

Community Outlook Survey

LETTER FROM THE COMMUNITY DEVELOPMENT OFFICE

The Community Outlook Survey (COS), a biannual online survey by the Federal Reserve Bank of Dallas, helps assess community and economic development in the Eleventh District of the Federal Reserve System—Texas, northern Louisiana and southern New Mexico.¹ The community organizations participating in the survey provide housing, health and nutrition, financial aid, workforce development and education services to cities and counties in the Eleventh District.

In the last six months of 2013, growth of the Texas economy has been moderate, a trend that is likely to continue into 2014. Employment growth has been on the rise after a slowdown in August; in October, statewide unemployment fell to 6.2 percent, the lowest level since early 2013. House prices have continued to rise in the region, while residential construction stayed flat. The energy sector experienced strong growth in the third quarter but slowed toward the end of the year. The outlook for 2014 includes moderate job growth, strong manufacturing activity and a stable energy sector.² In the region's low- and moderate-income (LMI) communities, optimism about job availability has declined since a high in the first half of 2013. Within this decline lie concerns about living wages and transportation costs. Perceptions of the availability of safe and affordable housing continue to be negative. Finally, service providers worry about government cutbacks and uncertainty and how these issues will affect the sustainability of nonprofits and the lives of LMI families.

PARTICIPATE IN THE SURVEY

If you are interested in participating in our 10-minute survey and are a nonprofit service provider to LMI households in Texas, northern Louisiana or southern New Mexico, please submit the [request form](#).

[View a copy of our survey.](#)

Declines in Housing Outlook Discourage Service Providers in the Eleventh District

JULY–DECEMBER 2013

In January 2014, we asked service providers how they evaluated changes in the needs of low- and moderate-income (LMI) households—ranging from the availability of jobs and affordable housing to financial well-being and access to credit—for the last six months of 2013.³ To better understand how well the needs of LMI households are being met, we also asked service providers about the changes in demand for their services, their organizations' capacity to serve clients and funding for their organizations.

In addition, we asked what changes they expected for the first six months of 2014. Table 1 summarizes their feedback.

Service providers indicated some drops in the conditions for LMI households during the second half of 2013. Most notably, the percentage of respondents seeing increases in job availability plummeted 16 percentage points from the last survey period (47 versus 63). The share of service providers seeing increases in access to credit rose 4 percentage points; however, those seeing increases in affordable housing declined by 2 percentage points. Financial well-being

indicators have remained largely stagnant since the last survey period. With regard to their own organizations, more service providers indicated a sizable decrease in demand for services—only 43 percent saw increases, compared with 59 percent during the first half of 2013. Perhaps echoing this change, more service providers also reported increases in their capacity to serve clients (23 percent versus 17 percent).

Turning to the diffusion indexes, we see that both observations and expectations for availability of jobs declined during this survey period. However, at 67, the index for current job availability is still above 50, indicating that service providers, on the whole, are positive. Regarding future expectations, respondents are positive on all indicators except affordable housing—with a diffusion index of 47, it is the only measure for LMI well-being that is under the baseline of 50, indicating that, on average, providers expect affordable housing availability to continue to decline.

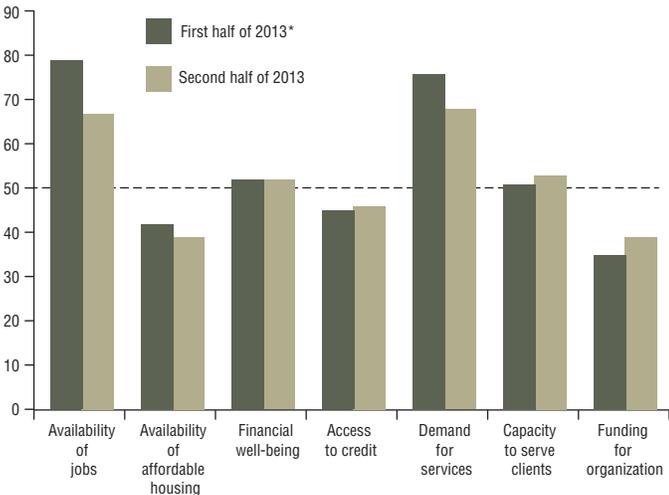
According to Chart 1, many of the indicators for LMI well-being declined from the previous survey period to this one. Looking just at the four LMI condition measures, only the

Table 1	Demand for Services							
	Current six months: Second half of 2013			Expectations for the next six months: first half of 2014			Diffusion index*	
	Percent increase	Percent no change	Percent decrease	Percent increase	Percent no change	Percent decrease	Second half 2013	First half 2014
Availability of jobs	47	42	12	54	35	12	67	71
Availability of affordable housing	10	57	33	20	54	26	39	47
Financial well-being	26	53	21	39	48	13	52	63
Access to credit	9	73	18	25	64	11	46	57
Demand for services	43	49	8	54	44	3	68	75
Capacity to serve clients	23	60	17	25	56	19	53	50
Funding for organization	13	51	36	25	49	25	39	60

*The diffusion index summarizes the three percentages (Increase/No change/Decrease) into one number for each question and is calculated by adding the percentage of the "Increase" responses to half of the percentage of the "No change" responses and then multiplying that total by 100. If the index is greater than 50, the attitudes of the service providers are positive. If it is lower than 50, the attitudes of the service providers are negative. If it is 50, there is no overall change in attitudes.

