

VANTAGE POINT

The 12th District Community Indicators Project

June 2012

ABOUT THE INDICATORS PROJECT

The Community Indicators Project is a semiannual survey conducted by the Community Development Department of the Federal Reserve Bank of San Francisco. The goal is to collect insights from community leaders about the conditions and trends affecting low-income households and communities within the Federal Reserve's 12th District. Respondents include representatives from banks, nonprofits and community based organizations, foundations, local governments, and the private sector. The survey is administered online, and combines both multiple choice and short answer questions. All responses are kept confidential. If you would like to participate in future waves of the Community Indicators Project survey, please email naomi.cytron@sf.frb.org.

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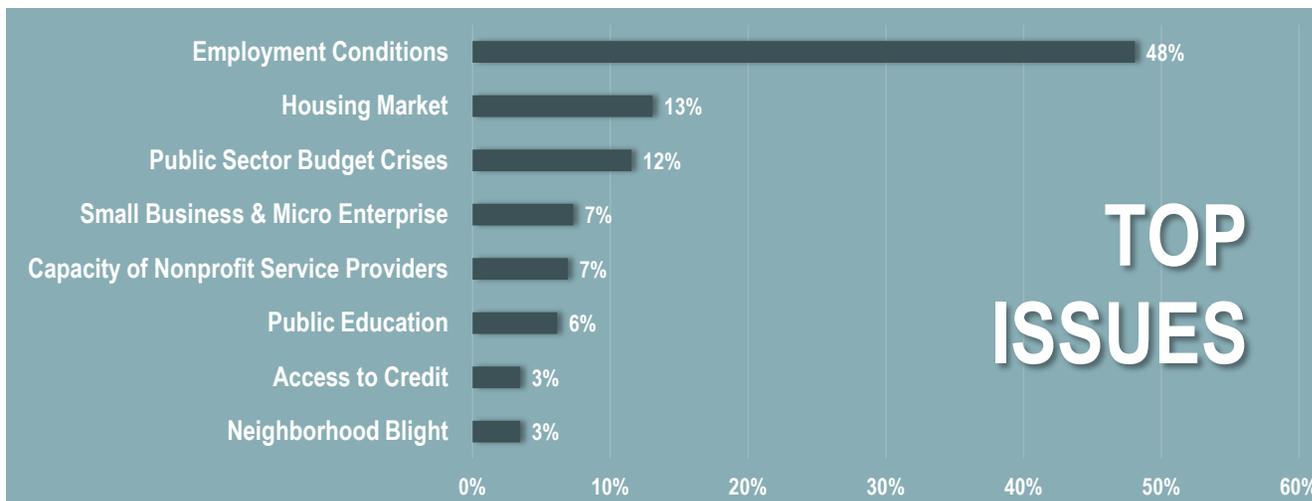
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In 2010, the Community Development Department at the Federal Reserve Bank of San Francisco (FRBSF) launched the Community Indicators Project, an initiative that seeks to collect input from community stakeholders about the issues and trends facing low- and moderate-income (LMI) communities in the 12th District. We hope that by systematically collecting local viewpoints, we will be able to inform community development policy and practice in a richer way than by relying on quantitative statistics alone. In the third wave of the survey, 280 community stakeholders from across the 12th District provided their assessment of economic conditions within LMI communities. Questions were open-ended, allowing respondents to raise the issues of most concern to them. This issue of Vantage Point synthesizes the key themes that emerged in the fall 2011 survey.

INTRODUCTION

Respondents continued to emphasize employment conditions as their top concern in this round of the FRBSF Community Development Indicators Survey, conducted in fall 2011. Just as in the previous two rounds, nearly half of survey participants selected employment conditions as the most pressing challenge to low- and moderate-income communities in their region. Interestingly, the share of respondents who chose public sector budget crises has steadily increased from six to nine and now 12 percent. In their short-form answers, participants drew attention to several issues that hadn't appeared in previous rounds: long-term unemployment, lack of living wages, and funding for HUD counselors.

Beginning with this issue, Vantage Point will highlight practices and programs that survey participants have described in their responses (denoted as *Promising Practices*). Respondents from across the district wrote in about promising programs related to economic development, foreclosure remediation, public management, and education. We've selected a few programs that we hope readers will find informative and useful.

