

COMMUNITY OUTLOOK SURVEY

COMMUNITY DEVELOPMENT STUDIES AND EDUCATION DEPARTMENT

Job Availability Improves for Third Consecutive Quarter; Other Household Conditions Stabilize

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/.

Fourth Quarter 2014 Survey Overview

The 4Q2014 Community Outlook Survey was sent to participants in January 2015. A total of 61 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.

Overall, household indicators suggested that some conditions affecting LMI communities are stabilizing, while others are improving. Three of the four indexes — job availability, affordable housing availability, and access to credit — reached their highest values since the outset of the survey in 4Q2010. Though increases in the affordable housing availability and access to credit indexes continue to suggest stabilization rather than improvement, the job availability index indicates sustained improvement over the past three quarters.

Organizational indicators provide a more varied outlook. Encouragingly, the organizational capacity index suggested both relative and overall improvement. Organizational funding improved for the second consecutive quarter but still suggested that overall conditions are worsening. However, the demand for services index displayed a substantial decline and remained the lowest of the three organizational indicators.

A number of respondents' comments touched on the familiar theme of declining state and federal resources, while others highlighted new areas of concern. Multiple respondents indicated frustration with what they viewed as overly restrictive

terms and burdensome reporting requirements associated with funding streams. Other comments illustrated the difficulties that LMI households face when navigating the requirements of needed public supports. Finally, a number of respondents described obstacles and setbacks in their efforts to develop affordable housing.

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

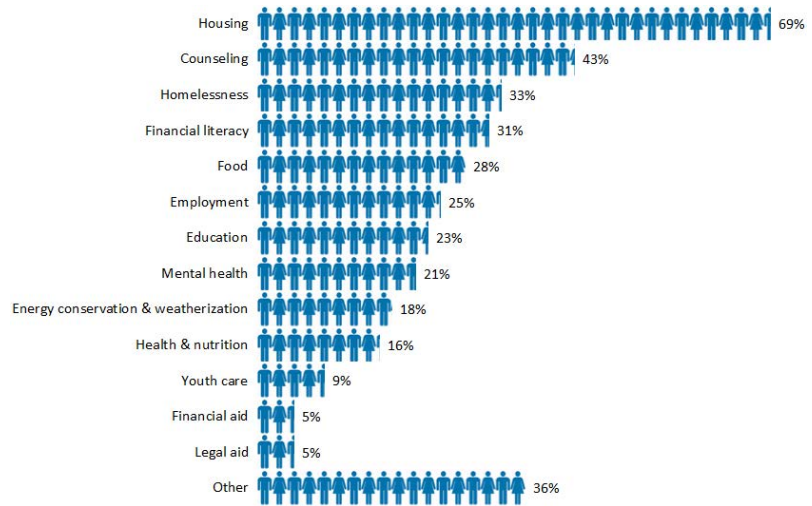
Respondent Breakdown and Observations

Community Outlook Survey participants are senior staff members of organizations that provide direct services to LMI individuals and households in the Third District. In 4Q, 77 percent of respondents were headquartered in eastern and central Pennsylvania, 20 percent in southern New Jersey, and 3 percent in Delaware. There was a substantial variation in the size and assets of respondent organizations, with a median operating budget of \$4.2 million and the middle 50 percent falling between \$800,000 and \$9.2 million.

As displayed in Figure 1, the largest proportion of respondents provide services related to housing (69 percent), followed by those providing counseling services (43 percent). In addition to the listed categories, other respondents included community development lenders, immigrant services, and economic development 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)

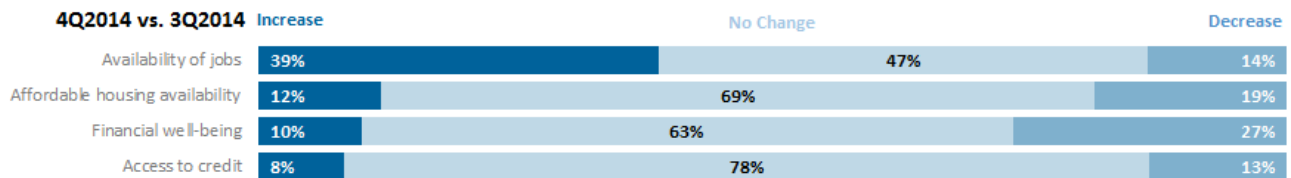


Note: Each person represents 2 percentage points. Respondents were permitted to select more than one category.
Source: Federal Reserve Bank of Philadelphia