NOTE: Percentages may not add to 100 due to rounding.

Chart 1 Diffusion Indexes: First Half of 2013 vs. Second Half of 2013



*COS report for first half of 2013 is available at this link: www.dallasfed.org/assets/documents/cd/cos/2013/1301.pdf

diffusion index for access to credit rose from the last period—up to 46 from 45, though respondents are still negative on average. Among the measures for nonprofit organizations, indexes rose for funding as well as for capacity to serve clients, with the latter in positive territory.

In addition to asking service providers about the change in the situation of LMI households, we asked them to identify factors affecting their answers to many of the indicators. The following charts show the responses to factors affecting LMI households' access to credit and affordable housing and the factors impacting service providers' financial sustainability.⁴

Access to Credit

Chart 2 shows the breakdown of responses that highlight the top factors that affect LMI households' access to credit.

Lack of cash flow regains its top spot, after being tied with or ranked below underwriting standards during the previous two survey periods. "Other factors" ranked last, with respondents pointing to dependence on alternative financial services or lack of relationships with banks as large barriers to credit for LMI individuals.

Availability of Affordable Housing

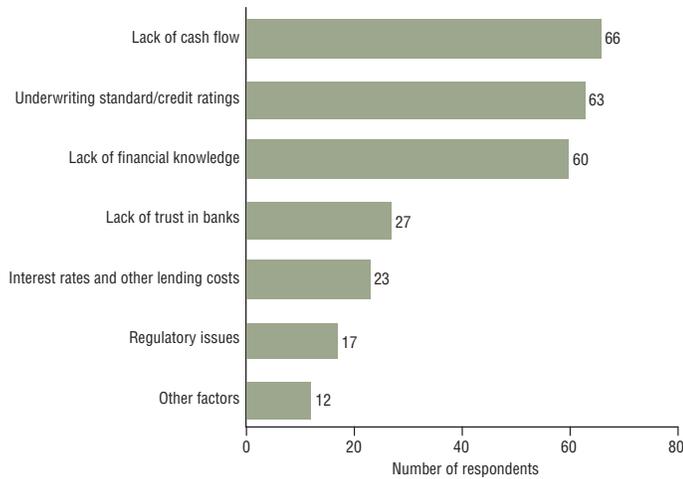
For the first time in the 3.5 years of the Community Outlook Survey, development costs ranks as the top factor affecting the availability of affordable housing (Chart 3). Competition for grant/subsidy funding and lack of capital round out the top three reasons. Historically, lack of capital has been the top concern, though it falls to third in the last six months of 2013. Noted in the comments are issues of high population growth, including influx of college students who drive up costs, as well as the fact that many developers prefer projects with higher margins than affordable housing typically offers.

Financial Sustainability

Chart 4 shows that, in keeping with previous surveys, lack of grant and governmental funding are the top two factors service providers indicate as affecting their organization's sustainability. Market conditions ranks third, as some respondents point to the overall economic uncertainty. Finally, those selecting "other factors" expressed that competition with other nonprofits has affected them, while others explored the intersection of multiple barriers. One respondent writes:

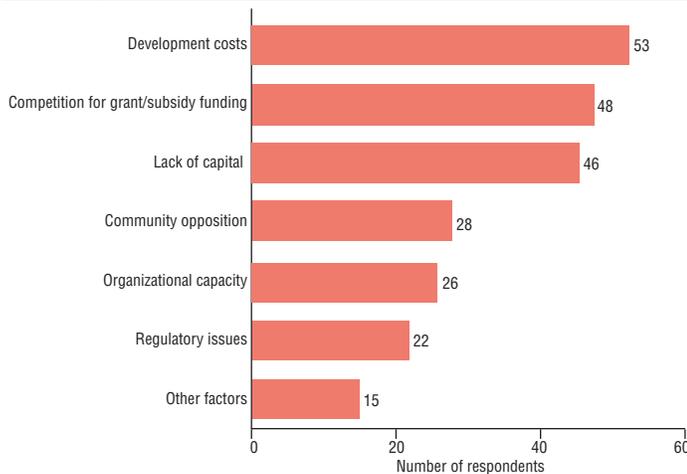
- Continued decreases in bank support, combined with increased competition for foundation support and uncertain government funding does not make for a