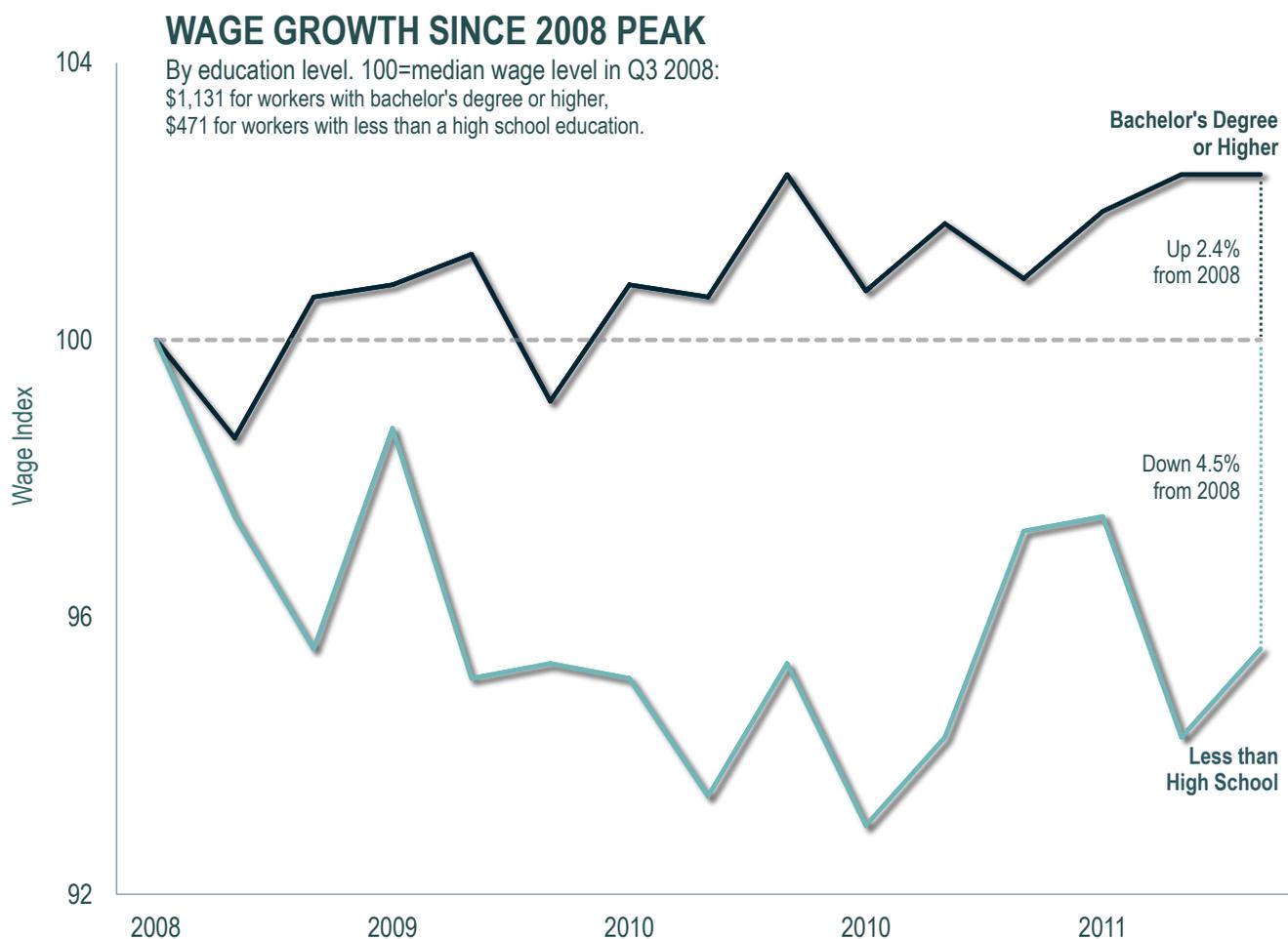


Source: FRBSF Community Development Indicators Survey, fall 2011.

JOBS: LOW WAGES AND LONG-TERM UNEMPLOYMENT

Respondents continue to call attention to prolonged challenges in the job market. Many responses stressed that even if workers are able to find employment, they do not receive wages that can support themselves and their families. In a departure from previous surveys, a greater share of respondents raised concerns about wages rather than about unemployment.

At the same time, extended unemployment spells were cited as a primary concern by several respondents. Secondary data corroborates this concern, as the share of unemployed workers who have been out of work for more than 27 weeks rose sharply in 2009 and 2010 and has remained at about 40% since then, through early 2012.



Source: FRBSF calculations of data from Bureau of Labor Statistics.