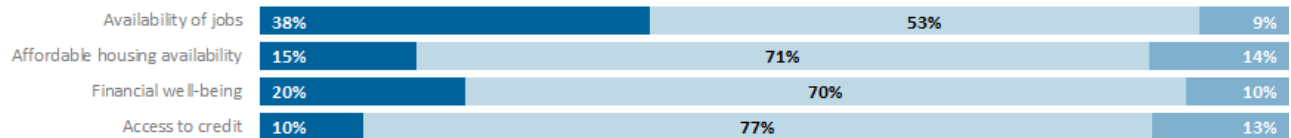
Figure 2: Survey Responses

Household Indicators

4Q2014 vs. 3Q2014

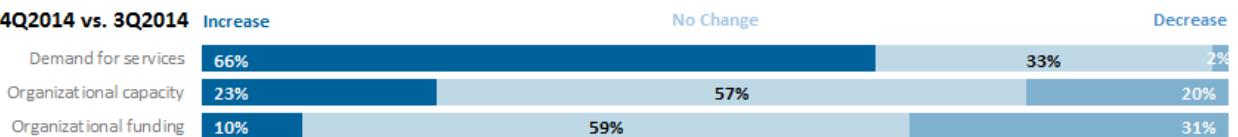


Expectations for 1Q2015



Organizational Indicators

4Q2014 vs. 3Q2014



Expectations for 1Q2015



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

For all four of the household indicators, the percentage of respondents who reported an increase grew over 3Q levels. In particular, the proportion reporting increases in job availability jumped from 26 percent in 3Q to 39 percent in 4Q. Furthermore, while the proportion of respondents who observed an increase in affordable housing availability, financial well-being, and access to credit grew in 4Q, the proportion observing a decrease was greater. Still, the majority of respondents reported no change in the aforementioned household indicators during 4Q.

As in past surveys, the majority of respondents do not anticipate changes in the household indicators during 1Q2015. The percentage expecting increases in the availability of jobs and affordable housing is comparable with that of 3Q, while the percentage expecting increases in access to credit and financial well-being increased.

Nearly two-thirds of respondents reported an increase in the demand for their services, up from slightly over half in 3Q. The proportions reporting both increases and decreases in capacity grew, though the balance shifted toward increases. While the proportion reporting decreases in funding declined from 3Q levels, it remains more than three times the proportion that reported increases.

Though the majority of respondents expect demand for services to continue to increase in 1Q2015, their expectations for capacity and funding remain cautiously optimistic. The proportion expecting decreases in these indicators is smaller than the proportion that observed decreases in 4Q. However, most do not anticipate changes in funding or capacity over the next quarter.

Diffusion Indexes

The diffusion indexes* from the 4Q 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 that indicated a decrease with half the percentage that 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
	4Q2014	3Q2014	1-Qtr Change	4Q2013	1-Yr Change
<i>Current conditions relative to previous quarter</i>					
Job availability	62.7	54.7	8.0	43.2	19.5
Affordable housing availability	46.6	40.0	6.6	35.3	11.3
Financial well-being	41.7	42.6	-0.9	34.2	7.5
Access to credit	47.5	44.2	3.3	37.0	10.5
Demand for services	18.0	25.0	-7.0	13.2	4.8
Organizational capacity	51.6	50.0	1.6	53.3	-1.7
Organizational funding	39.3	35.2	4.1	42.2	-2.9
	4Q2014	3Q2014	1-Qtr Change	4Q2013	1-Yr Change
<i>Expectations for conditions over the next quarter</i>					
Job availability	64.7	63.2	1.5	60.6	4.1
Affordable housing availability	50.8	46.7	4.1	42.4	8.4
Financial well-being	55.0	52.6	2.4	45.8	9.2
Access to credit	48.3	48.7	-0.4	44.4	3.9
Demand for services	18.6	19.7	-1.1	14.9	3.7
Organizational capacity	55.9	54.6	1.3	64.9	-9.0
Organizational funding	50.9	51.3	-0.4	55.3	-4.4