Chart 2 Factors That Affect Access to Credit



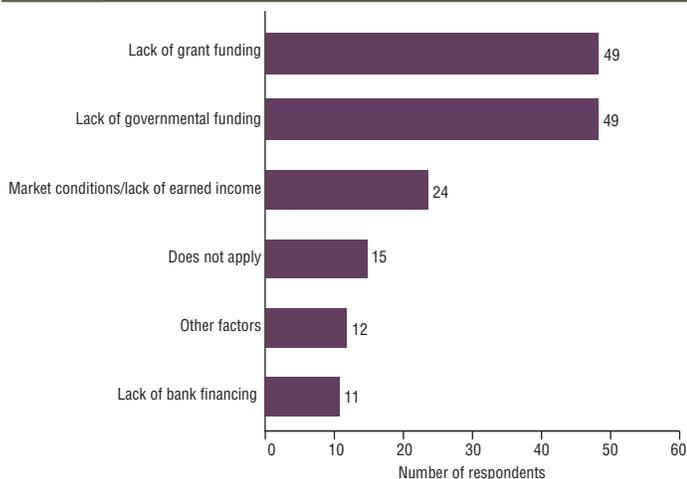
Note: Respondents could check more than one box.

Chart 3 Factors That Affect the Availability of Affordable Housing



Note: Respondents could check more than one box.

Chart 4 Factors That Affect Organization's Financial Sustainability



Note: Respondents could check more than one box.

pleasant budgeting, cash flow or capacity position for local nonprofits.

Additional Insights from Survey Respondents

We also asked nonprofit service providers for any additional insights they would like to report about the conditions of LMI households. Challenges first noted in the diffusion indexes are reflected here; affordable housing issues continue to be a top concern. Some respondents point to the regulatory environment that creates barriers for LMI families wishing to partake in the mortgage market. Others note that developers are just not as interested in affordable housing projects and therefore require more incentives. Many more commenters wrote of the intersection between housing, jobs, transportation and even child care. A common theme is that lack of public transportation and affordable child care options, coupled with rising house prices and stagnant wages, may mean holding employment is too onerous or not cost effective. Respondents also provided a few other specific insights into difficulties LMI households face, including regulatory constraints on credit, proliferation of higher-cost alternative financial services and the need for more financial education.

Challenges and Solutions for Nonprofit Organizations

For this survey, we posed an additional set of questions to service providers: *What is the most prominent issue affecting LMI communities that your organization will focus on for the first half of 2014? Additionally, what information, resources or actions do you believe are needed to move this issue forward?*

Looking forward into the first half of their programming for 2014, nonprofit service providers discussed a variety of subjects. Most of the responses touched on employment concerns. Others brought up the need for better educational opportunities and safe and affordable housing. Finally, providers mentioned financial concerns within their own organizations, including increased competition for fewer funding opportunities as well as frustration with government cutbacks and sequestration. Below are selected comments that have been edited for publication:

- Middle- and low-income citizens need jobs and job training opportunities, even if they are subsidized jobs or stimulus jobs from infrastructure programs funded by the federal government.
- We will focus on job creation and economic development. To move this forward necessitates

congressional approval of a fiscally responsible budget to enable the president to operate federal agencies and fund programs.

- The communities in southern Dallas that are improving are usually strongly supported by private funding. Engagement and funding by philanthropic individuals and organizations along with public funding are critical to improvement in Dallas communities.
- We need more money for rural housing: new, reconstruction and rehabilitation. We are also working on land use, which includes the necessity for street lights, parks, garbage collection and somehow providing incentives to developers to place model subdivisions (colonias with infrastructure) in areas closer to drainage outfalls, public sewer, transportation lines, etc.
- Our organization focuses on financial education with the goal of improving credit scores. Our limited resources cover the cost of accessing credit reports, staff training, and salaries for instruction and one-on-one counseling.

With dwindling resources, nonprofit organizations in the Eleventh District head into 2014 with eyes on the government and private sectors as they seek funding to bolster and sustain their crucial work in improving the well-being of LMI families in their communities.

Notes

¹ Data collected represent the opinions of organizations that complete the survey and should not be interpreted to represent the opinions of all service providers to low- and moderate-income households in the Eleventh District of the Federal Reserve System. In addition, the organizations that respond to the survey will not necessarily be the same from one survey to the next.

² For more economic statistics and analyses on the Eleventh District, see www.dallasfed.org/research/update/reg/2013/1308.cfm.

³ Beginning in 2013, COS switched from a quarterly survey to a biannual survey.

⁴ The number of respondents to the last six months of 2013 survey is 92.

Questions regarding the Community Outlook Survey can be addressed to Emily Ryder at emily.ryder@dal.frb.org