COMMUNITY VIEWPOINTS

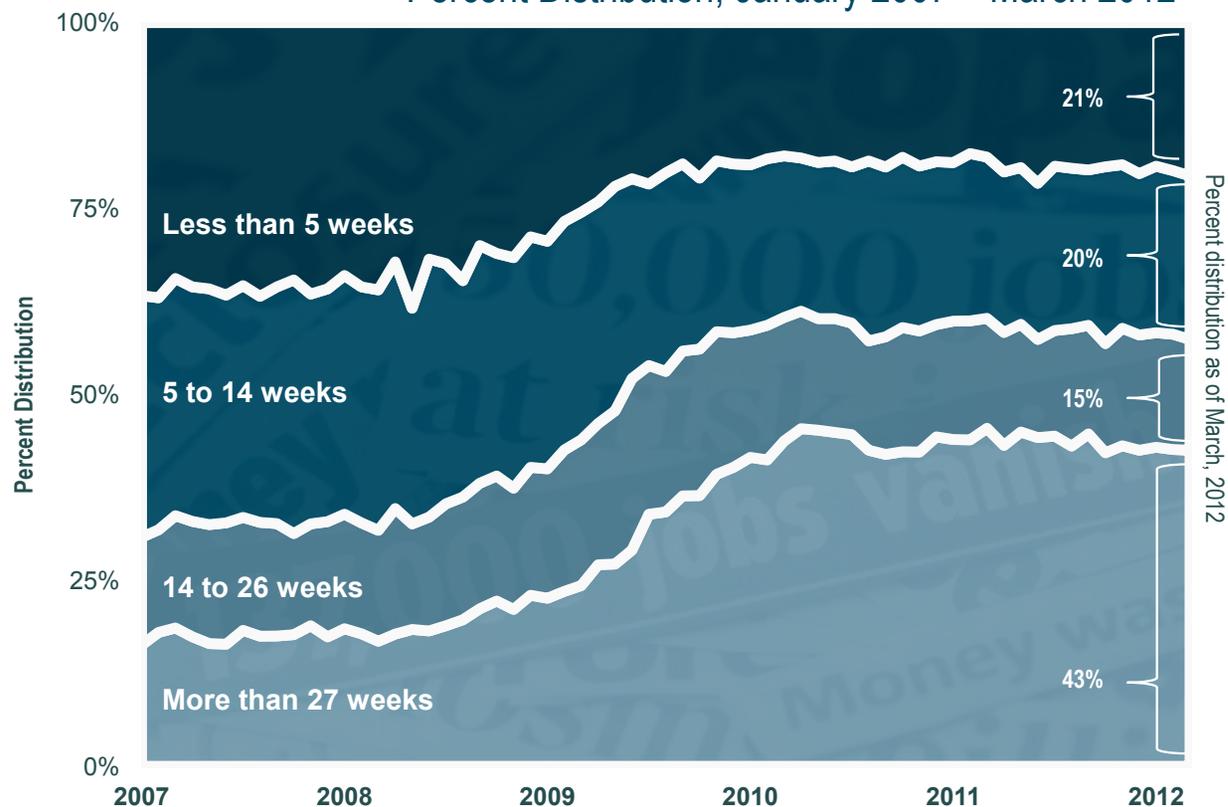
While there is some improvement in the employment conditions for the highly skilled employees, there are significantly fewer employment opportunities of those of very limited skills, and many of those jobs are at lower wages (far less than “family-wage”) than in the past.
 —Washington

A large number of the workers counted [as employed] do not earn a living wage, making it impossible for them to support their families.
 —Arizona

Of the jobs that do exist, probably 75% of them do not pay a living wage. In my opinion, this is the greatest area of need in the community because most families would not need low-income housing, social services or welfare assistance if they were receiving a living wage. This is the root of the majority of problems in our community.
 —Idaho

DURATION OF UNEMPLOYMENT

Percent Distribution, January 2007 – March 2012



Source: Bureau of Labor Statistics.

COMMUNITY VIEWPOINTS

The opportunities for gainful employment with pay at pre-recession levels are minimal, as many college graduates are now picking up lower paying positions that might otherwise have gone to the less educated workforce in 2005. We are facing a new reality, yet many have yet to adapt to the paradigm shift.

—Nevada

There are plenty of low wage jobs but they don't necessarily provide a living wage. Just getting a job, any job is not the answer; wage and career progression is.

—Hawaii

Our economy was built on jobs that paid well for minimal education (Construction and Service/Gaming Industries). Following the crash, we saw an increase in unemployment in these sectors, among a population that barely had a high school diploma, let alone a college degree.