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 looks significantly stronger in 4Q than just one quarter before as shown in Table 1. As in the past three surveys, job availability is the only index with a value over 50, suggesting improvement in LMI households' ability to access employment. Furthermore, at 62.7, the job availability index reached its highest value since the first of the surveys, suggesting that LMI households' access to employment grew more during 4Q2014 than in any other quarter since 4Q2010. Though both the affordable housing availability and financial well-being indexes also reached their highest values since the survey's outset, they remain below 50 and continue to suggest decline. Notably, all four household indexes substantially exceeded their values from one year ago.

In contrast, there has been no clear pattern of overall improvement in organizational indicators over the past quarter or year. At a value of 51.6, the organizational capacity index appears to be improving in both relative and overall terms. However, though the organizational funding index improved over its 3Q level, it remains substantially below 50, and the demand for services index has yet to exceed a value of 25 since the outset of the survey.

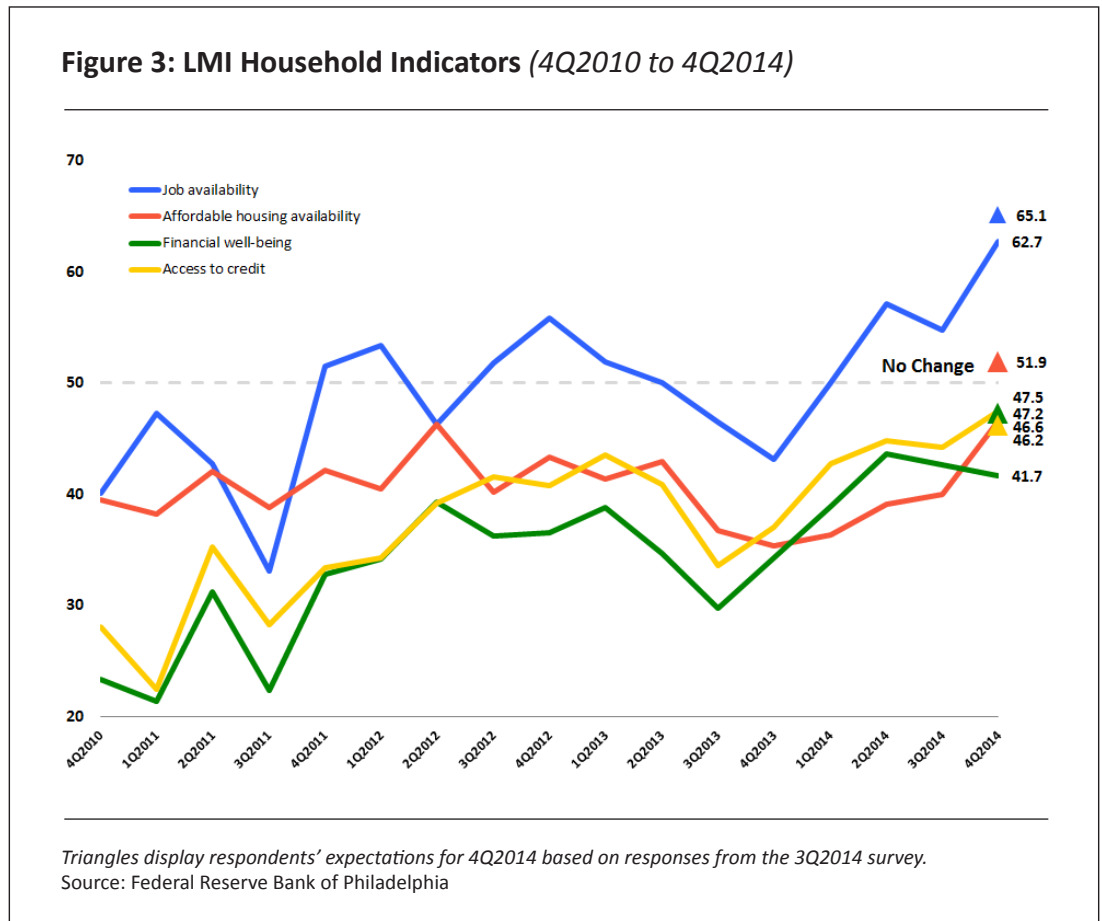
Expectations

Perhaps encouraged by the improving outlook over the past year, respondents continue to expect increases in job availability and financial well-being during 1Q2015. This is a reassuring sign that suggests that these organizations believe this trend will outlast the spike in demand for temporary work that accompanied the holiday season. Respondents also appear to anticipate further stabilization in the affordable housing availability and the access to credit indexes, with expected values for 1Q2015 of 50.8 and 48.3, respectively.

