Land Bank will make the disposition of publicly owned land more efficient, but the acquisition of good sites for the development of new affordable housing has become substantially more difficult.”

“I think there are two great challenges facing this community. The first is lack of access to affordable housing and households’ net income is being able to meet their housing needs in this very affluent community. The second is the idea of mobility. This is tied to the first challenge in that families are finding it extremely difficult to find affordable housing in areas of high opportunity, while those who live in areas of low opportunity feel that they have been dismissed or put aside.”

“Safe, orderly, and attractive housing and neighborhoods make a huge difference in the lives of families and especially their children. The stagnation of incomes at the lower end of the spectrum has put unsubsidized housing of that sort out of reach for the large majority.”

“High foreclosure rates have led to an increase in the price of rentals for low-income families. A lack of Section 8 vouchers in the Latino community and opposition to low-income housing in some areas make the task more difficult.”

“A challenge we are facing is a lack of affordable land to develop. We have funding, but are finding that it is very challenging to find lots that can be developed affordably. We are looking to partner with a commercial developer to see if we can get six or eight lots in a planned community.”

“Affordability continues to be an issue due to the Marcellus Shale industry.”

Capacity

“Our organization’s capacity to provide services to match demand continues to be our biggest challenge. Identifying long-term funds to sustain an expansion of personnel to meet the demand remains a challenge. To abate this problem in the near term, we have been looking at providing more group training opportunities and have become more selective in which clients we work with.”

Funding

“The disappearance of government funding for low-income clients has forced us to reduce the percentage of LMI clients and increase the percentage of private-pay clients in both of our day care programs. This allowed us to stabilize our financial picture, which in turn made us more attractive to foundations and corporations. We were then able to serve the LMI clients through scholarships.”

“One challenge that we have not yet met is the apparent change of outlook on the part of some funding sources that has them seeing ‘end-of-life’ services as less impactful and, therefore, less supportable.”

“The need for our social services has greatly increased. However, the small amount of funds we receive for this purpose doesn’t approach the amount needed to help this community. People come in to ask for shelter because they have been evicted or need a month of rent for a security deposit, but we cannot help them.”

“Our major challenge is funding. Some of our funding is based on interest rates (Interest on Lawyers Trust Accounts) and the reduced interest rates for the past years have been devastating.”

“As an employer of many LMI individuals, it pains me not to have been able to give raises since 2008. We have given bonuses several times, and some individual employees have gotten raises for various reasons, but we have not been able to give across-the-board raises in five years. This has put pressure on our families as they seek to meet their own basic needs. But our funding from nearly all sources has either remained stagnant or gone down. Our earned income from child care and housing has also been largely stagnant.”

Homelessness

“The majority of the families facing homelessness that come to our organization come from overcrowding in relatives’ homes. Delaware County has only two homeless shelters for families, and without a court eviction notice a family is ineligible for their services, thus sending a referral to [our organization]. Sadly, we are a small shelter that can only hold up to four families at a time, so there continues to be a long waiting list for families to enter our shelter.”

“The homeless population [in Adams County, PA] during the past 12 months has increased more than 25 percent.”

“Donations are very low, but our clients (the homeless) are increasing in numbers.”

“We have many families that call for services because they are homeless and cannot afford the rent. Landlords are increasing the rents because they are experiencing increased taxes and insurance costs.”

Home Repair, Energy Conservation & Weatherization

“The state of New Jersey has implemented new weatherization program protocols, severely restricting the potential for that work in Mercer County, NJ.”

“Many LMI households live in aging mobile homes because they are affordable. Unfortunately, many of these mobile homes were damaged by Superstorm Sandy and are not easily repairable. However, if we do not find the means to do this, these families will become homeless.”

Job Availability

“The key element to improving the economic situation of low- and moderate-income households is the availability of livable-wage jobs.”

“Many of the community-based organizations in our area have lost a lot of capacity over the past five years. To help offset this, our organization has created more programs to support the neighborhoods including providing capacity-building training and developing a community development corporation. Job creation, however, remains a main concern. Without the availability of jobs for residents, the community will continue to deteriorate. Unfortunately, this is compounded by a general lack of education and the skills needed for today’s high-tech workforce.”

“There is a need for family-sustaining jobs in northeastern Pennsylvania.”

“There seems to be a second wave of families, many of whom are ineligible for services, who are trying to find help to stabilize their finances. These are families that had good, stable, fair-wage jobs, but who have lost those positions and are now unemployed or are earning half of what they earned in the past and they can’t keep up with their bills.”

Miscellaneous

“The loss of unemployment compensation this month will be a huge blow.”

“The Department of Public Welfare enacted new regulations regarding paying for child care when a child is absent after 25 absences. One of our centers is in the local high school and is used by teen parents and community families. The school holidays are counted as absences for the teens’ children because the center is open for the other parents. This means that the teens only have about nine or 10 “real” absences before the state will not reimburse us for care. The teens can’t pay the difference, so we are left holding the bag to the tune of thousands of dollars.”

“Transit-oriented development and increased availability of alternatives to driving can free up household income for other needs.”

“Among LMI households, transportation costs are often as much as one-third of household income. By improving transportation infrastructure and operations through better funding, [our organization] aims to reduce single-occupancy vehicle travel and provide more cost-effective, sustainable alternatives. Such transportation improvements are interdependent with land use policy and housing access.”

“Many foundations lack the ability to understand the nature of mental illness, chronic homelessness, and addiction. This makes it difficult for them to have reasonable expectations around achievable measurable outcomes. While the staffs at these foundations do understand these issues, the boards and decision-making bodies seem to be disconnected from the reality of the lives of clients accessing services. They have little or no understanding of poverty, mental illness, and substance abuse.”

“Without hope for stable and decent housing/employment, ex-offenders lack supports against reoffending.”

“We are consistently challenged to provide emergency services to families in crisis, such as rental and utility assistance, food assistance, and transportation assistance. A lack of jobs that pay a living wage continues to exacerbate this issue, which we have not resolved.”

“We need to find creative and cutting-edge strategies to address poverty, chronic homelessness, and access to basic health care for our most vulnerable citizens. There needs to be increased engagement and communication between foundations, government agencies, and municipal

monitoring agencies to increase efficiency, decrease waste, and eliminate data collection that is useless.”

“To have anything approaching equal opportunity, poor kids must grow up in a safe, decent, and attractive environment.”

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 Daniel Hochberg at Phil.COSurvey@phil.frb.org.