—Nevada

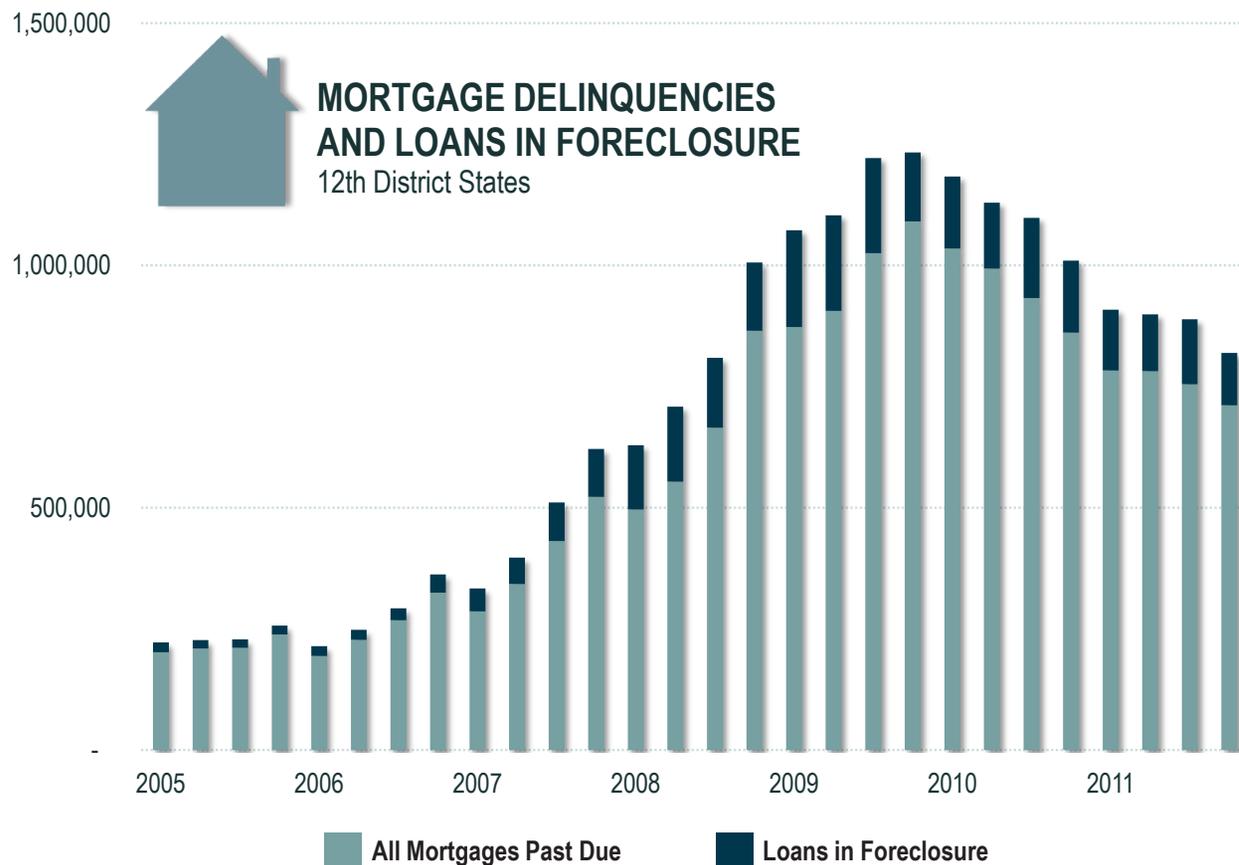
PROMISING PRACTICES

One respondent from Nevada wrote about a program called the “Washoe Ready for Life Community Compact,” which focuses on using education to teach young people the skills they need to find good jobs in today’s market. Launched by the Nevada Public Education Foundation, the initiative aims to facilitate collaboration among business and community leaders, organizations, and citizens to ensure that education is a priority “for our kids and our region’s economic development.” For more information, visit: nvpef.org/dev/readyforlife.php.

Another participant from California wrote about a nascent collaboration between the Mission Economic Development Agency (MEDA), a non-profit that helps low-income entrepreneurs in San Francisco’s Mission District, and Jewish Vocational Services (JVS), a non-profit workforce development organization. The partnership will connect entrepreneurs from MEDA with job seekers from JVS.

HOUSING: COUNSELORS, DEFAULTS, AND WORK OUTS

Though foreclosure rates decreased throughout 2011, housing remains a key concern for many respondents. The graph below shows that while mortgage delinquencies and loans in foreclosure are falling, they are still well above pre-recession levels.



Source: Mortgage Bankers Association, Haver Analytics.

In addition to concerns about foreclosures, respondents also noted their continued frustration with current strategies to stem foreclosures. Several respondents wrote that lenders are not helping homeowners refinance their mortgages or work out solutions, and one wrote that people are losing their homes because they lack the income to qualify for a modification. Respondents expressed concern that without the option of refinancing, the number of strategic defaults will continue to increase, adversely affecting LMI communities.

COMMUNITY VIEWPOINTS

The practice of “strategic foreclosure” is being used by many in the middle class and upper class to offset huge losses in real estate values. These practices are contributing to decreased values of existing homes and stalling the need for new home construction. Financial institutions need to develop programs that will share the loss of value with the homeowner and “prop up” real estate values.
—California

We are struggling with the loss of HUD funding for housing and financial counseling and are searching for new funding avenues.
—Utah

Our country needs the HUD approved non-profit counseling agencies to stay open, otherwise a very valuable resource for many will be gone.
—Arizona

Lenders are refusing to work out solutions.
—California

Concerns were also raised over tightness in the rental market, despite high levels of affordability in the ownership market. Respondents wrote that rental prices have risen particularly quickly in urban areas, where there is an increased need for affordable rental stock.