While respondents are not anticipating much change in their organizations' funding — an expected value of 50.9 for the next quarter — they do foresee improvements in their capacity. Despite gradually stabilizing household indicators, respondents continued to express concern that demand for their services will grow dramatically over 1Q2015.

Trends

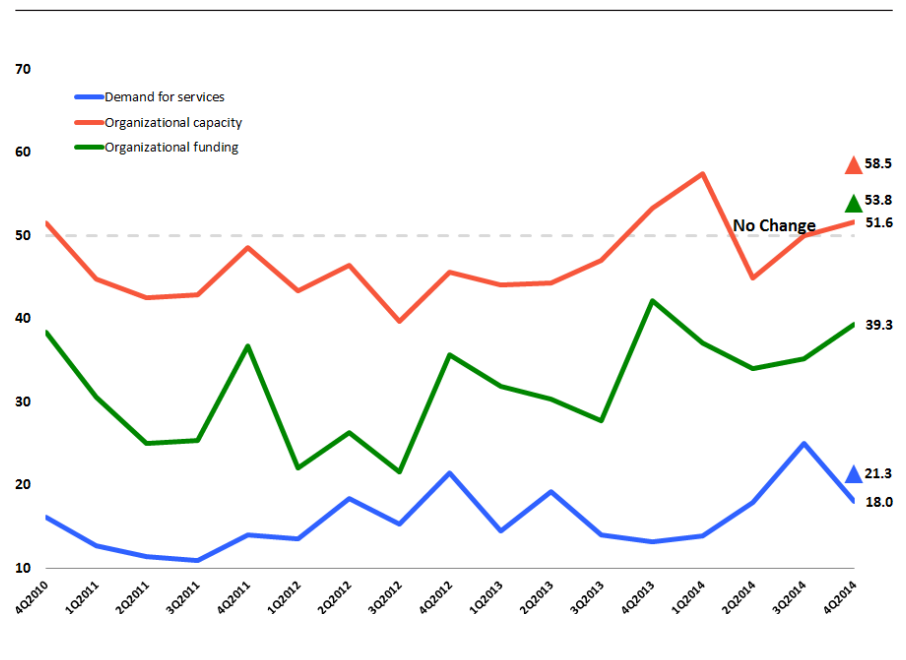
Figures 3 and 4 display the diffusion indexes over time. Each triangle represents respondents' expectations for 4Q2014 as was forecasted in the 3Q2014 survey. For example, in the 3Q2014 survey, respondents predicted that the 4Q2014 affordable housing availability index would be 51.9, whereas the index was actually 46.6.



The job availability, access to credit, and financial well-being indexes have all demonstrated clear, though somewhat jagged, positive trends since the survey's outset. If the current pattern of improvement in job availability continues, it will be important to monitor whether the other indicators track its progress. Thus far, they have yet to exceed an index value of 50.

Again, in contrast to the household indicators, organizational indicators have largely fluctuated around the same long-term averages. Though the increase in organizational funding is consistent with prior 4Q results — potentially driven by the increase in charitable giving during the holiday season — this peak was less pronounced than in years past. Indeed, many 4Q respondents commented on the increasing difficulty of competing for donors.