This round of the Vantage Point survey was sent out in fall 2011, while Congress was debating the federal budget, including funding for HUD's housing counselors. Many respondents wrote about the possibility of HUD not receiving funding for housing counseling, which had totaled \$87.5 million for fiscal year 2010, but had been cut to zero for fiscal year 2011. In response, HUD intermediaries mounted a nationwide campaign to restore funding. The campaign was successful, and for fiscal year 2012 Congress authorized \$45 million for HUD to fund housing counselors. The President's 2013 budget included \$55 million, as did Senate Appropriations, and HUD intermediaries asked for \$87.5 million. While the outcome for fiscal year 2013 remains unknown, it is clear from the responses that the housing counselors are a highly valued asset.

COMMUNITY VIEWPOINTS

The over-correction of housing prices in our region due to large inventory is destroying neighborhoods, especially those without HOAs to help stem the tide of neighborhood blight. The inventory problem is in large part due to strategic defaulters, so one day you have neighbors, and the next the lawn begins to brown, and trees and plants die.
—Nevada

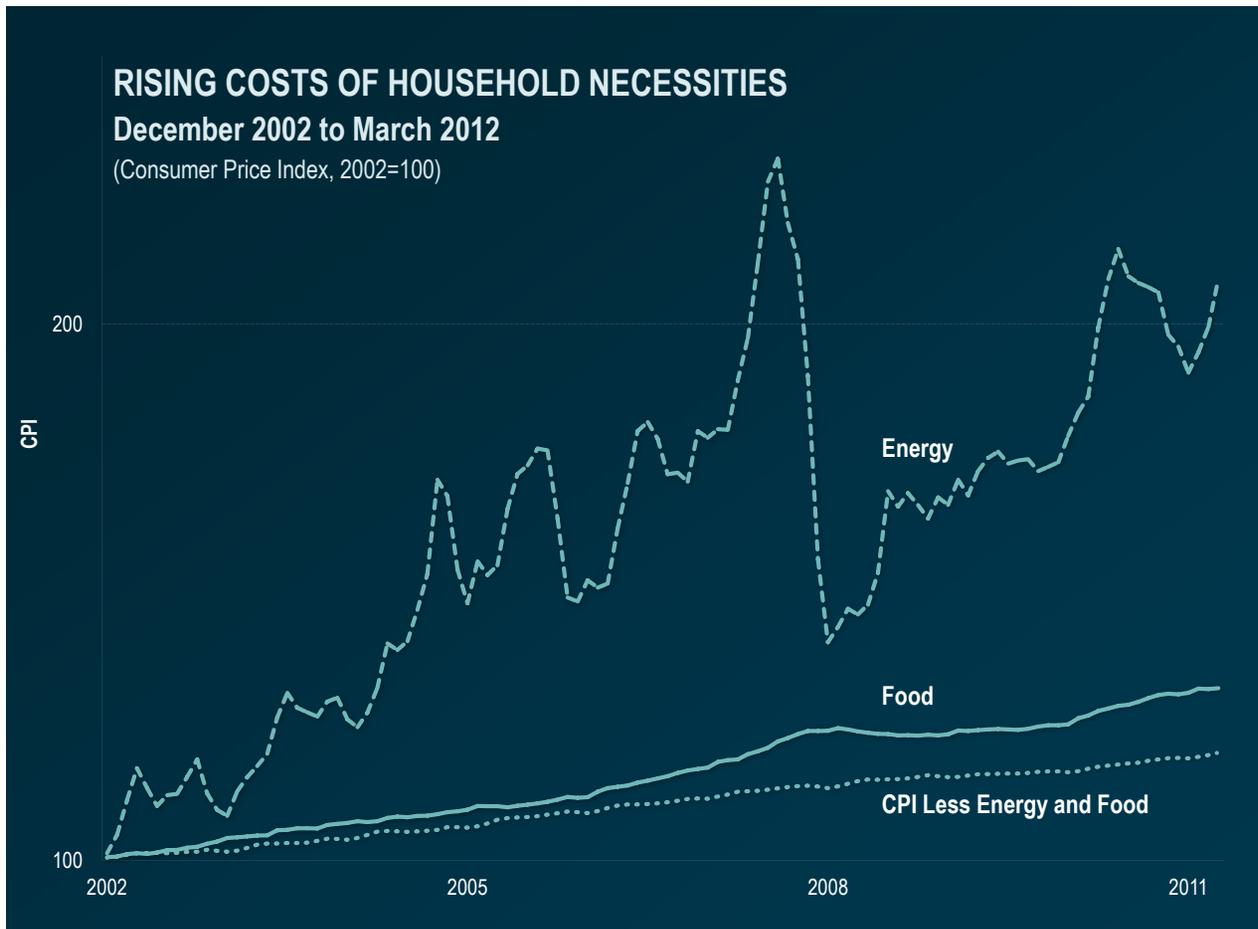
I see many homeowners losing their homes because they do not have enough income to qualify for a loan modification.
—Arizona

Although the market for ownership housing is more affordable than in recent years, the rental market has not become more affordable. Also, with the current state of community redevelopment funding in CA and cuts to federal programs (CDBG and HOME), there is less funding to provide purchase assistance to would-be homebuyers. Moreover, LMI homeowners face a great deal of loss in home equity and potential foreclosure in case of job loss. Loan modifications that achieve affordability and reduce principal would help to stabilize this situation.
—California

PROMISING PRACTICES

One respondent from California suggested that providing access to foreclosed homes for nonprofit developers could revitalize neighborhoods and increase public safety. Another Californian wrote that principal reductions and loan modifications with greater lender participation would help stabilize the housing market. Additionally, this respondent highlighted the potential of combining public purchase assistance with the FHA 203(k) loan, which is designed to help individuals purchase and repair a damaged home. According to this respondent, this would help LMI families purchase foreclosed homes and make necessary rehabilitation repairs.

Another promising practice is the use of foreclosed properties as rental housing. The Federal Reserve generally encourages banks to sell real estate owned (REO) properties as quickly as possible. But "in light of the extraordinary market conditions," the Board of Governors released a policy statement on April 5th reminding banks that regulations permit them to rent REO properties. Furthermore, banks may receive CRA credit to the extent that the use of REO properties as rental units benefits LMI communities.



Source: Bureau of Labor Statistics

Respondents continue to stress the heightened vulnerability of low-income families, reporting that the demand for social services is increasing while public budgets shrink and programs face significant cutbacks. In Arizona, Idaho, Nevada, Utah, and Washington, the number of food stamp recipients has more than doubled since 2007. The rising costs of household necessities like food and gasoline were cited by several respondents as additional cause for concern. One representative from a community resource center in Washington noted that almost half of their clients in one month were seeking services for the first time in their lives.

COMMUNITY VIEWPOINTS

Increasing costs of fuel decrease the amount of disposable income that rural families have to put into maintaining their homes or weatherizing them against the harsh climate. We often see families doubled up, 10 people living in a 20' x 16' dwelling, because it is less expensive to heat one home instead of two.

—Alaska

Cost of food and gasoline for rural areas, while probably not more than suburban areas, the difference being driving distance to jobs, food and other necessities.

—California

We need to address food security.

—Hawaii

The anti-hunger network in Alaska is working at full capacity. Yet we are still hearing that we are not meeting the need for food assistance.

—Alaska

Low income families have lost access to income supports, including housing subsidies, precipitating financial crises. Health care is more difficult to access for low income individuals and families, prompting many uninsured and underinsured to seek care in costly emergency rooms.

—California

COMMUNITY VIEWPOINTS

In 2008 we saw a 37% increase in the number of families seeking food assistance over the prior year. The requests have continued to grow 5-10% a year since then, and there are early indications that there may be a 20% increase this year. Food assistance is the canary in the coal mine, as it is easy to access and fairly prevalent. The increasing demand indicates that more and more people are living on the edge and needing help to meet their basic needs.

—Alaska

In one month we tracked the number of clients that came into our community resource center (we are a Community Action Agency) to see how many were there to seek services for the first time. 45% of clients were seeking social services for the first time in their lives! This statistic speaks to the increased demand for serves at a time funding for non-profits and the public sector is being cut.

—Washington

The public budget crisis means less funding for non-profits and social services agencies that are helping the low income population. It also means cuts to “safety net” services like public benefits (TANF, childcare subsidies, etc.) It affects public transportation, which has been cut multiple times in most counties in our area over the last few years. Higher education has been cut--especially programs serving the low income population, like workforce retraining, basic education, and ESL programs. And all of these cuts and changes create an unstable employment situation. People aren’t able to receive the support they need to find sustainable work that will support themselves and their families.

—California



Source: Food Research and Action Center, USDA.