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



Triangles display respondents' expectations for 4Q2014 based on responses from the 3Q2014 survey. Source: Federal Reserve Bank of Philadelphia

Table 2: Challenges Across Time^a

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

^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.

As in the past few surveys, the top challenge affecting LMI households' access to credit was lack of cash flow (indicated by 77 percent of respondents). Similarly, lack of capital (63 percent), competition for funding (61 percent), and development costs (58 percent) remained the primary challenges to the availability of affordable housing. Finally, lack of government and grant funding (both 60 percent) 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 organization or service area. Selected comments from their responses are included here. The comments have been edited for publication.

Access to Services

"LMI households are repeatedly asked to 'jump through hoops' to qualify for various assistance programs. Often, LMI households find the process demeaning, frustrating, and demanding."

"The issues that face LMI households are similar to the issues that agencies face as they try to serve them; there is not enough money, and the money that is received requires time-consuming reporting requirements that interfere with their ability to work."

"A mother with preschool children needed to begin work. Her subsidized child care could not begin until she had a job and could prove employment. In order to prove employment, she had to go to work; however, she had no one to care for her children while she worked. This mother was able to register her children at our crisis nursery program, go to work, prove to subsidized child care that she was working, and become eligible for subsidized child care."

"A challenge that we often encounter is the lack of shelter space for families with multiple children and for fathers caring for children. The wait list is long, space is at a premium, and there is little to no space for fathers and their children."

"A majority of our clients lack a high school degree and have low literacy rates. The public employment system has indicated that it prefers individuals with high school degrees and at least an 11th grade reading level."

Housing and Financial Insecurity

"As a landlord serving LMI households, our organization sees the importance of the EITC [Earned Income Tax Credit], which brings several of our tenants out of delinquency every year, helping them to avoid eviction."

"So many families and individuals are still grossly underemployed. They can barely afford basic needs, making their ability to pursue affordable, safe, and decent housing nearly impossible."

"Many LMI households need support in order to thrive and become more self-sufficient. The 'Housing First' approach only works when paired with appropriate levels of service."

"In Atlantic City, nearly 8,000 people have been laid off due to five casino closings. This will also affect many businesses that serve the casino industry. We have reached out to the local community as best we can to ask for financial and material help. At this time, we are figuring out how we can best use our facilities to accommodate the increase in the homeless population that we anticipate as the winter and spring approach."

Affordable Housing Development

"Funds had been committed to a nonprofit developer to maintain affordable rental units, but the deal was rescinded because the private owner was unwilling to negotiate a fair price."

"Our major challenge now is declining federal funding, which has made finding financing for every affordable housing project more competitive and difficult. There is no easy solution to this problem, and the result will be fewer decent homes that are affordable to LMI families and more homelessness."

"The main obstacles to our ability to provide affordable housing for first-time homebuyers are the difficulties in obtaining capital for acquisition of building sites and the availability of funding for land development."

“Our biggest challenge in providing services is in locating affordable land or existing properties to provide affordable homeownership. The costs of building and renovation sometimes make seemingly affordable properties not cost effective.”

Funding and Capacity

“Our organization has to decide if it should preserve and rehabilitate a multifamily project to continue our mission of providing affordable housing or to allow the affordability restrictions to lapse and then sell the project to a private developer and use the profit to sustain the agency.”

“The clients we serve are the chronically homeless with serious mental illnesses, substance abuse disorders, intellectual disabilities, and major medical issues. We currently serve 130

vets through the VASH [Veterans Affairs Supportive Housing] program. The VA [Veterans Affairs] does not acknowledge the level of need of these clients [because the VA never served them before]. Because of this, they have demands and payments that don’t match the needs or costs of the most needy veterans on our streets.”

“Government contracts for administration of social services are under budget pressure. Year-over-year budgets remain flat even while operating costs (salaries, health insurance, rent, electricity, postage rates) continue to rise.”

“Our attorneys are at capacity, but the need for our services continues to increase. We have beefed up our volunteer page and instituted protocols to try to obtain committed and competent volunteers to expand our capacity. This has helped, but it is not enough.”

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.