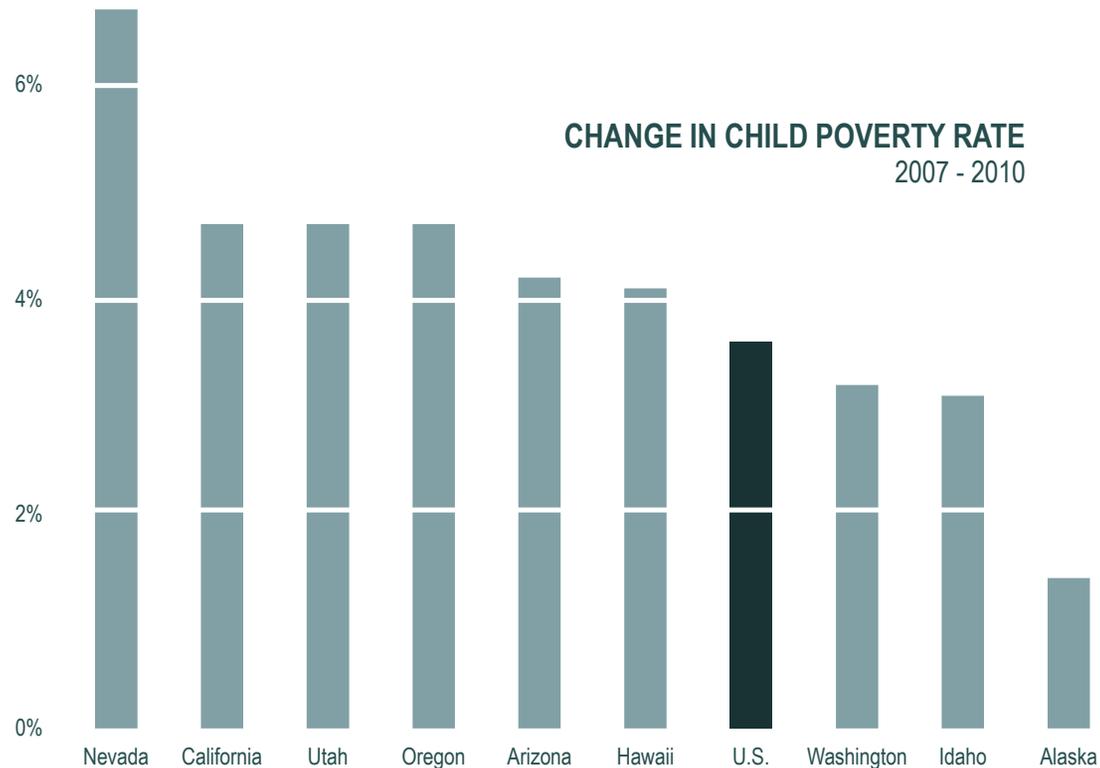
PROMISING PRACTICES

One respondent from Alaska wrote about how the Division of Public Assistance (DPA) utilized a lean management process to improve their ability to serve clients quickly and effectively. After the DPA realized that it was nearly impossible to keep up with the increasing number of caseloads, the Division decided to implement a lean management strategy, adopting performance enhancement tools developed in the private sector. As part of this process, the DPA held “kaizen” events, which bring together staff for a week to map out their business processes and develop a strategy to reduce waste and boost performance. Their ‘doing more with less’ approach appears to have paid off, with the DPA reporting dramatic improvements in error rates and turnaround times.

A respondent from California also highlighted a short-term revolving bridge fund to support the continued operations of child development programs in the face of State budget or other contract funding delays.

SOCIAL COSTS OF THE RECESSION

A significant number of respondents wrote that they are concerned about the social costs of the recession, particularly on children and young people. Representatives from several states expressed concern over increases in crime, violence, divorce, child abuse, depression, and substance use. These challenges could impede the economic recovery of communities hit hardest by the recent recession. Moreover, the negative social implications will disproportionately impact the trajectory of children growing up in such environments.



Source: U.S. Census Bureau, American Community Survey 1-Year Estimates 2007 and 2010.

COMMUNITY VIEWPOINTS

I am concerned with a domino effect of losing a job, lack of jobs for self-employed, loss of hours for those who have a skill set, let alone those who are not well educated or skilled, and the consequences to their families, children, safe and affordable housing, healthcare, depression, and increase in crime or drugs/alcohol consumption.

—California

The huge number of foreclosed and abandoned homes throughout Kern County has led to an influx of crime into areas that have historically been “safe” from problems.

—California

Instances of domestic violence could be increasing, as well as the number of child abuse cases.

—Utah

Social service sectors that serve the most vulnerable populations have seen an erosion in funding, elimination of services and weakening infrastructure. All of this results in a current loss of jobs and a worsening economy, and has long-term negative implications for children’s future success.

—California

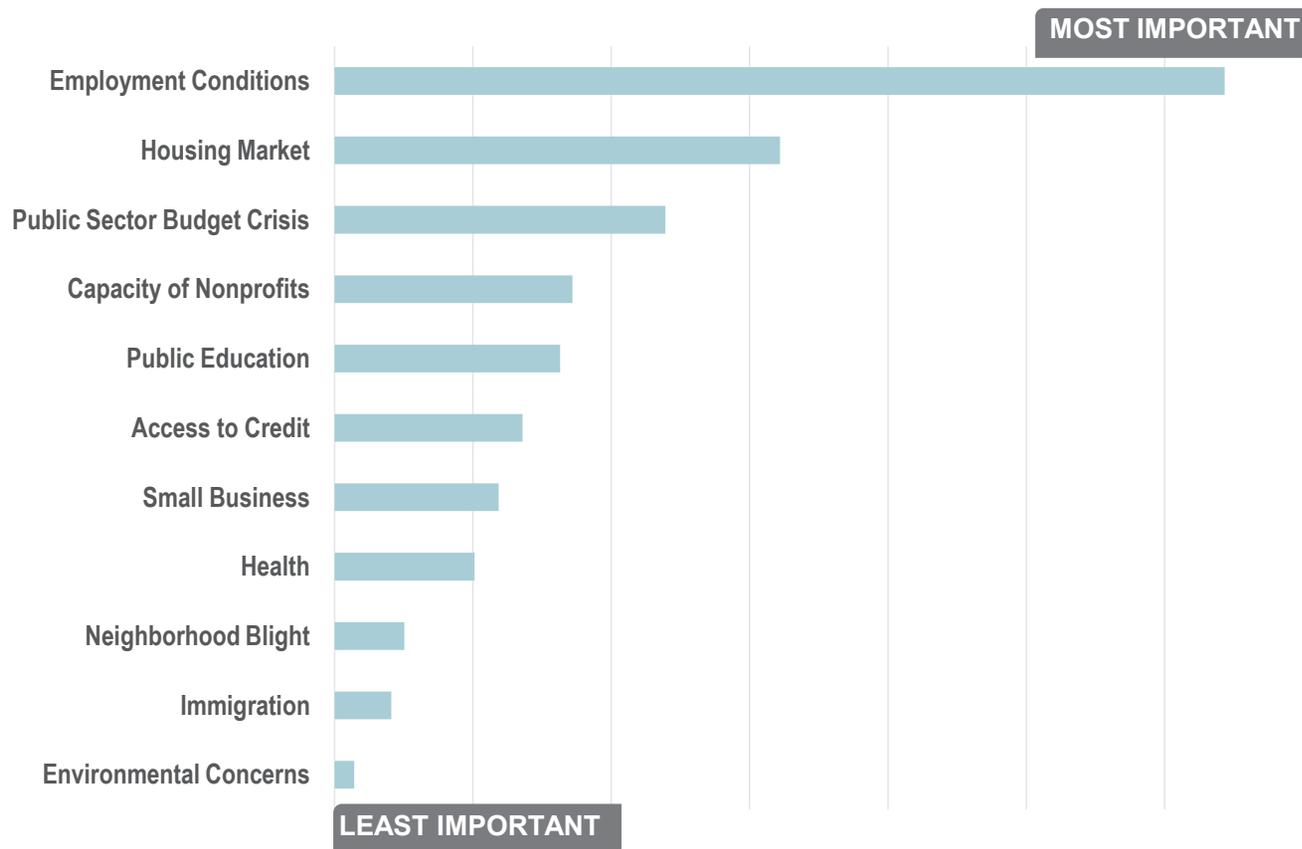
PROMISING PRACTICES

One respondent from Hawaii wrote that “successful practices match up skills development with long-term economic needs for a stable work force.” This respondent described a social enterprise called Ma’o Organic Farm, which provides fresh and healthy food for local residents while offering supportive services for underserved youth on the Waianae coast. Ma’o runs programs to help youth develop practical farming skills while receiving career direction and leadership training from Ma’o staff. One program offers students monthly stipends, work experience co-managing the farm, full tuition at a local community college, financial education classes, asset building savings accounts, and workshops to develop additional skills.

CONCLUSION

For the first three rounds of Vantage Point, respondents have consistently ranked conditions in the labor and housing markets as the top two issues of most concern going forward. In particular, respondents expressed serious concern over the ability of public agencies to address the needs of the unemployed, given limited resources. In May 2012, news stories cropped up about unemployment benefits expiring for the long-term unemployed, who also have the hardest time finding jobs. Meanwhile, nonprofit service providers continue to face challenges in meeting the demands of their communities. Going forward, the community development field must think strategically and act nimbly in order to clear the economic hurdles that lie ahead.

ISSUES GOING FORWARD



Source: FRBSF Community Development Indicators Survey, fall 2011. Respondents were asked to rank the top three challenges going forward. Responses were weighted and overall score calculated based on both the frequency of selection and rank order.